



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING –
FEDERAL HOUSING COMMISSIONER

Date: April 1, 2020

Mortgagee Letter 2020-06

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject FHA’s Loss Mitigation Options for Single Family Borrowers Affected by the Presidentially-Declared COVID-19 National Emergency in Accordance with the CARES Act

Purpose The purpose of this Mortgagee Letter (ML) is to inform mortgagees of special Loss Mitigation Home Retention Options available to Single Family borrowers, as well as an extension period for Home Equity Conversion Mortgages (HECM), affected by the COVID-19 Presidentially-Declared National Emergency in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Furthermore, this ML supersedes FHA’s Presidentially-Declared Major Disaster Areas (PDMDA) guidance listed in SF Handbook 4000.1 for Borrowers impacted by the COVID-19 National Emergency.

Effective Date The exclusion of the COVID-19 National Emergency from FHA’s PDMDA guidance in Handbook 4000.1 is effective immediately. For Mortgagees that have begun using FHA’s PDMDA Loss Mitigation Options, i.e. Forbearance and Standalone Partial Claims (III.A.3.c), they must convert those options to the COVID-19 National Emergency Loss Mitigation Options listed in this ML.

The sections entitled *Forbearance for Borrowers Affected by the COVID-19 National Emergency* and *Extension Period for Home Equity Conversion Mortgages Affected by the COVID-19 National Emergency* are effective immediately.

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The Mortgagees must implement all other procedures set forth in this ML no later than April 30, 2020, but may begin using the new procedures immediately.

Mortgagees may approve the initial COVID-19 Forward Forbearance or HECM Extension Period no later than October 30, 2020.

Public Feedback

HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

Affected Programs

This guidance applies to all FHA Title II Single Family mortgage programs.

Affected Topics

This ML will add Handbook 4000.1, Section III.A.3.d Presidentially-Declared COVID-19 National Emergency guidance. This ML also excludes PDMDAs declared as a result of COVID-19 from being covered by the Presidentially-Declared Major Disaster Areas guidance in Handbook 4000.1 Section III.A.3.c. for Borrowers affected by the COVID-19 National Emergency.

This ML will extend deadlines found in:

- Mortgagee Letter 2015-10, *Home Equity Conversion Mortgage (HECM) Due and Payable Policies*
 - Mortgagee Letter 2015-11, *Loss Mitigation Guidance for Home Equity Conversion Mortgages (HECMs) in Default due to Unpaid Property Charges*
 - 24 C.F.R. §206.125, *Acquisition and Sale of Properties* and §206.205, *Property Charges*
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Background

HUD is working to provide mortgagees and borrowers with additional Loss Mitigation Home Retention Options due to the COVID-19 National Emergency, and to clarify requirements around these options and to fully implement the CARES Act. HUD anticipates that financial impacts of COVID-19 on many borrowers will include a combination of wage reductions, job losses or interruptions, and the inability to work for a variety of reasons, such as a lack of telework options or lack of child care – on top of potential impacts of contracting COVID-19. To alleviate concerns and burdens, as well as relieve additional stress and uncertainty on borrowers and mortgagees impacted by the COVID-19 National Emergency, the U.S. federal

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government is putting forward a number of policies and programs. The Loss Mitigation Options put forward in this ML are part of this broader effort.

Summary of Changes

Changes to HUD's Loss Mitigation Options for Borrowers Affected by the COVID-19 National Emergency include:

- Forbearance for Borrowers Affected by the COVID-19 National Emergency
 - COVID-19 National Emergency Standalone Partial Claim
 - Exclusion of Borrowers impacted solely by the COVID-19 National Emergency from FHA's PDMDA Guidance in Handbook 4000.1 for the purposes of this National Emergency
 - Extension Period for Home Equity Conversion Mortgages Affected by the COVID-19 National Emergency
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HUD Single Family Housing Policy Handbook 4000.1

The above-mentioned policy changes will be incorporated into Handbook 4000.1 as appears below.

Programs and Products (III.A.3.)

d. Presidentially-Declared COVID-19 National Emergency

Presidentially-Declared COVID-19 National Emergency Servicing and Loss Mitigation Program

Loss Mitigation for Borrowers Affected by the COVID-19 National Emergency

The Mortgagee must not deny COVID-19 National Emergency Home Retention Options to Borrowers that experience an adverse impact on their ability to make on-time Mortgage Payments due to the COVID-19 National Emergency and satisfy the loss mitigation criteria set forth in this section.

(A) Forbearance for Borrowers Affected by the COVID-19 National Emergency

If a Borrower is experiencing a financial hardship negatively impacting their ability to make on-time Mortgage Payments due to the COVID-19 National Emergency and makes a request for a forbearance, the Mortgagee must offer the Borrower a forbearance, which allows for one or more periods of reduced or suspended payments without specific terms of repayment.

The Mortgagee may utilize any available methods for communicating with a Borrower regarding a forbearance to meet these requirements. Acceptable methods of communication regarding a forbearance include, but are not limited to, emails, texts, fax, teleconferencing, websites, or sending out a general communication advising Borrowers

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that forbearance is granted provided the Borrower emails a request or calls their Servicer.

The initial forbearance period may be up to 6 months. If needed, an additional forbearance period of up to 6 months may be requested by the Borrower and must be approved by the Mortgagee.

The term of either the initial or the extended forbearance may be shortened at the Borrower's request.

The Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the Borrower is on a Forbearance Plan.

(B) COVID-19 National Emergency Standalone Partial Claim

For any Owner-Occupant Borrower who receives a *Forbearance for Borrowers Affected by the COVID-19 National Emergency*, the Mortgagee must evaluate the Borrower for the COVID-19 National Emergency Standalone Partial Claim no later than the end of the forbearance period(s).

(1) Eligibility for COVID-19 National Emergency Standalone Partial Claim

The Mortgagee must ensure the following eligibility requirements are met:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020.
- The Borrower indicates they have the ability to resume making on-time mortgage payments.
- The Property is owner-occupied.

(2) Terms of the COVID-19 National Emergency Standalone Partial Claim

The Mortgagee must ensure that:

- the Borrower's accumulated late fees are waived; and
- the COVID-19 National Emergency Standalone Partial Claim amount includes only arrearages, which consists of Principal, Interest, Taxes, and Insurance; and
- the COVID-19 National Emergency Standalone Partial Claim does not exceed the maximum statutory value of all Partial Claims for an FHA-insured Mortgage, as listed in Statutory Maximum for Partial Claims (III.A.2.k.v(D)(2)(a)); and
- the Borrower(s) receives only one COVID-19 National Emergency Standalone Partial Claim.

(3) Required Documentation for COVID-19 National Emergency Standalone Partial Claim

The Mortgagee must submit all required documentation for Partial Claims as listed under Delivery of Partial Claim Documents (III.A.2.k.v(J)(6)).

The Mortgagee is automatically granted a 90-day extension to the 6-month deadline for the recorded mortgage.

If a Mortgagee experiences additional delays out of their control, including past the automatic 90-day extension for the recorded mortgage, that impact delivery of the Partial Claim documents, Mortgagees may file requests for an additional extension in accordance with Requests for Extensions of Time for Delivery of Partial Claim Documents (III.A.2.k.v(J)(7)).

(C) Single Family Default Monitoring System (SFDMS) Reporting Requirements for Borrowers Affected by the COVID-19 National Emergency in Loss Mitigation

Servicers must report the Default/Delinquency Reason Codes that apply to the Borrower at the end of each reporting cycle and must update the code as the Borrower's circumstances change.

(D) Required Financial Evaluation for other Loss Mitigation Home Retention Options

The Mortgagee must evaluate any Borrower not brought current through a "COVID-19 National Emergency Standalone Partial Claim" Option for other Loss Mitigation Home Retention Options (III.A.2.k) and Home Disposition Options (III.A.2.l).

Borrowers who are Delinquent due to a forbearance received following a COVID-19 National Emergency Declaration are deemed to satisfy the eligibility requirements for FHA Loss Mitigation Home Retention and Home Disposition Options.

(E) Terms of the Mortgage are Unaffected

Nothing in this Mortgagee Letter confers any right to a Borrower to any loss mitigation or any other action by HUD or the Mortgagee. Further, nothing in this Mortgagee Letter interferes with any right of the Mortgagee to enforce its private contractual rights under the terms of the Mortgage. All private contractual rights and obligations remain unaffected by anything in this Mortgagee Letter. Where a Mortgagee chooses to enforce its contractual rights after expiration of COVID-19

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National Emergency forbearance, the standard time frames to initiate foreclosure and reasonable diligence in prosecuting foreclosure following expiration of a foreclosure moratorium will apply.

(F) Reporting to Consumer Reporting Agencies of Borrowers Impacted by COVID-19 National Emergency

Any Borrower who is granted a “*Forbearance for Borrowers Affected by the COVID-19 National Emergency*” and is otherwise performing as agreed is not considered to be delinquent for purposes of credit reporting.

FHA requires Servicers to comply with the credit reporting requirements of the Fair Credit Reporting Act (FCRA); however, FHA encourages Servicers to consider the impacts of the COVID-19 National Emergency on Borrowers’ financial situations and any flexibilities a Servicer may have under the FCRA when taking any negative credit reporting actions.

(G) Exclusion of COVID-19 from FHA’s Presidentially-Declared Major Disaster Areas (PMDMA) (III.A.3.c) Guidance in Handbook 4000.1

For Borrowers impacted by the COVID-19 National Emergency and whose Mortgaged Property is located in a COVID-19 PDMDA, the policy in this ML applies in lieu of FHA’s PDMDA guidance listed in Presidentially-Declared Major Disaster Areas (III.A.3.c), for the purposes of this National Emergency only.

For Mortgagees that have begun using FHA’s PDMDA Loss Mitigation Options (III.A.3.c), they must convert to the COVID-19 National Emergency Loss Mitigation Options listed in this ML.

Extension Period for HECMs Affected by the Presidentially-Declared COVID-19 National Emergency

Extension Period for Home Equity Conversion Mortgages Affected by the COVID-19 National Emergency

Pursuant to the COVID-19 National Emergency, upon request of the Borrower, the Mortgagee must delay submitting a request to call a loan due and payable. The initial extension period may be up to 6 months. If needed, an additional period of up to 6 months may be approved by HUD. The term of either the initial or the extended extension period may be shortened at the Borrower’s request. The Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the Borrower is in an extension period.

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For loans that have become automatically due and payable, entered into a deferral period, or became due and payable with HUD approval, the Mortgagee may also take an automatic extension for any deadline relating to foreclosure and claim submission for a period of up to 6 months. If needed, an additional period of up to 6 months may be approved by HUD.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Numbers 2502-0059, 2502-0524, 2502-0611, 2502-0589, 2502-0429, 2502-0584, and 2502-0189. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

Questions

Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Brian D. Montgomery
Assistant Secretary for Housing –
Federal Housing Commissioner