**Forbearance Agreement**

A forbearance agreement is a repayment plan as well. The main difference being that the outstanding balance is added to your regular payment often increasing your payment by hundreds of dollars each month.

Let’s use the same example as above. You have a property worth $200,000. The property is worth $200,000, the mortgage payments are the same as above - $1,500 and you are $15,000 behind. You have saved $2,000 dollars.

You contact the bank and give them the same basic script. After reviewing your information, the bank decides a forbearance agreement is the best option for the bank. The bank accepts the $2,000 and then takes the $13,000 you still owe and divides it into 24 equal payments, which is $542 dollars a month. The $542 is added to your original payment of $1,500 increasing your payment to $2,042 a month for the next 24 months!

If you had a difficult time affording $1,500, how can you afford $2,042? Twenty four months is a long time to have such a high payment. If this is a rental property, will rent cover the new payment? If you are not sure, don’t do a forbearance agreement. The upside to a forbearance agreement is that it buys you time to sell the house or try to solve your problem. The downside is that you are in a “pending” state of foreclosure the entire 24 months. If you were 30 days from the foreclosure sale date, you will stay 30 days from the foreclosure sale date for the entire 24 months. What the bank does is postpone the sale date each month. If you miss a payment, the bank sells the house the next month.

Should you stop making the payments, you can easily call the bank and ask for another forbearance agreement as long as you can come up with another down payment. If you just used all the money you had for the last down payment, it might be more difficult to come up with money again.

**Sample Forbearance Agreement**

This agreement is between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (homeowners) and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ (bank) and is an agreement for repayment of delinquent payments.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (homeowners) current mortgage payment is $1,500 and is due on the first day of each month. \_\_\_\_\_\_\_\_\_\_\_\_\_ (homeowners) are currently $15,000 behind in mortgage payments. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (bank) and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (homeowners) have agreed to the following:

$2,000 is due immediately and the balance of $13,000 will be paid over 24 months in equal payments. This following is the agreed upon repayment for the next twenty-four months:

Due Date Current Payment Delinquent Amount Total Due

Jan 1 $1,500 $542 $2,042

Feb 1 $1,500 $542 $2,042

March 1 $1,500 $542 $2,042

April 1 $1,500 $542 $2,042

May 1 $1,500 $542 $2,042

June 1 $1,500 $542 $2,042

July 1 $1,500 $542 $2,042

Aug 1 $1,500 $542 $2,042

Sept 1 $1,500 $542 $2,042

Oct 1 $1,500 $542 $2,042

Nov 1 $1,500 $542 $2,042

Dec 1 $1,500 $542 $2,042

Jan 1 $1,500 $542 $2,042

Feb 1 $1,500 $542 $2,042

March 1 $1,500 $542 $2,042

April 1 $1,500 $542 $2,042

May 1 $1,500 $542 $2,042

June 1 $1,500 $542 $2,042

July 1 $1,500 $542 $2,042

Aug 1 $1,500 $542 $2,042

Sept 1 $1,500 $542 $2,042

Oct 1 $1,500 $542 $2,042

Nov 1 $1,500 $542 $2,042

Dec 1 $1,500 $542 $2,042

Payments must be received in our office \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (address of the bank) on or before the 1st of each month in the form of a cashier’s check made payable to the bank.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (homeowners) agree that any missed payments will void this forbearance agreement and the bank will resume the pending foreclosure. Homeowners also understand that they are still in foreclosure during this entire agreement and that when the final payment is received the pending foreclosure will be stopped.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Homeowner Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Bank Date

As you can see, the forbearance agreement is simple. It typically includes the delinquent amount, the new payment, the dates the payment is due, and a signature. The bank will prepare this agreement for you. If you choose this option, please make your payments on time.