

## **Mortgage Relief**

D.C. officials are putting the finishing touches on new programs to offer mortgage relief to homeowners and commercial property owners who [need some help making payments](#) while the [coronavirus emergency](#) drags on.

The D.C. Council [passed legislation two weeks ago](#) mandating lenders in the city create mortgage forbearance programs for borrowers, but lawyers working to interpret the new law quickly realized it lacked clarity on a variety of key points.

The council advanced a series of changes Tuesday designed to address those issues and close some potential gaps in other emergency bills previously passed — including a new ban on commercial rent increases, alongside the [existing residential rent increase freeze](#). Lawmakers also voted to give Mayor [Muriel Bowser](#) a little extra time to prepare her budget proposal for fiscal 2021, [pushing the deadline](#) from May 6 to May 12.

The legislative tweaks should allow the mortgage relief measures to move full speed ahead, ensuring all lenders in the District will now allow payment deferrals for mortgage holders who apply. The delays could last for up to 90 days after the lifting of Bowser's pandemic-related emergency order, so long as applicants can demonstrate financial hardship as a result of the public health crisis.

The legislation also specifies that any commercial property owner who successfully wins mortgage relief must pass along those savings to tenants, a particularly significant provision considering most landlords say they'll [only be able to offer rent relief](#) for an extended period of time if they can secure forbearance from their lenders. Owners will have to reduce rent in an amount proportional to the deferred mortgage payments, but tenants will still need to repay any rent that's waived within 18 months of receiving a payment delay.

And the council added language to require any borrower who secures a payment delay to notify tenants of that development within five days. Lenders will also have to report which property owners have requested deferrals to the District's Department of Insurance, Securities and Banking, commonly known as the DISB.

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“This is not a substitute for discussions,” Council Chairman [Phil Mendelson](#) said Tuesday. “The idea is not for tenants to sit in their house and wait to be told, but to be talking to their landlords. And landlords should be talking to their lenders.”

The council also acted to broaden the previous bill’s language around which companies must offer mortgage forbearance, clarifying that both mortgage lenders and servicers are covered under the new policies.

There’s been confusion around which lenders are included in the legislation’s provisions. [Jennifer Lavallee](#), an attorney in the Legal Aid Society of D.C.’s consumer law unit, said in a recent interview that her first read of the bill alarmed her, as she suspected it might only cover banks and lenders regulated locally by the DISB.

That would leave out the vast majority of lenders controlling mortgages around D.C., considering that national banks regulated by the federal government wouldn’t qualify. But Lavallee said additional conversations with the council gave her more confidence the bill’s

language was broad enough to cover all lenders, though she said it would still be up to the DISB's interpretation of the law.

[Paul Drehoff](#), a DISB spokesman, wrote in an email the agency agrees with Lavalley's read of the bill, and the mortgage relief provisions apply to all the lenders that the agency regulates, "as well as federally and state regulated banks."

While the District's new relief programs may take some time for lenders to stand up, anyone with a federally backed mortgage has been able to apply for forbearance since Congress passed the CARES Act last month.

That only encompasses a small share of buildings across D.C. According to an [analysis of federal loan databases](#) compiled by Seattle Times reporter Katherine Khashimova Long, the District has a total of 330 properties with loans backed by [Fannie Mae](#), Freddie Mac and the [Federal Housing Administration](#).

But mortgage holders at those properties are able to secure payment deferrals for up to a year, though analysts lament a lack of clarity about how those agencies will collect deferred payments.