



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

ASSISTANT SECRETARY FOR HOUSING –
FEDERAL HOUSING COMMISSIONER

Date: July 8, 2020

Mortgage Letter 2020-22

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
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 COVID-19 Loss Mitigation Options

Purpose The purpose of this Mortgagee Letter (ML) is to inform mortgagees of the full suite of COVID-19 Loss Mitigation Options available to Single Family borrowers affected by the COVID-19 Presidentially-Declared National Emergency, where the mortgage was current or less than 30 days past due as of March 1, 2020, including additional Loss Mitigation Home Retention Options and Home Disposition Options.

Effective Date Mortgagees must offer eligible borrowers the COVID-19 Loss Mitigation Options and procedures set forth in this ML no later than 90 days from the date of this Mortgagee Letter, but may begin offering the new options immediately.

The new Single Family Default Monitoring System (SFDMS) Delinquency and Default Reason (DDR) Code 055 – Related to National Emergency Declaration must be used to report delinquencies as a result of impacts of the COVID-19 pandemic effective immediately or no later than the July 2020 reporting cycle. That data is due to HUD no later than August 7, 2020, which is the fifth business day of August 2020. All mortgagees that are unable to report DDR Code 055 – Related to National Emergency Declaration prior to the July 2020 reporting cycle must report DDR Code 010 – Neighborhood Problem until they can begin reporting DDR Code 055.

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The use of the new SFDMS Delinquency/Default Status (DDS) Code 053 – Combination Partial Claim/Modification Started (Non FHA-HAMP) will be effective for the July 2020 reporting cycle. That data is due to HUD no later than August 7, 2020, which is the fifth business day of August 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 forward mortgage programs.

Affected Topics

This ML provides Loss Mitigation Options for borrowers of FHA-insured forward mortgages impacted by COVID-19, updating the forward mortgage guidance in ML 2020-06. This policy will be included in Handbook 4000.1 as section III.A.3.d Presidentially-Declared COVID-19 National Emergency.

Background

HUD is working to provide additional Loss Mitigation Home Retention Options due to the COVID-19 National Emergency. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Stimulus (CARES) Act was signed into law. On April 1, 2020, HUD published ML 2020-06, establishing the Forbearance for Borrowers Affected by the COVID-19 National Emergency (COVID-19 Forbearance) and the COVID-19 National Emergency Standalone Partial Claim (COVID-19 Standalone Partial Claim), as well as an extension period for Home Equity Conversion Mortgages (HECM) affected by COVID-19.

Through this ML, HUD is updating FHA's COVID-19 Loss Mitigation Options, building on the COVID-19 Forbearance and COVID-19 Standalone Partial Claim, and establishing the following COVID-19 Home Retention and Disposition Options:

- COVID-19 Owner-Occupant Loan Modification
- COVID-19 Combination Partial Claim and Loan Modification
- COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation
- COVID-19 Non-Occupant Loan Modification
- COVID-19 Pre-Foreclosure Sale (PFS)
- COVID-19 Deed-in-Lieu (DIL) of Foreclosure

This suite of COVID-19 Loss Mitigation Options will greatly assist borrowers impacted, directly or indirectly, by the COVID-19 pandemic and provide streamlined loss mitigation for borrowers and industry partners.

Summary of Changes

These changes to HUD’s Loss Mitigation for Borrowers Affected by COVID-19 (III.A.3.d) update existing COVID-19 Forbearance and COVID-19 Standalone Partial Claim options published in ML 2020-06, and introduce the following COVID-19 Home Retention and Disposition Options:

- COVID-19 Owner-Occupant Loan Modification
- COVID-19 Combination Partial Claim and Loan Modification
- COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation
- COVID-19 Non-Occupant Loan Modification
- COVID-19 Pre-Foreclosure Sale (PFS)
- COVID-19 Deed-in-Lieu (DIL) of Foreclosure

SFDMS Reporting Requirements are updated for the COVID-19 Loss Mitigation Options.

The update to section III.A.2.k.(B) states that a COVID-19 Home Retention Option does not count against a borrower’s limit of one FHA-HAMP agreement within 24 months.

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

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

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

i. Definitions

COVID-19 refers to the COVID-19 National Emergency declared on March 13, 2020.

The COVID-19 Forbearance provides Borrowers who experience an adverse impact on their ability to make on-time Mortgage Payments due to the COVID-19 pandemic with a forbearance period, upon request, which allows for one or more periods of reduced or suspended payments without specific terms of repayment.

The COVID-19 Home Retention Options provide options to reinstate the Mortgage after the expiration of the COVID-19 Forbearance period. Borrowers who are able to resume the monthly or the modified monthly Mortgage payments, where the Mortgage was current or less than 30 Days past due as of March 1, 2020, are eligible to be reviewed for the following streamlined COVID-19 Home Retention Options:

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- Owner-Occupant Borrowers are eligible to be reviewed for the:
 - COVID-19 Standalone Partial Claim;
 - COVID-19 Owner-Occupant Loan Modification;
 - COVID-19 Combination Partial Claim and Loan Modification;and
 - COVID-19 FHA Home Affordable Modification Program (FHA-HAMP) Combination Loan Modification and Partial Claim with Reduced Documentation, which may include principal deferment and requires income documentation.
- Non-Occupant Borrowers are eligible to be reviewed for the COVID-19 Non-Occupant Loan Modification.

COVID-19 Home Disposition Options provide options for the disposition of a Property if the Borrower is unable to reinstate the Mortgage. The following COVID-19 Home Disposition Options are available to Owner-Occupant and Non-Occupant Borrowers:

- COVID-19 Pre-Foreclosure Sale (PFS); and
- COVID-19 Deed-in-Lieu (DIL) of Foreclosure.

ii. Standard

Upon Borrower request, Mortgagees must offer a COVID-19 Forbearance to any Borrower that experiences an adverse impact on their ability to make on-time Mortgage Payments due to the COVID-19 pandemic, regardless of Default status.

To be eligible for the COVID-19 Loss Mitigation Home Retention and Disposition Options, the Borrower must have been current or less than 30 Days past due as of March 1, 2020 and satisfy the criteria set forth in this section.

COVID-19 Loss Mitigation Options are not incentivized for Mortgagees.

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

If a Borrower is experiencing a financial hardship negatively impacting their ability to make on-time Mortgage Payments due to COVID-19 and makes a request for a COVID-19 Forbearance, the Mortgagee must offer the Borrower a COVID-19 Forbearance.

The COVID-19 Forbearance allows for one or more periods of reduced or suspended payments without specific terms of repayment.

All FHA-insured Borrowers are eligible for a COVID-19 Forbearance, regardless of the delinquency status of the Mortgage.

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The Mortgagee may utilize any available method for communicating with a Borrower regarding a COVID-19 Forbearance to meet these requirements. Acceptable methods of communication regarding a COVID-19 Forbearance include, but are not limited to, emails, text messages, fax, teleconferencing, websites, web portals, etc. If a Mortgagee sends out a general communication advising that a COVID-19 Forbearance is available, the Borrower may reply to that communication requesting a COVID-19 Forbearance, via email, phone call, or any other method of communication clearly made available to the Borrower by the Mortgagee.

The initial COVID-19 Forbearance period may be up to six months. If needed, an additional COVID-19 Forbearance period of up to six months may be requested by the Borrower and must be approved by the Mortgagee.

The term of the initial or extended COVID-19 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 COVID-19 Forbearance Plan.

Mortgagees must complete a Loss Mitigation Option for eligible Borrowers no later than 90 days from the earlier of the date of completion or expiration of the COVID-19 Forbearance. For Home Disposition Options, a signed Approval to Participate (ATP) Agreement or a signed DIL Agreement will meet this requirement.

Owner-Occupant Borrowers who were current or less than 30 Days past due as of March 1, 2020 must be reviewed for the COVID-19 Standalone Partial Claim, the COVID-19 Owner-Occupant Loan Modification, the COVID-19 Combination Partial Claim and Loan Modification, or the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation.

Non-Occupant Borrowers who were current or less than 30 Days past due as of March 1, 2020 must be reviewed for the COVID-19 Non-Occupant Loan Modification.

Extension of First Legal Deadline Date

For Borrowers participating in the COVID-19 Forbearance, Mortgagees are granted an automatic 90-Day extension to the first legal deadline date, from the earlier of the date of completion or expiration of the COVID-19 Forbearance period, to complete a Loss Mitigation Option, or to commence or re-commence foreclosure. Mortgagees must report the appropriate loss mitigation action in SFDMS.

iv. COVID-19 Home Retention Options

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A Trial Payment Plan (TPP) is not required for a Borrower to be eligible for COVID-19 Loss Mitigation Options.

(A) COVID-19 Standalone Partial Claim

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

(1) Eligibility for the COVID-19 Standalone Partial Claim

The Mortgagee must ensure that:

- 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; and
- the Property is owner-occupied.

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

The Mortgagee must ensure that:

- the Borrower's accumulated Late Charges, fees, and penalties are waived;
- the COVID-19 Standalone Partial Claim amount includes only arrearages, which consists of Principal, Interest, Taxes, and Insurance (PITI);
- the COVID-19 Standalone Partial Claim does not exceed the 30 percent 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 receives only **one** permanent COVID-19 Home Retention Option.

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

The Mortgagee must submit all required documentation for COVID-19 Standalone 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 six-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

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accordance with Requests for Extensions of Time for Delivery of Partial Claim Documents (III.A.2.k.v(J)(7)).

(B) COVID-19 Owner-Occupant Loan Modification

For Borrowers who do not qualify for the COVID-19 Standalone Partial Claim, the Mortgagee must review the Borrower for a COVID-19 Owner-Occupant Loan Modification, which modifies the rate and term of the Mortgage, at the end of the COVID-19 Forbearance period.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 Owner-Occupant Loan Modification.

(1) Eligibility for the COVID-19 Owner-Occupant Loan Modification

The Mortgagee must ensure that:

- the Mortgage was current or less than 30 Days past due as of March 1, 2020;
- the Borrower indicates they have the ability to make the modified Mortgage Payment; and
- the Property is owner-occupied.

(2) Terms of the COVID-19 Owner-Occupant Loan Modification

The Mortgagee must modify the Mortgage as follows:

- The Mortgagee must waive all accumulated Late Charges, fees, and penalties.
- The Mortgagee must only capitalize into a COVID-19 Owner-Occupant Loan Modification:
 - arrearages for unpaid accrued interest, and
 - Mortgagee advances for escrowed items.
- The Mortgagee must ensure that the COVID-19 Owner-Occupant Loan Modification fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including ARM, GPM or GEM, is modified to a fixed rate Mortgage.
- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD¹.
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.

¹ Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed-rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent), as of the date the Loan Modification is approved.

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- The term may be less than 360 months if requested by the Borrower.
- The Borrower's P&I may not increase under the COVID-19 Owner-Occupant Loan Modification unless:
 - The Borrower has exhausted the 30 percent maximum statutory value of all Partial Claims for an FHA-insured Mortgage.
- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured Mortgage remains in first lien position and is legally enforceable.
- The Borrower(s) receives only **one** permanent COVID-19 Home Retention Option.

(C) COVID-19 Combination Partial Claim and Loan Modification

For Owner-Occupant Borrowers where the modified monthly Mortgage payment will increase utilizing the COVID-19 Owner-Occupant Loan Modification, and who are unable to bring the Mortgage current through the COVID-19 Standalone Partial Claim because the total arrearage exceeds the available portion of the statutory maximum for Partial Claims and the available portion of the statutory maximum for the Mortgage has not been fully exhausted, or because the Borrower cannot resume their existing monthly Mortgage Payments with a COVID-19 Standalone Partial Claim, the Mortgagee must review the Borrower for a COVID-19 Combination Partial Claim and Loan Modification.

(1) Eligibility for the COVID-19 Combination Partial Claim and Loan Modification

The Mortgagee must ensure that:

- the Mortgage was current or less than 30 Days past due as of March 1, 2020;
- the Borrower has not exceeded the 30 percent statutory maximum 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));
- the Borrower indicates they have the ability to make the modified Mortgage Payment; and
- the Property is owner-occupied.

(2) Terms of the COVID-19 Combination Partial Claim and Loan Modification

For the COVID-19 Combination Partial Claim and Loan Modification, the Mortgagee must ensure the following:

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- The Mortgagee waives all accumulated Late Charges, fees, and penalties.
- The Mortgagee must only capitalize into the modified Mortgage of the COVID-19 Combination Partial Claim and Loan Modification:
 - arrearages for unpaid accrued interest, and
 - Mortgagee advances for escrowed items.
- The Mortgagee must determine the maximum Partial Claim amount available that does not exceed the 30 percent 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)). The Mortgagee must apply any remaining available Partial Claim amount toward the arrearage first, and then capitalize the remaining arrearage into the modified Mortgage.
- The Mortgagee must ensure that the COVID-19 Combination Partial Claim and Loan Modification fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including ARM, GPM or GEM, is modified to a fixed rate Mortgage.
- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD².
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's monthly Mortgage Payment may increase.
- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured modified Mortgage remains in first lien position and is legally enforceable.
- The Mortgagee must ensure that the Borrower(s) receives only **one** permanent COVID-19 Home Retention Option.

(3) Required Documentation for COVID-19 Combination Partial Claim and Loan Modification

The Mortgagee must submit all required documentation for COVID-19 Partial Claims as listed under Delivery of Partial Claim Documents (III.A.2.k.v(J)(6)).

² Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed-rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent), as of the date the Loan Modification is approved.

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The Mortgagee is automatically granted a 90-day extension to the six-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)).

(D) COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation

Borrowers may provide income documentation to be reviewed for an affordable monthly payment under a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation, which may include a principal deferment.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation.

(1) Eligibility

The Mortgagee must ensure that:

- the Mortgage was current or less than 30 Days past due as of March 1, 2020;
- the Property is owner-occupied;
- the Borrower has not exhausted the 30 percent statutory maximum value of all Partial Claims for an FHA-insured Mortgage; and
- the Borrower is not eligible for the COVID-19 Home Retention Options due to the following:
 - the Borrower is not eligible for the COVID-19 Standalone Partial Claim because the Borrower indicates they are unable to resume the existing monthly Mortgage Payments after the COVID-19 Forbearance; or
 - the Borrower is not eligible for the COVID-19 Combination Partial Claim and Loan Modification because the Borrower indicates they are unable to make the modified monthly Mortgage Payment under the COVID-19 Combination Partial Claim and Loan Modification.

(2) Terms

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The Mortgagee must review the Borrower for an affordable monthly Mortgage Payment using the FHA-HAMP calculations in Step 5 of the Loss Mitigation Home Retention Waterfall Options (III.A.2.j.iii).

If required, a principal deferment may be utilized. No portion of the Partial Claim may be used to bring the modified PITI monthly payment below the targeted payment.

The following reduced income documentation requirements are adequate to review the Borrower for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim:

- the Borrower's most recent pay stub for wage income reflecting year-to-date earnings; or
- the Borrower's most recent bank statement reflecting deposits of income amounts from applicable sources; or
- other documentation (e.g., monthly statement of Social Security benefits, monthly pension statement) reflecting the amount of income.

A TPP is not required.

(E) COVID-19 Non-Occupant Loan Modification

At the expiration of the COVID-19 Forbearance period, the Mortgagee must review Non-Occupant Borrowers for a COVID-19 Non-Occupant Loan Modification, which modifies the rate and term of the Mortgage.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 Non-Occupant Loan Modification.

(1) Eligibility for the COVID-19 Non-Occupant Loan Modification

The Mortgagee must ensure that:

- the Mortgage was current or less than 30 Days past due as of March 1, 2020;
- the Borrower indicates they have the ability to make the modified Mortgage Payments; and
- the Property is not owner-occupied. The Property can be used as a Rental Property, Secondary Residence, or Vacation Home for the Borrower.

(2) Terms of the COVID-19 Non-Occupant Loan Modification

The Mortgagee must modify the Mortgage as follows:

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- The Mortgagee must waive all Late Charges, fees, and penalties accumulated during the COVID-19 Forbearance.
- The Mortgagee must only capitalize into a COVID-19 Non-Occupant Loan Modification:
 - arrearages for unpaid accrued interest, and
 - Mortgagee advances for escrowed items.
- The Mortgagee must ensure that the COVID-19 Non-Occupant Loan Modification fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including ARM, GPM or GEM, is modified to a fixed rate Mortgage.
- The Mortgagee ensures that the interest rate is no greater than the Market Rate as defined by HUD.³
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's total monthly Mortgage Payment may increase.
- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured Mortgage remains in first lien position and is legally enforceable.
- The Borrower(s) receives only **one** permanent COVID-19 Home Retention Option.

(3) Required Documentation for the COVID-19 Non-Occupant Loan Modification

The Mortgagee must document the following in the Claim Review File for any Non-Occupant Borrowers for the COVID-19 Non-Occupant Loan Modification:

- a copy of the rental agreement for each rental unit, if applicable; and
- a written statement from the Borrower stating:
 - that they are the landlord of the Property and their renter is impacted, directly or indirectly, by the COVID-19 pandemic and is either unable to make rent payments or has vacated the Property; or

³ Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed-rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent), as of the date of the Loan Modification is approved.

- that the Property is used as a Secondary Residence or a Vacation Home for the Borrower.

v. COVID-19 Home Disposition Options

Mortgagees must review Borrowers that are impacted, directly or indirectly, by COVID-19, that do not qualify for a COVID-19 Home Retention Option or indicate that they cannot resume making the monthly or the modified monthly Mortgage Payment, for the COVID-19 Home Disposition Options. The COVID-19 Home Disposition Options are available to Owner-Occupant and Non-Occupant Borrowers.

(A) COVID-19 Pre-Foreclosure Sale

A COVID-19 Pre-Foreclosure Sale (COVID-19 PFS) option is available for Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to COVID-19.

To evaluate Borrowers for the COVID-19 PFS option, Mortgagees must follow the Streamlined PFS requirements (III.A.2.1.ii), except as noted below.

(1) COVID-19 PFS Eligibility

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 PFS.

For a Borrower to qualify for a COVID-19 PFS, the Mortgagee must ensure that:

- the Mortgage was current or less than 30 Days past due as of March 1, 2020;
- the Borrower indicates a financial hardship affecting their ability to sustain the Mortgage due, directly or indirectly, to the COVID-19 pandemic;
- the Borrower does not qualify for any COVID-19 Home Retention Options; and
- the Borrower and Mortgage must meet all PFS eligibility requirements except the Mortgagee is not required to review the Borrower for Borrower Eligibility (III.A.2.1.ii(B)(3)).

(2) COVID-19 PFS Program Requirements

The Mortgagee must ensure the COVID-19 PFS meets all other Streamlined PFS program requirements outlined in Pre-Foreclosure Sales (III.A.2.1.ii), with the following exceptions:

- Under PFS Outreach Requirements (III.A.2.1.ii(C)), Mortgagees may utilize any available means of

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communication to provide the Borrower with form HUD-90035.

- Mortgagee PFS Incentive (III.A.2.1.ii(P)) does not apply to COVID-19 PFS.

(B) COVID-19 Deed-in-Lieu of Foreclosure

A COVID-19 Deed-in-Lieu (DIL) of Foreclosure (COVID-19 DIL) is a COVID-19 Home Disposition Option in which a Borrower voluntarily offers the deed as collateral Property to HUD in exchange for a release from all obligations under the Mortgage.

A COVID-19 DIL option is available for Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to the COVID-19 pandemic, and who were unable to complete a COVID-19 PFS transaction at the expiration of the PFS marketing period.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following eligibility and program requirements. To evaluate Borrowers for the COVID-19 DIL, Mortgagees must follow the Streamlined DIL requirements outlined in Deed in Lieu of Foreclosure (III.A.2.1.iii), except as noted below.

(1) COVID-19 DIL Eligibility

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage:

- meet the requirements for COVID-19 PFS transactions;
- was unable to complete a COVID-19 PFS transaction by the expiration of the PFS marketing period; and
- must meet all Streamlined DIL eligibility requirements except:
 - the Borrower Eligibility Streamlined DIL Standards (III.A.2.1.iii(B)(2)(a)(ii)), which are not required for the COVID-19 DIL; and
 - for COVID-19 DIL, Mortgagees are not required to submit a request for National Servicing Center (NSC) approval via Extensions and Variances Automated Requests System (EVARS) for approval to offer a COVID-19 DIL Option to a Borrower who owns more than one FHA-insured Property as outlined in DIL Exceptions for Borrowers with More than One FHA-Insured Mortgage (III.A.2.1.iii.(B)(2)(d)).

(2) COVID-19 DIL Program Requirements

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The Mortgagee must ensure the COVID-19 DIL meets all other Streamlined DIL program requirements outlined in Deed-in-Lieu of Foreclosure (III.A.2.1.iii), with the following exceptions:

- Mortgagee DIL Compensation (III.A.2.1.iii(H)) does not apply to COVID-19 DIL.
- Extensions for Foreclosure Time Frames (III.A.2.1.iii(I)): if the DIL follows a failed COVID-19 PFS, it must be completed or foreclosure must be initiated within 90 Days of the end of the COVID-19 Forbearance period.

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

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

(A) Default Reason Code Reporting

To assist in identifying delinquencies and loss mitigation utilization that are a result of a National Emergency Declaration FHA has implemented a DDR code that is available for use by Mortgagees. DDR Code 055 – Related to National Emergency Declaration must be used to report that the delinquency is a result of impacts of the COVID-19 pandemic.

(B) Default Status Code Reporting

Mortgagees must report the Default Status Codes detailed below for all FHA-insured Mortgages utilizing the COVID-19 Loss Mitigation Options.

If the Mortgage is newly defaulted (no open default episode in SFDMS), Mortgagees must report Status Code 42 – Delinquent prior to reporting any other Status Codes.

FHA has implemented a Delinquency/Default Status (DDS) Code that is available for use by Mortgagees. The DDS Code 053 – Combination Partial Claim/Modification Started (Non-FHA-HAMP) must be used to report that the Mortgagee has approved the Borrower for this loss mitigation option.

Mortgagees should report the correct Status Code in SFDMS as follows:

- Status Code 06 – Formal Forbearance Plan for the COVID-19 Forbearance.
- Status Code 10 – Partial Claim Started for the COVID-19 Standalone Partial Claim.

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- Status Code 28 – Modification Started with an occupancy Status Code 1 (Occupied by Borrower) for the COVID-19 Owner-Occupant Loan Modification.
- Status Code 53 - Combination Partial Claim/Modification Started (Non-FHA-HAMP) for the COVID-19 Combination Partial Claim and Loan Modification.
- Status Code 28 – Modification Started with the applicable occupancy Status Code that indicates the type of non-borrower occupancy for the COVID-19 Non-Occupant Loan Modification.
- Status Code 41 – FHA-HAMP Modification/Partial Claim Started for the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim Reduced Documentation Option.
- Status Code 15 – Pre-foreclosure Acceptance Plan Available for the COVID-19 PFS.
- Status Code 44 – Deed-in-Lieu Started for the COVID-19 DIL.
- Status Code AH – Streamlined Financials Received and In Review should be reported prior to Status Codes 41, 15, and 44 as appropriate.

No TPP is required for the COVID-19 loss mitigation options. Therefore, Mortgagees are not required to report Status Code 08 – Trial Payment Plan prior to reporting Status Codes 10, 28, or 53.

Status Code 39 – FHA-HAMP Trial Payment Plan is also not required to be reported prior to Status Code 41 – FHA-HAMP Modification/Partial Claim Started.

vii. Required Financial Evaluation for other Loss Mitigation Options

The Mortgagee must evaluate any Borrower who is not eligible for a COVID-19 Home Retention or Disposition Option, because the Mortgage was not current or less than 30 Days past due as of March 1, 2020, for HUD's standard Loss Mitigation Home Retention Options (III.A.2.k) and Home Disposition Options (III.A.2.l).

viii. Terms of the Mortgage are Unaffected

Nothing in this section confers any right to a Borrower to any loss mitigation or any other action by HUD or the Mortgagee. Further, nothing in this section 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 section. Where a Mortgagee chooses to enforce its contractual rights after expiration of the COVID-19 Forbearance, the standard time frames to

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initiate foreclosure and reasonable diligence in prosecuting foreclosure following expiration of a foreclosure moratorium will apply.

ix. Reporting to Consumer Reporting Agencies of Borrowers Impacted by COVID-19 National Emergency

Any Borrower who is granted a COVID-19 Forbearance 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.

x. Exclusion of COVID-19 from FHA's Presidentially-Declared Major Disaster Areas (PMDA)

For Borrowers impacted by the COVID-19 National Emergency and whose mortgaged Property is located in a COVID-19 PMDA, the policy in this section applies in lieu of FHA's PMDA 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 PMDA Loss Mitigation Options (III.A.3.c), they must convert to the COVID-19 Loss Mitigation Options listed in this section.

**HUD Single
Family Housing
Policy
Handbook
4000.1**

FHA-HAMP (III.A.2.k.v.)

(B) Eligibility

(2) Borrower Qualifications

**FHA-HAMP
Borrower
Eligibility**

The Mortgagee must ensure that the Borrower meets the following eligibility criteria for the FHA-HAMP Option:

- The Borrower has recently experienced a verified loss of income or increase in living expenses and all Borrowers on the Note have signed and submitted hardship affidavits attesting to and describing the hardship.
- One or more Borrowers receives Continuous Income.
- The Mortgagee's calculations show that the resulting monthly Mortgage Payment not exceeding 40 percent of the Borrower's gross monthly income can be offered, provided that either:
 - the Borrower(s) front-end ratio is **greater than 31** percent; or
 - 85 percent of the Borrower's surplus income is insufficient to cure arrears within six months.

Mortgagee Letter 2020-22, Continued

- The Borrower has successfully completed a TPP based on the FHA-HAMP monthly Mortgage Payment amount.
- The Borrower has not executed an FHA-HAMP agreement in the past 24 months. **Presidentially-Declared Major Disaster Area (PDMDA) Disaster Loss Mitigation Options and COVID-19 Home Retention Options do not count against this requirement.**

The Mortgagee must ensure that the Borrower is an Owner-Occupant Borrower who is occupying the Property as a Principal Residence. FHA-HAMP may not be used as a means to reinstate a Mortgage prior to sale or assumption.

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 ML 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 ML, please visit www.hud.gov/answers.

Signature

Len Wolfson
Acting Assistant Secretary for Housing –
Federal Housing Commissioner