



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

OFFICE OF PUBLIC AND INDIAN HOUSING

Date: February 19, 2021

Dear Lender Letter 2021-02

To: All Tribes
All Tribally Designated Housing Entities
All Section 184 Approved Lenders and Servicers
All Section 184A Approved Lenders and Servicers

Subject Section 184 Indian Home Loan Guarantee program (Section 184) and Section 184A Native Hawaiian Home Loan Guarantee program (Section 184A) extension of foreclosure and eviction moratoriums; extension and amendment of loan processing flexibilities; and expansion of loss mitigation options in connection with the COVID-19 National Emergency.

Purpose The purpose of this Dear Lender Letter (DLL) is to inform Lenders of further extensions for the foreclosure and eviction moratoriums, loan processing flexibilities, and the Borrower's ability to request a COVID-19 Forbearance. This DLL also broadens Borrower eligibility for COVID-19 Loss Mitigation Options and expands COVID-19 Forbearance periods for certain Borrowers.

Effective Date The provisions of this DLL are effective immediately.

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 Office of Loan Guarantee at Section184Comments@hud.gov. HUD will consider the feedback in determining the need for future updates.

Affected Programs This guidance applies to the Section 184 and Section 184A programs.

Affected Topics This guidance amends and further extends the provisions of DLL 2021-01 and DLL 2020-06.

Background

President Joseph R. Biden has prioritized the response to, and recovery from, the COVID-19 pandemic. Housing is a critical component of the recovery and will be integral to an inclusive economic recovery as well as keeping people safe during the pandemic. The immediate actions of the Biden-Harris Administration, the increased roll-out of multiple COVID-19 vaccines, and projections by the Congressional Budget Office point to a positive economic recovery. To assist with the response to COVID-19 and the economic recovery, and in concert with its mission of sustaining homeownership, HUD is reviewing its policies and requirements in light of the ongoing and evolving challenges facing Borrowers and industry partners.

As a result of this review, HUD is further extending its foreclosure and eviction moratorium as well as the associated deadline for first legal action and reasonable diligence timeframes. HUD initially announced the moratorium on March 20, 2020, and subsequently extended it multiple times to prevent Borrowers from losing their homes during the pandemic. The extension of the moratorium will provide further protection to Borrowers faced with foreclosure during a time when people are advised to remain in their homes and socially distanced. Further, HUD recognizes that additional time may be needed for Lenders to comply with the associated first legal deadline and due diligence timeframes as a result of court delays and a shortage of legal counsel due to the pandemic.

A key tool in retaining homeownership for many Borrowers during the pandemic has been the COVID-19 Forbearance, which provides for reduced or suspended payments. The COVID-19 Forbearance provides for an initial period of up to six months of relief and an extension of up to an additional six-month period. Further, HUD also recognizes that the persistent and sustained nature of the pandemic has left many Borrowers who necessarily availed themselves of these tools early on are approaching the end of this relief. Many of these Borrowers may need additional time to recover as the vaccine roll-out increases and the economy improves.

In the early stages of the pandemic, HUD relied on its experience in previous disaster situations to limit the eligibility for streamlined Loss Mitigation Options to Borrowers who were not in Default prior to the pandemic. This was done to ensure that those Borrowers who were in Default prior to the pandemic received a full financial review to determine the appropriate loss mitigation options that were tailored to their circumstances. Due to the length of the pandemic, and its impact across all sectors of the economy, HUD

Dear Lender Letter 2021-02 Continued

believes that making the distinction between Borrowers who were delinquent before the pandemic and those who were not is no longer justified. Further, it is better for the economy and communities to retain as many people in their homes as possible. Thus, HUD is expanding its streamlined options to additional Borrowers and extending the length of time a Borrower may be under a Forbearance for Borrowers Affected by the COVID-19 National Emergency.

HUD believes these additional measures will provide Lenders a better toolbox with which to assist Borrowers in recovery from the impacts of the pandemic. HUD also encourages Lenders to utilize the extensive network of HUD-approved or tribally-approved Housing Counselors to expedite this additional relief.

Summary of Changes

Changes for Borrowers Affected by the COVID-19 National Emergency include:

- HUD is abbreviating the names Forbearance for Borrowers Affected by the COVID-19 National Emergency and COVID-19 National Emergency Forbearance Loss Mitigation Advance to COVID-19 Forbearance and COVID-19 Loss Mitigation Advance.
 - Extending the Foreclosure and Eviction Moratorium through June 30, 2021.
 - Extending the deadline for the first legal action and reasonable diligence timeframe to 180 days beyond the expiration of the Foreclosure and Eviction Moratorium.
 - Extending the COVID-19 Forbearance start date through June 30, 2021.
 - Providing up to two additional three-month COVID-19 Forbearance periods for certain Borrowers.
 - Extending the timeframe for Lenders to evaluate and complete a COVID-19 Loss Mitigation Advance.
 - Allowing Borrowers to be considered for a COVID-19 Loss Mitigation Advance regardless of delinquency or participation in COVID-19 Forbearance.
 - Expanding and clarifying the documentation required to be submitted to HUD for COVID-19 Loss Mitigation Advances, as well as extend the period of time to record a mortgage under a COVID-19 Loss Mitigation Advance.
-

Dear Lender Letter 2021-02 Continued

Moratorium on Foreclosures and Evictions Extension of Deadlines

Section 184 and 184A guaranteed loans, excluding those with vacant or abandoned properties, are subject to an extension to the moratorium on foreclosure through June 30, 2021. The moratorium applies to the initiation of foreclosures and to foreclosures in process.

Evictions of persons from properties subject to Section 184 or 184A guaranteed loans, excluding actions to evict unlawful occupants of vacant or abandoned properties, are also suspended through June 30, 2021.

Extension of First Legal Deadline Date

The deadline for the first legal action and reasonable diligence timeframes are extended to 180 days from the date of expiration of this moratorium for all Section 184 and 184A guaranteed mortgage loans except for Section 184 and 184A guaranteed mortgage loans secured by vacant or abandoned properties.

Update to the COVID-19 Forbearance Start Date

Lenders may approve an initial COVID-19 Forbearance period for Section 184 or 184A guaranteed loans through June 30, 2021.

Expansion of COVID-19 Forbearance

DLL 2020-06 implemented a Forbearance for Borrowers Affected by the COVID-19 National Emergency. If a Borrower is experiencing a financial hardship impacting their ability to make on-time mortgage payments due to the COVID-19 National Emergency, the borrower may request from the lender a Forbearance for Borrowers Affected by the COVID-19 National Emergency (COVID-19 Forbearance). The borrower must make this request by mail, email or by telephone and must attest to a financial hardship due to the COVID-19 National Emergency.

Upon Borrower request, Lenders 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.

The following policy changes expand the provisions of DLL 2020-06 for COVID-19 Forbearances.

For Borrowers who requested their initial COVID-19 Forbearance on or before June 30, 2020, if needed, the Borrower may request, and the Lender must approve, up to two additional three-month COVID-19

Dear Lender Letter 2021-02 Continued

Forbearance periods, after 12 months of initial and extended COVID-19 Forbearance. The Borrower must request each three-month extension separately. Neither of the two additional three-month COVID-19 Forbearance periods may extend beyond December 31, 2021.

For Borrowers requesting their initial COVID-19 Forbearance after June 30, 2020, the initial or extended Forbearance periods may not extend beyond June 30, 2022.

Timeframe for Loss Mitigation Advance

This DLL revises the timeframe in which Lenders must evaluate Borrowers under a COVID-19 Forbearance for a COVID-19 Loss Mitigation Advance and complete eligible transactions.

DLL 2020-06 required that Lenders must evaluate all Borrowers in a COVID-19 Forbearance for a COVID-19 Loss Mitigation Advance review prior to the end of the Forbearance.

With this DLL, Lenders now have 120 days, from the date of completion or expiration of any Forbearance (COVID-19 or other Forbearance) to evaluate a borrower for a COVID-19 Loss Mitigation Advance, and to complete the COVID-19 Loss Mitigation Advance for all eligible Borrowers within this timeframe.

If the Borrower's Forbearance has completed or expired on or prior to February 19, 2021, the Lender has 120 Days from February 19, 2021, to evaluate and complete eligible Loss Mitigation Advances for these Borrowers.

Additional Loss Mitigation Flexibilities

In addition to the COVID-19 Forbearance and Loss Mitigation Advance, all existing Loss Mitigation Options for the Section 184 and 184A programs continue to be available to Borrowers. HUD will be issuing further guidance on Loss Mitigation Options for Borrowers impacted by the COVID-19 National Emergency in the near future.

COVID-19 Loss Mitigation Advance

The eligibility requirements to obtain a COVID-19 Loss Mitigation Advance under DLL 2020-06 required the loan to be current as of February 1, 2020. This eligibility requirement is amended to include all existing Section 184 and Section 184A Borrowers, regardless of delinquency status or participation in COVID-19 Forbearance or other forbearance related to the COVID-19 pandemic. Other eligibility requirements for a COVID-19 Loss Mitigation Advance including the ability to resume making on-time monthly mortgage payments and owner-occupancy remains.

Dear Lender Letter 2021-02 Continued

Other changes to the Loss Mitigation Advance include:

- The Lender must ensure that the COVID-19 Loss Mitigation Advance fully reinstates the mortgage.
- All Late Charges, fees, and penalties are waived except that Lenders are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020.

COVID-19 Loss Mitigation Advance Required Documentation and Deadline

This DLL expands and clarifies the required list of documents submitted to HUD for payment on a COVID-19 Loss Mitigation Advance.

DLL 2020-06 requires Lenders to send to HUD the recorded COVID-19 Loss Mitigation Advance Subordinate Mortgage/Deed Trust, no later than six months from the execution date. This DLL grants an automatic 90-day extension to the six-month deadline for HUD's receipt of the recorded Subordinate Mortgage/Deed Trust. If a Lender experiences additional delays out of their control, beyond the automatic 90-Day extension for the recorded Subordinate Mortgage/Deed of Trust, that impact delivery of the final Loss Mitigation Advance documents, Lenders may file a request for an additional extension with HUD.

The Lender must submit all required documentation for COVID-19 Loss Mitigation Advance as listed below, as applicable:

- Cover letter providing a brief description of the transaction and the lender contact name, Section 184/184A case number, email address and phone number.
- Completed HUD Form 27011
- Copy of executed Forbearance Agreement
- Lender Validation of Borrower's request for COVID-19 Forbearance
- Verification of Borrower eligibility
- Verification of Forbearance Agreement terms and Borrower's successful completion or termination of the Agreement
- Original executed COVID-19 Forbearance Loss Mitigation Advance Promissory Note
- Original recorded COVID-19 Forbearance Loss Mitigation Advance Subordinate Mortgage/Deed of Trust. This is not required for Section 184A loans.
- Evidence of the date the lender received the executed COVID-19 Forbearance Loss Mitigation Advance documents from the borrower.

Dear Lender Letter 2021-02 Continued

- Evidence of the date the COVID-19 Forbearance Loss Mitigation Advance Subordinate Mortgage/Deed of Trust was submitted for recordation. This is not required for Section 184A loans.
- Updated Title Policy or Certified Title Status Report showing recordation of COVID-19 Forbearance Loss Mitigation Advance Subordinate Mortgage/Deed of Trust. This is not required for Section 184A loans.
- Section 184/184A loan Payment History

A model checklist for these documents may be found at www.hud.gov/codetalk.

The Lender must submit a copy of these documents using ONAP's electronic document delivery portal. The Lender must also deliver original executed COVID-19 Forbearance Loss Mitigation Advance Promissory Note and recorded COVID-19 Forbearance Loss Mitigation Advance Subordinate Mortgage/Deed of Trust using an overnight or two-day delivery service. Deliver the originals to: U.S. Department of Housing and Urban Development, Office of Native American Programs/OLG, 451 Seventh St. SW, Room 4108, Washington, DC 20410.

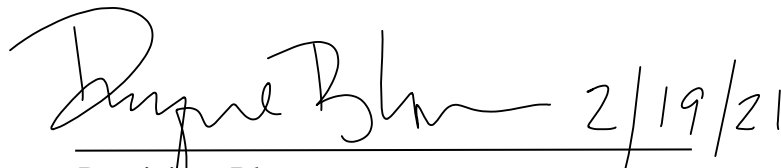
The Lender is automatically granted a 90-day extension to the deadline for the recorded Mortgage.

If a Lender experiences additional delays due to circumstances beyond their control that impact the delivery of the Loss Mitigation Advance documents, Lenders may request an additional extension from HUD.

Questions

Any questions regarding this DLL may be directed to Krisa.M.Johnson@hud.gov

Signature

Handwritten signature of Dominique Blom in black ink, with the date 2/19/21 written to the right of the signature.

Dominique Blom
General Deputy Assistant Secretary
for Public and Indian Housing