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HUD TO ASSIST HOMEOWNERS FACING PROBLEM DRYWALL

Temporary relief available to make home repairs affordable for at-risk borrowers

WASHINGTON – The U.S. Department of Housing and Urban Development today announced that FHA-insured families experiencing problems associated with problem drywall may be eligible for assistance to help them rehabilitate their properties. In addition, HUD's Community Development Block Grant (CDBG) Program may also be a resource to help local communities combat the problem.

FHA is reminding its approved lenders that they are to offer special forbearance for borrowers confronted with the sudden effects of damaging drywall products in their homes including the financial hardship associated with related home repairs.

"We're instructing our FHA mortgage lenders nationwide to extend temporary relief to allow these families time to remove problem damaging drywall and repair their homes," said FHA Commissioner David Stevens. "We want to remove additional pressures for these families as they find solutions to allow them to return to a safe, decent and sanitary home."

FHA Type 1 Special Forbearance (**noted in Mortgage Letter 2002-17**) provides relief that is not typically available under an informal forbearance or repayment plan. This relief provided can include one or more of the following:

- suspension or reduction of payments for a period sufficient to allow the borrower to recover from the cause of default;
- a period during which the borrower is only required to make their regular monthly mortgage payment before beginning to repay the arrearage; or
- a repayment period of at least six months.

HUD is instructing lenders that no late fees are to be assessed while the borrower is making timely payments under the terms of the Special Forbearance plan. The total arrearage for a Type 1 Special Forbearance cannot exceed 12 months of delinquent payments. Lenders can review borrower applications and make a determination as to the most appropriate loss mitigation tool including loan modification, partial claim, or FHA HAMP. Any questions or clarification regarding the Type 1 Special Forbearance should be directed to the HUD National Servicing Center at 877-622-8525.

HUD's CDBG Program is another resource to help states and local communities address the rehabilitation expenses associated with problem drywall. Historically, CDBG has helped to support local efforts to rehabilitate homes through grants, loans, loan guarantees, and other means. In addition, CDBG may also support the following activities:

- Code enforcement.
- Acquisition
- Clearance and remediation activities
- Relocation

All CDBG-assisted activities must meet one of the program's three national objectives: Provide benefit to low- and moderate-income persons; Eliminate slums or blighting conditions; or address an immediate threat to the health or welfare of the community.

The Consumer Product Safety Commission (CPSC) reports that more than 2,360 homeowners in 35 states and the District of Columbia (primarily in Florida, Louisiana, and Virginia) have filed complaints of possible drywall-related problems including damage to electrical wiring, plumbing, utilities, and a variety of health concerns. The drywall emits sulfur gases. One of these, hydrogen sulfide, which corrodes copper, was found at higher levels in homes with the drywall. Copper sulfide corrosion damage has been found on wiring, pipes, and household appliances in homes with the drywall. In addition, the Centers for Disease Control and Prevention (CDC) is examining possible health consequences related to this drywall.

Last June, as part of the National Day of Service, HUD Secretary Shaun Donovan welcomed a New Orleans family back to their home after the installation of problem drywall had further delayed their return following Hurricane Katrina. Then, in October, Donovan toured another home in Boyton Beach, Florida to see for himself the effects of problem drywall. The family's air conditioner

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condenser coils were corroded, the home smelled of sulfur, and the family's 16-month-old daughter suffered from allergies and upper respiratory problems, which the family believed were associated with home's drywall.

CPSC, in partnership with the CDC, the Environmental Protection Agency (EPA), U.S. Customs and Border Protection and HUD is coordinating the federal government's response into which particular drywall products pose a risk to human safety and health and structural integrity. All related reports and findings are available online at the [CSPC Drywall Information Center](#).

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HUD is the nation's housing agency committed to sustaining homeownership; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at www.hud.gov and espanol.hud.gov.

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