

Consumer Finance Litigation

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GSEs are Now Able to Purchase Loans in Forbearance — to Some Extent

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On April 22, 2020, the Federal Housing Finance Agency announced that it is allowing Fannie Mae and Freddie Mac (the “GSEs”) to purchase loans that go into forbearance within the first month after closing. Previously, the GSEs were not permitted to purchase loans that were in forbearance. According to the FHFA, this change, prompted by the rising number of forbearances due to the COVID-19 pandemic, is geared toward the purpose of keeping the mortgage market “working for current and future homeowners during these challenging times.”

Guide bulletins issued by the GSEs, however, provide additional details demonstrating the limited nature of the FHFA-permitted relief. First, the bulletins make clear that the GSEs will only purchase loans that enter forbearance within one month of closing and are only a single month behind. Loans in forbearance for more than one month are not eligible for purchase. Additionally, eligible notes may only be dated February 1, 2020 through May 31, 2020. They also may only be submitted to the GSEs for potential purchase beginning on May 1, 2020, meaning that the GSEs will conduct purchases for a single month, May 2020.

In addition, the GSEs will impose a loan-level price adjustment of 500 basis points for loans to a first-time homebuyer and 700 basis points for all other loans. In other words, lenders will be charged either 5% or 7% of a loan’s value in order to sell the loan to the GSEs. However, faced with the potential of keeping a delinquent loan, some lenders may be willing to accept the cost of selling such a loan to the GSEs.

The GSEs’ guide bulletins may be found [here](#) and [here](#).

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