

FORBEARANCE

Sometimes, you just cannot make a required payment on your mortgage, your student loan or your credit card. If you cannot, ask your lender for forbearance, in which case the lender may allow you to postpone (not eliminate) one or more required payments.

Forbearance is temporary relief from short-term financial hardship. Often, but not always, forbearance will come with a price – added interest payments and/or higher future payments – but the price will be less than foreclosure (losing your property) or bankruptcy.

Lenders offer different forbearance terms to different borrowers. If your lender grants you forbearance, be sure you can, and will, meet the terms of the agreement.

Many lenders offered forbearance programs during the COVID-19 crisis, when unprecedented numbers of Americans were furloughed or lost their jobs altogether.

THE LESSON

If you are facing short-term financial difficulty, don't hesitate to ask your lender for forbearance. It's better than actually defaulting on your required payment. It's relief. It's a safety net. Even better, receiving forbearance does not always adversely affect your credit score. Granting forbearance on a mortgage payment may also make sense to the lender; there are significant costs associated with foreclosure.