



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

ASSISTANT SECRETARY FOR HOUSING –
FEDERAL HOUSING COMMISSIONER

August 11, 2020

TI-487

To: All FHA-Approved Title I Lenders

Subject Title I Loans: Extension of Maximum Claim Periods and Reminder of Available Loss Mitigation Options for Borrowers affected by COVID-19

Purpose The purpose of this Title I Letter is to provide an optional extension to the maximum claim periods for up to six months to assist Title I Lenders in responding to borrowers affected by the Coronavirus Disease (COVID-19) National Emergency declared by President Trump on March 13, 2020. Additionally, this Title I Letter reminds Title I Lenders of the loss mitigation options available for affected borrowers.

Effective Date The extension provided in this Title I Letter is available immediately for all Title I Property Improvement Loans and Manufactured Home Loans that were current or less than 30 Days past due as of March 1, 2020 and have subsequently gone into default, provided the default occurred prior to November 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 policy applies to Title I Property Improvement and Manufactured Home Loans (Title I Loans).

Background On March 13, 2020, President Trump declared a national emergency concerning the novel coronavirus disease (COVID-19), and initiated actions to stem the threat to public health and the American economy. To support Title I lenders with Borrowers experiencing financial difficulties during the COVID-19 pandemic, the Department of Housing and Urban Development is announcing this optional extension and the loss mitigation options available to FHA-approved Title I Lenders and their servicing agents, to provide options to help borrowers retain their homes despite the financial hardship created by the COVID-19 pandemic. The Department understands that the current negative impact of the pandemic on employment may lead to an increased number of loan defaults and that such defaults will likely result in an increase in foreclosure or

Title I Letter 487, Continued

**Background,
Continued**

repossession and claim filings. The Department's interest is furthered by offering the extension to Title I Lenders as it is expected to help stem the increase in foreclosures and repossessions during COVID-19, resulting in claim payments.

**Summary of
Changes**

To provide relief to borrowers who experienced a financial hardship as a result of COVID-19, Title I Lenders may delay filing a claim for up to six months in order to engage in loss mitigation efforts and put in place alternative repayment arrangements to avoid a claim. This six-month extension may be added to the maximum claim period applicable to each of the Title I Loan programs. During this extension period, Title I Lenders are reminded that they must contact the borrower to discuss the reasons for default and explore a cure.

Title I Lenders may pursue modification agreements and repayment plans with borrowers affected by COVID-19 in lieu of sending a notice of default and acceleration.

**Extension
of Maximum
Claim Period**

For borrowers who are experiencing a financial hardship as a result of the COVID-19 National Emergency, the Department is providing an optional six-month extension to the maximum claim period for Title I Lenders to engage in loss mitigation efforts and put in place alternative repayment arrangements to avoid a claim. Title I Lenders may use the extension to delay filing a claim within the normal claim filing windows and must contact the borrowers to discuss the reasons for default and explore a cure. To help Borrowers avoid a claim, Title I lenders may provide loss mitigation options in lieu of sending a notice of default and acceleration.

**Servicing and
Loss
Mitigation**

Lenders should consider a broad range of servicing and loss mitigation options that could assist delinquent Borrowers in bringing the Loan current. These options include mortgage modification, refinance, repayment plan, assumption, and waiver of late charges and other fees. Title I Lenders availing themselves of the extension provided in this Title I Letter may provide Borrowers in default with forbearance for the additional time as may be reasonably needed to arrange repayment plans or modification agreements that would bring the loan current. If a claim is filed, the applicable HUD claim form and loan servicing records must reflect that the Borrower was impacted by COVID-19, and an extension was necessary to provide the Borrower with opportunity to bring the loan current. Servicing efforts to offer loss mitigation must be documented in the Title I lender or Servicing Agent's servicing notes.

Title I Letter 487, Continued

**Exception for
Abandonment**

The extension to the maximum claim period is not available if the Title I Lender determines that the property associated with the delinquent Title I Loan is vacant or has been abandoned.

**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 2502-0238. 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 Title I 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 Mortgage Letter, please visit www.hud.gov/answers.

Signature

Dana T. Wade
Assistant Secretary for Housing –
Federal Housing Commissioner