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Although Loss Mitigation Program Participation Is Strong, Rising Rates Imperil Loan Mod Target Goals

From the RADAR Group, Federal Reserve Bank of Philadelphia[1]

While mortgage forbearances and delinquencies are normalizing at or below prepandemic levels, sharply rising mortgage interest rates mean that most borrowers seeking loan modifications *in the current market* will not see their monthly payments reduced by their existing programs' targeted amounts. But there is a silver lining, as many borrowers have successfully come out of forbearance.

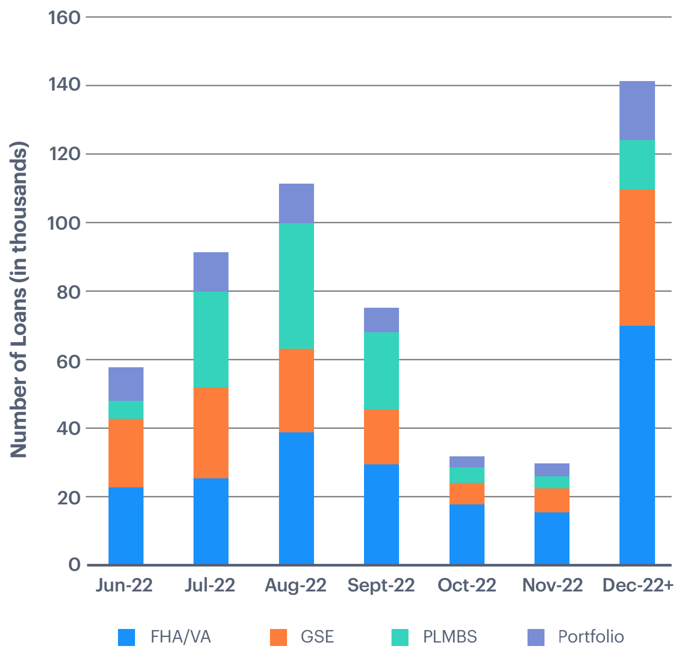
In this report, we do three things. First, we update our forbearance and performance numbers through June 7. Second, we compute expected payment reductions for the two major loan modification programs.[2] This month, however, we compute targets for Federal Housing Administration (FHA) Recovery Mods using current market rates instead of the lower of the contract rate or current market rate.[3] What we show is that most FHA modifications will fall far short of meeting their payment-reduction targets at current interest rates. Finally, we provide the first early evidence of the performance of COVID-19 loss mitigation programs. At present, the overall redefault rate for these loans is 10 percent, which is concerning given overall strong market conditions to date. We will continue to monitor these developments.

Current Market Conditions

Strong housing market and employment conditions continue to lower mortgage delinquencies and forbearances, by latest count to 2 million, with **Table 1** showing mortgage loans in forbearance continuing to fall to 541,925. **Figure 1** presents projected forbearance expirations, assuming borrowers take the maximum forbearance allowed by various programs. Note that 41 percent of forbearances are FHA/VA mortgages.[4] Unless mortgage servicers can successfully execute home-retention options in the coming months, many borrowers face the prospect of selling their homes or losing them to foreclosure.[5]

Figure 1 also lists the investor categories in Table 1. Of special note, FHA/VA have 221,027 mortgages still in forbearance. Their business is targeted at low- to moderate-income borrowers, who also have higher minority shares. We will discuss the demographic characteristics of borrowers past due on their mortgages later in this report.

Figure 1: Projected Forbearance Exits as of June 7, 2022



Sources: Black Knight Data & Analytics, LLC; and RADAR

Table 1: Mortgage Loans in Forbearance by Investor Type as of June 7, 2022

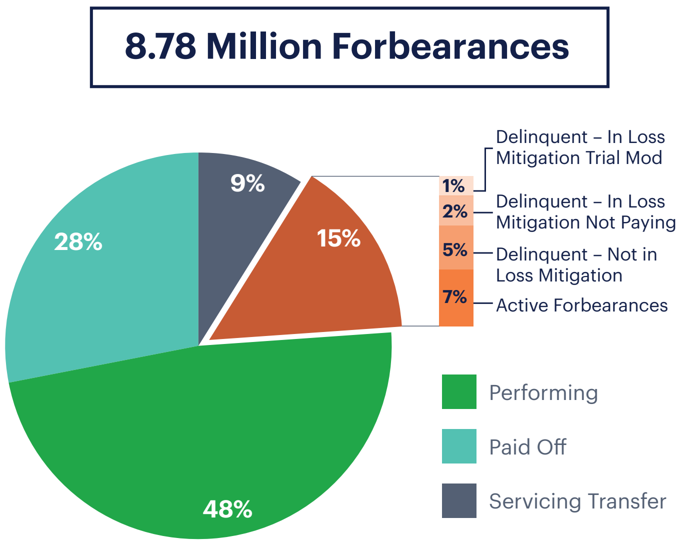
Counts and Balances	FHA/VA	GSEs	PLMBS	Portfolio	Total
Active Loan Count (Mil)	12.1	27.9	2.5	10.5	53.0
Loans in Forbearance – Counts	221,027	140,591	115,195	65,111	541,925
UPB of Loan Balances in Forbearance – UPB ($Bil)	47	30	22	6	104
Share of Loans in Forbearance	1.8%	0.5%	4.6%	0.6%	1.0%

Note: UPB = unpaid principal balance
Sources: Black Knight Data & Analytics, LLC; and RADAR

Examining Home-Retention Options

As shown in the green shaded areas in **Figure 2**, of the 8.78 million mortgages that entered forbearance since the onset of the pandemic, more than three-quarters are performing or have voluntarily paid off.

Figure 2: Status of Loans Ever in a COVID-19 Forbearance as of June 7, 2022



Sources: Black Knight Data & Analytics, LLC; and RADAR

The focus of our analysis is on those who are still not paying, whether in forbearance or not, depicted by the orange segments pulled out of Figure 2. Together, these make up about 15 percent of borrowers who entered forbearance.

For these borrowers, the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA) are offering two main home-retention options for borrowers:[6]

1. For borrowers who can resume regular payments, missed payments can be paid back in a lump sum, with a repayment plan or with a deferral or *partial claim*, in which missed payments are put into a noninterest-bearing subordinate lien to be paid back when the mortgage pays off.

2. For borrowers who cannot resume regular payments, loan modifications to reduce monthly payments are available. The FHFA has announced plans for GSE loans and HUD for FHA and VA loans; the details are summarized in **Appendix 1**.

As shown in **Appendix 2**, 29 percent of borrowers have taken the first option thus far. Some borrowers will be unable — or choose not — to resume their regular mortgage payments. Loan modifications that reduce the mortgage payment are available to these borrowers; 11 percent have already done so, with another 1 percent in transition for a modification (i.e., a trial modification). To achieve this, the FHFA and HUD adopted payment-reduction targets of 20 percent and 25 percent, respectively, as shown in Appendix 1.

To assess the effectiveness of the FHFA and HUD plans for FHA loans meeting their targets,[7] we calculate the average declines in principal and interest (P&I) payments and for full mortgage payments that include escrows, generally made up of principal, interest, taxes, and insurance (PITI).[8]

The three major federally insured programs are the GSE Flex Mod and the two FHA COVID-19 Recovery Modifications, starting with a 30-year mortgage, and followed by one with a 40-year mortgage, which was formally announced on April 1 and became available on June 1.[9] Each plan meets its targets differently.

For the FHFA and HUD programs, **Table 2** reports shares of loan modifications meeting their P&I reduction targets, as well as the average declines in P&I and PITI monthly payments.[10] Note that with recent interest-rate increases, average payment reductions have decreased significantly and are now below program targets for most borrowers. For example, the average

Table 2: The Effectiveness of the Agencies' Insured Modification Programs as of June 7, 2022

Program	Market Counts	Shares of Loan Mods Meeting P&I Reduction	Average P&I Reduction	Average PITI Reduction
GSE Flex Mod with Balance Deferral Subject to 80% MTM LTV Constraint	94,262	22%	16%	11%
GSE Flex Mod with Balance Deferral Not Subject to 80% MTM LTV Constraint	94,262	99%	23%	16%
FHA COVID-19 Recovery Mod & 30-Year Term	131,285	10%	15%	9%
FHA COVID-19 Recovery Mod & 40-Year Term	131,285	12%	15%	10%

Notes: This table provides statistics on the reduction in principal and interest (P&I) and principal, interest, taxes, and insurance (PITI) fees under the various programs implemented for government-insured (i.e., Agencies) programs described in Appendix 1. Market counts represent sample counts extrapolated to the market in the manner described in An et al. (2021, (see Endnote 1) Appendix Table A4).

Sources: Black Knight Data & Analytics, LLC; *Inside Mortgage Finance*; and RADAR

P&I reduction for GSE Flex Mods was 27 percent in December 2021, 11 percentage points more than in the current market in 2022. At the 5.25 percent modification rate starting on June 14, only 22 percent of modifications meet the GSE Flex Mod 20 percent P&I reduction target, as described in Appendix 1.

But what is causing so many GSE Flex Mods to miss their payment reduction targets is the constraint on deferrals of principal balances, which states that any deferred principal can be no more than an amount that would create a post-modification mark-to-market loan-to-value (MTM LTV) ratio less than 80 percent (using the interest-bearing principal balance and latest updated property value).[11] With this constraint, only 22 percent of past due mortgages in our sample meet their 20 percent target. This is because strong house price growth has put most mortgages below the 80 percent threshold, meaning that the only benefit they get comes from extending the term to 40 years.

But, as shown in Table 2, if we drop this 80 percent MTM LTV constraint, almost all mortgages can meet their targeted payment reductions, even while not allowing balance deferral amounts of more than 30 percent of the gross post-modification balance UPB of the mortgage loan.

For FHA loans, only 10 percent meet the existing FHA COVID-19 Recovery Mod's 25 percent P&I reduction target with a 5.75 percent post-mod interest rate. With the FHA 40-year term becoming active June 1, the longer term means that 12 percent of borrowers can meet their targets, even with an interest rate 50 basis points higher (6.25 percent) than for the 30-year mortgage.

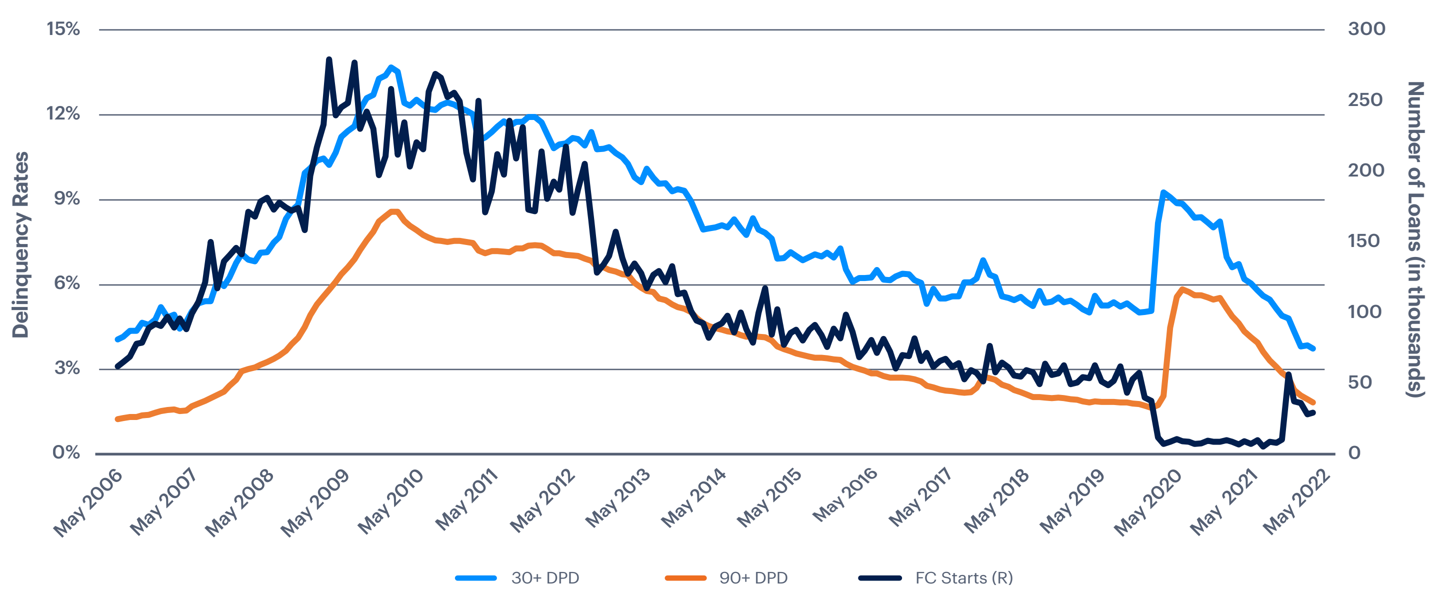
Note that these results are much worse than what we reported last month, where we allowed mortgages to stay at their existing contract rates if they were *higher* than the market rate. Since that requires servicers to place loans into securities at prices below par, this did not appear realistic, so we use the higher of the market rate or contract rate in this exercise.

Appendix 4 provides some real-world examples of how the GSE Flex Mod Program targets can be met on loans by dropping the MTM LTV constraint and how the FHA COVID-19 Recovery Program can be met with a 40-year term.

Foreclosure Activity

As shown in **Figure 3**, because of various foreclosure moratoria and temporary protections, foreclosure activity stopped abruptly in March 2020. These protections ran out on January 1, 2022. In January, foreclosure starts rose sharply to an estimated 56,000. February, March, April, and May recorded 37,000, 36,000, 28,000, and 29,000 foreclosure starts, respectively. While these numbers are far higher than seen during the pandemic, they are now at levels below those observed prepandemic. So we have not yet seen a surge in foreclosures once protections ran out at year-end. In fact, foreclosure starts appear to be following the downward trend observed prepandemic, another reflection of the strong housing market.

Figure 3: Delinquency Rates and Foreclosure Flows as of June 7, 2022
(Delinquencies as percent of balances, foreclosures (FC) in thousands)



Notes: These delinquency figures reflect investor reporting and will not match reporting to the credit bureaus, which the CARES Act prohibits reporting as delinquent if the mortgage was current on March 1, 2020, is past due, and in a CARES Act forbearance.

Sources: Black Knight McDash Data and Black Knight Data & Analytics, LLC

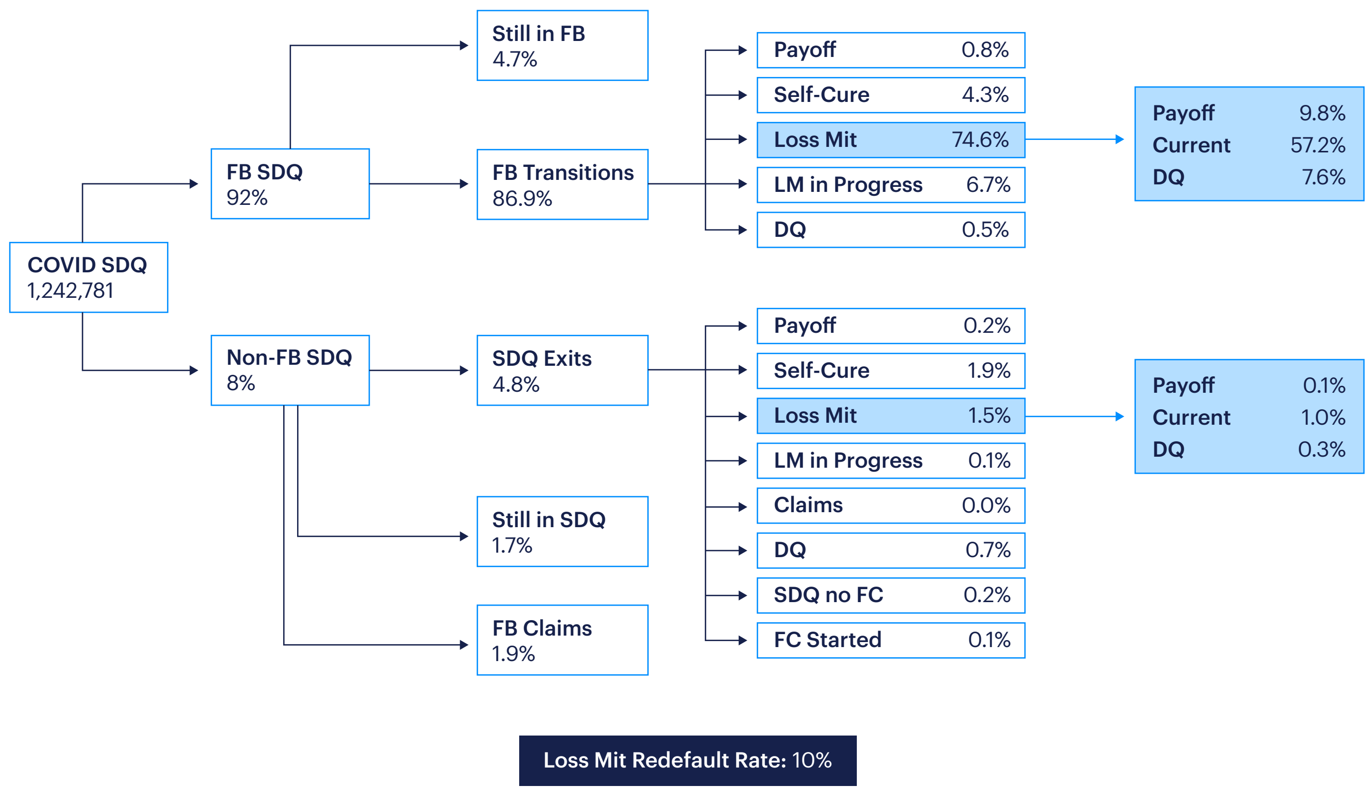
Performance of COVID-19 Loss Mitigation Programs

It is now time to begin tracking post-pandemic performance of mortgages that were delinquent during the pandemic, including those in, out of, and never in forbearance. While the COVID-19 emergency has still not been declared as being over, and we are admittedly at a highly uncertain time for the economy and mortgage markets, we will start to track the performance of seriously delinquent loans, with a special focus on those that have gone through the loss mitigation process.

The flow chart in **Table 3** is our first attempt to evaluate the performance of loans that missed three or more mortgage payments before or during the pandemic. The flow chart starts on the left with all loans 90 or more days past due on or before April 2020 and then tracks performance going forward (from left to right), first breaking out those that entered or did not enter forbearance. As shown, 92 percent of all seriously delinquent loans entered forbearance, 8 percent never did. The next two columns also sum to 100 percent.

Of primary importance is the redefault rate of loans that servicers identify as having exited loss mitigation. As of June 7, the redefault rate for all mortgages has been 10 percent, which could be concerning given strong market conditions. By investor, redefault rates are 5 percent for GSE loans, 12 percent for FHA/VA, 16 percent for portfolio, and 31 percent for PLMBS. We will continue to track redefault rates monthly.

Table 3: Performance of All COVID-19 Seriously Delinquent Mortgages as of June 7, 2022



Notes: Loss Mit refers to all loans listed as 90 or more days delinquent (SDQ) that were identified by servicers as having been in loss mitigation after March 2020; FB SDQ = SDQ in Forbearance; non-FB SDQ = SDQ but never in forbearance after March 2020; DQ = delinquent but not SDQ; FC = foreclosure; Claims = loan has defaulted with a claim being filed.

Sources: Black Knight Data & Analytics, LLC; and RADAR

Demographic Characteristics of Past Due Mortgages

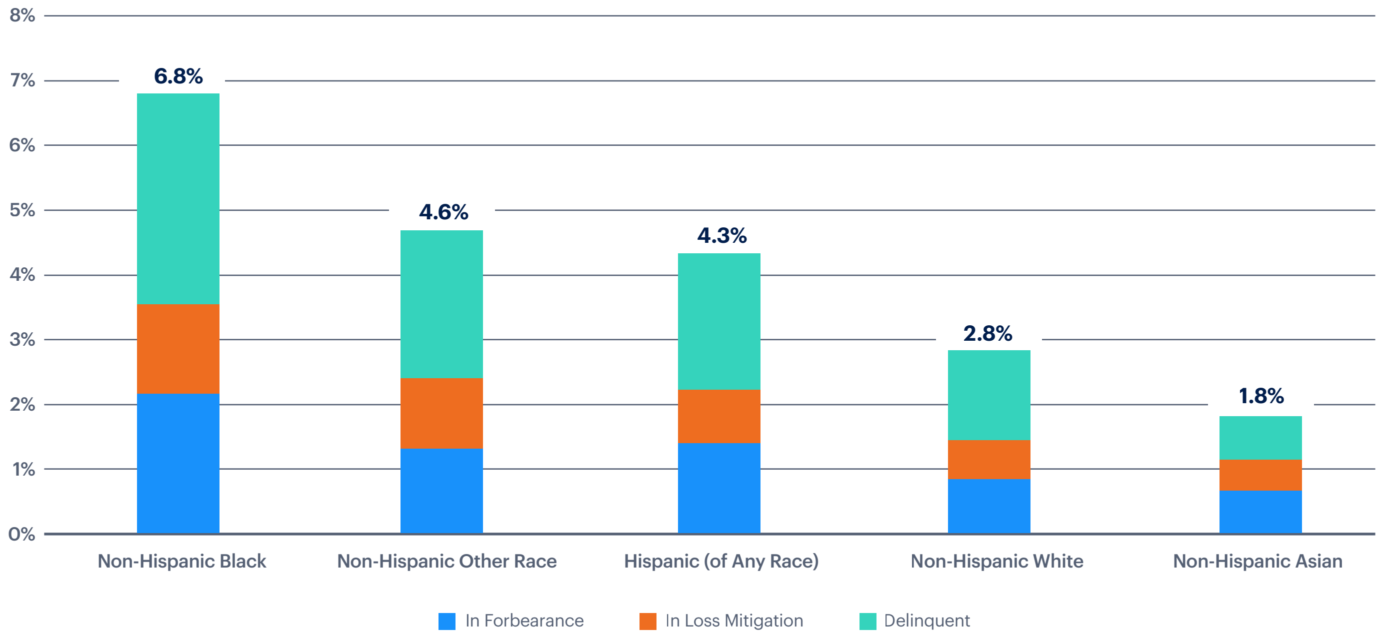
An important aspect of the pandemic is its uneven impact on different racial and ethnic groups. To examine these effects, we merged a sample of our servicing data from Black Knight Analytics with confidential Home Mortgage Disclosure Act (HMDA) data, where borrower race and household income are collected at application. As shown in **Figure 4**, 6.8 percent of Black borrowers are in some past due state, the highest of any group. Hispanic borrowers have the next highest rate, above those of White or Asian borrowers.

Past due states include borrowers in forbearance, borrowers not in forbearance but in some stage of loss mitigation,[12] and borrowers who are delinquent but neither in forbearance nor in loss mitigation.

For further details on Figure 4, see **Appendix 3**, which includes these past due percentage breakouts as well as past due rates by income quartile and for our four major investors described in Table 1.

Demographic Shares of Past Due Mortgages

Figure 4: Past Due Rates by Race and Ethnicity as of June 7, 2022



Sources: Black Knight Data & Analytics, LLC; Home Mortgage Disclosure Act (HMDA); and RADAR

Appendix 1
Modification Programs Offered by the GSEs, FHA, and VA

Target/Steps	GSE Flex Mod	FHA COVID-19 Recovery Modification	VA COVID-19 Refund Modification
Target	Minimum 20% reduction in P&I payment	Minimum 25% reduction in P&I payment	Minimum 20% but not more than 25% P&I reduction
Step 1	Capitalize arrears in loan balance	Apply arrears to a partial claim up to 25% of current loan balance	VA purchases arrearages and deferrals up to 30% of balance, refunds proceeds to servicer for pulling loan from pool
Step 2	Set interest rate to lower of contractual rate or modification interest rate*	Set interest rate to the PMMS rate** for term extensions to 360 months or PMMS rate plus 50 basis points for term extension to 480 months, each rounded to nearest one-eighth	Set interest rate at PMMS rate plus 50 basis points but no more than 1% higher than existing rate
Step 3	Extend maturity to 480 months from mod effective date	Extend maturity to 360 months from mod effective date, 480 months later in this year	Extend loan terms to 360 months from mod effective date or 120 months past remaining loan maturity
Step 4	If post-mod MTMLTV > 100%, forbear principal until MTMLTV = 100% up to 30% of post-capitalized loan cap	If 25% P&I reduction not met, apply principal deferral until 25% reduction reached up to 25% of current loan cap; place additional arrearages above cap into loan	If PITIA payment exceeds 31% of gross income, servicer contacts VA to consider additional assistance
Step 5	If 20% P&I reduction and PMHTI ratio ≤ 40% not met, forbear principal until met or 80% MTMLTV is met up to 30% post-capitalized balance	If 25% payment reduction not met, offer borrower the terms from Step 4	

Note: COVID-19 Flex Modification Terms were put in effect on June 30, 2021, for the GSEs; June 25, 2021, for the FHA ALM; and July 23, 2021, for the FHA COVID-19 Recovery Modifications. P&I = principal & interest; MTMLTV = mark-to-market loan-to-value ratio; PMHTI = post-modification payment-to-income ratio; PITIA = principal, interest, property taxes, insurance, and association fees; PMMS = Primary Mortgage Market Survey.

Sources: FHFA, FHFA Expands Use of Interest Rate Reduction to Help Borrowers with a COVID-19 Hardship Reduce Their Monthly Mortgage Payment | Federal Housing Finance Agency;

FHA: HUD Mortgagee Letter 21-18, Mortgagee Letters | HUD.gov / U.S. Department of Housing and Urban Development (HUD); and VA; Circular 26-21-13 26_21_13.pdf (va.gov).

*The current modification interest rate is found at Freddie Mac Modification Interest Rate — Freddie Mac Single-Family.

**The current Freddie Mac PMMS rate is found at Mortgage Rates — Freddie Mac.

Appendix 2

COVID-19 Forbearance Dispositions as of June 7, 2022

Category 1: Performing or Paid Off	
Performing	**48%**
Always Performing	7%
Lump-Sum Payment	12%
Repayment Plan	10%
Deferrals/Partial Claims	7%
Modification	11%
Payoff	**28%**
Payoff from Delinquency or Forbearance	9%
Payoff from Current	19%
Category 2: Still in Forbearance	
Active Forbearances	**7%**
Category 3: Delinquent, Defaulted	
Delinquent — In Loss Mitigation Trial Mod	**1%**
Delinquent — In Loss Mitigation Not Paying	**2%**
Delinquent — Not in Loss Mitigation	**5%**
Default	**0%**
Servicing Transfer	**9%**
Total	**100%**
Share Lump-Sum Payment, Repayment Plan, Arrears Deferral — Option 1	29%
Share Paid Off Out of Forbearance or Delinquency	32%
Share Performing or Paid Off	76%
Share of Loans Delinquent in Loss Mitigation Not Paying	64%

Notes: This table summarizes from our sample the disposition of all loans that entered forbearance during the pandemic. Dispositions were determined by gathering servicers' classifications and examining monthly payment patterns compared against scheduled payments. Deferrals place past due arrears to the end of the loan; *partial claims* are the names given to FHA/VA deferrals. *Trial modifications* are defined as those classified in loss mitigation, still delinquent but where borrowers are making payments. Servicing transfers are loans sold where a status could not be determined.

Sources: Black Knight Data & Analytics, LLC; and RADAR

Appendix 3

Mortgage Shares in Different States of Nonpayment by Demographic/Investor Groups as of June 7, 2022

Demographic/Investor Classifications	In Forbearance	Delinquent, No Forbearance			Total
		In Loss Mitigation	Not in Loss Mitigation		
			30-60DPD	90+DPD	
Race and Ethnicity					
White, Non-Hispanic	0.8%	0.6%	1.0%	0.4%	2.8%
Black, Non-Hispanic	2.2%	1.4%	2.3%	0.9%	6.8%
Asian, Non-Hispanic	0.7%	0.5%	0.5%	0.2%	1.8%
Other Race, Non-Hispanic	1.3%	1.1%	1.6%	0.6%	4.6%
Hispanic (of Any Race)	1.4%	0.8%	1.6%	0.5%	4.3%
Income at Origination					
1st Quartile (Lowest)	1.4%	0.9%	1.6%	0.6%	4.5%
2nd Quartile	1.2%	0.8%	1.3%	0.5%	3.8%
3rd Quartile	0.9%	0.6%	0.9%	0.3%	2.6%
4th Quartile (Highest)	0.5%	0.4%	0.5%	0.2%	1.5%
Investor Type					
GSE	0.7%	0.4%	0.5%	0.2%	1.6%
FHA/VA	1.7%	1.5%	2.4%	0.9%	6.5%
PLMBS	3.7%	1.1%	4.6%	1.6%	11.0%
Portfolio	0.5%	0.4%	0.8%	0.5%	2.2%
Servicer Type					
Bank	0.8%	0.6%	0.9%	0.3%	2.6%
Non-Bank	2.0%	1.2%	2.1%	0.8%	6.3%

Notes: Figures are from a 20 percent random sample of data from Black Knight Data & Analytics originated in 2019 and prior matched with confidential Home Mortgage Disclosure Act (HMDA) data.

Sources: Black Knight Data & Analytics, LLC; HMDA; and RADAR

In this table, we further break out past due loans between those 30- to 60-days past due (DPD) and those 90 or more DPD, which includes loans in foreclosure.

For borrowers' household income data, we divide them by metropolitan statistical areas (MSA) median income (also in HMDA), then categorize into quartiles. We categorize borrowers relative to median income in their MSAs in the application year to make household purchasing power at application comparable across MSAs and time.

For our four major investor groups described in Table 1, consistent with these demographic trends, FHA/VA loans have significantly higher shares in nonpayment, as their business is targeted at low- to moderate-income borrowers, who also have higher shares of minorities. PLMBS loans have the highest nonpayment rates; they primarily hold nonagency nonconforming mortgages.

Appendix 4

Illustration of Borrowers' Benefit from Agency Loan Modification Programs

GSE Flex Mod		
Existing and Modified Loan Terms	**GSE Flex Mod with 80% Updated LTV Constraint**	**GSE Flex Mod Without 80% Updated LTV Constraint**
UPB	$289,787	$289,787
Current Interest Rate	4.375%	4.375%
Principal & Interest Payment (P&I)	$1,437	$1,437
Principal, Interest, Tax, and Ins. Payment (PITI)	$1,629	$1,629
Number of Missed Payments	13	13
Arrears	$21,177	$21,177
Balance with Arrears Capitalized	$310,964	$310,964
Updated LTV	63%	63%
Modification Interest Rate	5.250%	5.250%
Post Modification Term in Months	480	480
Modified P&I with Term Extension	$1,373	$1,373
P&I Reduction	**4.4%**	**4.4%**
Balance Deferral	n/a	$50,614
Interest Bearing Balance After Deferral	n/a	$260,350
Modified P&I with Term Extension and Bal. Deferral	n/a	$1,150
P&I Reduction	n/a	**20.0%**

FHA COVID-19 Recovery Modification		
Existing and Modified Loan Terms	**FHA COVID-19 Recovery Modification 30-Yr. / Modification Rate=5.25%**	**FHA COVID-19 Recovery Modification 40-Yr. / Modification Rate=5.75%**
UPB	$140,135	$140,135
Portfolio	0.5%	0.4%
Current Interest Rate	5.375%	5.375%
Principal & Interest Payment (P&I)	$824	$824
Principal, Interest, Tax, and Ins. Payment (PITI)	$1,902	$1,902
Number of Missed Payments	5	5
Arrears	$9,510	$9,510
Partial Claim	$9,510	$9,510
Modification Interest Rate	5.250%	5.750%
Post Modification Term in Months	360	480
Modified P&I with Term Extension	$774	$747
P&I Reduction	**6.1%**	**9.4%**
Balance Deferral	$25,524	$24,163
Interest Bearing Balance After Deferral	$114,611	$115,972
Modified P&I with Term Extension and Bal. Deferral	$633	$618
P&I Reduction	**23.2%**	**25.0%**

Notes: This table illustrates how borrowers benefit from the two Agency loan modification programs. For the GSE Flex Mod, the borrower's current note rate of 4.375 percent is lower than the current modification rate of 5.25 percent. Since the loan's updated LTV of 63 percent is lower than the 80 percent constraint, the modification would only allow for a term extension, reducing the P&I payment by 4.4 percent. By dropping the 80 percent updated LTV constraint, the modification would allow for a balance deferral and reduce the P&I payment to the 20 percent target.

For the FHA COVID-19 Recovery Modification, with a term extension to 30 years, the borrower's current note rate of 5.375 percent is higher than the current PMMS rate of 5.25 percent, so the borrower would benefit from a lower rate, term extension, and balance deferral; the modification would reduce the P&I payment by 23.2 percent, which is below the 25 percent payment reduction target. With a term extension to 40 years, even though the modification rate of 5.75 percent is higher, the loan can be modified to reduce the P&I payment to the 25 percent target.

Sources: RADAR estimates using data from Black Knight Data & Analytics, LLC

Endnotes

[1] For a more thorough treatment of issues raised in this report, see "Inequality in the Time of COVID-19: Evidence from Mortgage Delinquency and Forbearance" (philadelphiafed.org) by An, Cordell, Geng, and Lee (2021/R), who are the primary authors of this report from the Risk Assessment, Data Analysis, and Research (RADAR) Group. The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

[2] The two major programs we analyze are the Government-Sponsored Enterprise (GSE) Flex Mod and the Federal Housing Administration (FHA) COVID-19 Recovery Mod Programs. Description of their programs and targets are detailed in Appendix 1. The two private sector investors — Portfolio Lenders and Private-Label Mortgage-Backed Securities (PLMBS) — are assumed to use the GSE Flex Mod Program.

[3] Last month, we assumed that FHA servicers would choose the lower of the mortgage contract rate or the latest Freddie Mac Primary Mortgage Market Survey (PMMS) rate, as is done with GSE Flex Mods. Since choosing the existing contract rate would mean servicers would be placing FHA loans into securities at prices below par, we now assume that servicers will choose the latest PMMS rate for 30-year mortgages, adding one-half percentage point (50 basis points (bps)) for 40-year mortgages, as per the U.S. Department of Housing and Urban Development (HUD) Mortgagee Letter 22-07. See Appendix 1 for details. We thank Kavan Bhaget for pointing this out to us.

[4] CARES Act forbearance terms were first extended by the Biden administration, then further refined by regulators. For the latest terms for federally insured mortgages, see Extending Your Mortgage Forbearance | Consumer Financial Protection Bureau (consumerfinance.gov). Industry sources have informed us that PLMBS and portfolio forbearance programs match the GSE programs.

[5] Federal foreclosure moratoria expired on July 31, 2021. The CFPB amended Regulation X to provide "temporary special COVID-19 procedural safeguards" on most mortgages before servicers can start foreclosure, inclusive of all in forbearance, effective on August 31, 2021. For details, see Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X | Consumer Financial Protection Bureau (consumerfinance.gov).

[6] More details are provided by the CFPB at Repay Your Forbearance | Consumer Financial Protection Bureau (consumerfinance.gov).

[7] Due to special features of VA loan mods, we cannot assess them. See Appendix 1.

[8] Some borrowers pay their own escrows, so these are not included in their PITIs. Most mortgages are escrowed.

[9] See HUD Mortgagee Letter 22-07. The GSEs presently offer a 40-year mortgage in their Flex Mod Program, which we assume private sector investors also adopt. As explained in An et al. (2021), extending terms to 40 years is the lowest-cost option for reducing payments for loan mods, lower than reducing interest rates or forbearing on past payments or additional principal.

[10] Loan counts vary from those reported in Table 1; in Table 2, we only include mortgages in forbearance that are 90 or more days delinquent.

[11] Since our process to "mark to market" home values use CoreLogic repeat sales indexes, our figures are likely to be upper-bound percentages of modifications missing their targets since these indexes more accurately reflect normal market transactions, not distressed sales.

[12] Borrowers in loss mitigation and not in forbearance include borrowers in a *trial* loan modification in which borrowers are offered lower payments and the servicer requires several consecutive payments to be made before these more favorable loan terms are made permanent and borrowers are brought current on their mortgages.