

## REMIC Relief for COVID-19 Related Modifications and Forbearance

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The [Coronavirus Aid, Relief and Economic Security Act](#) allows certain borrowers with federally backed mortgage loans and certain multifamily borrowers with federally backed mortgage loans that are experiencing a financial hardship due to the COVID-19 emergency to request and obtain forbearance on their loans. In addition, the expectation is that holders and servicers of non-federally backed mortgage loans will either voluntarily, or through state-mandated loan forbearance programs, provide forbearances for a period of three to six months to borrowers experiencing financial hardships due to the COVID-19 emergency. (For a summary of the CARES Act, see "[Coronavirus Aid, Relief, and Economic Security \(CARES\) Act Signed into Law.](#)")

Forbearances and workouts of mortgage loans create tax issues for real estate mortgage investment conduits (REMIC) and investment trusts. To address certain tax issues potentially raised by forbearances mandated by the CARES Act and other similar COVID-19 forbearance programs, and in response to comments received by the IRS from members of the securitization industry, the IRS issued [Revenue Procedure 2020-26](#), which provides safe harbor relief for REMICs where borrowers are granted forbearance (and related modifications) in connection with financial hardships due to the COVID-19 emergency.

The relief provided is similar in many respects to the relief provided by the IRS during the financial crisis of 2008-2010, and this type of stop-gap relief continues to be necessary because the REMIC tax rules are not really designed to deal with broad-based mortgage modification plans, such as the forbearance plan in the CARES Act, when the mortgage market is under extreme duress.

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