



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Date: November 12, 2021

Dear Lender Letter 2021-12

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

Subject Endorsement of Loans for Borrowers under a COVID-19 Forbearance for the Section 184 Indian Home Loan Guarantee program (Section 184) and Section 184A Native Hawaiian Home Loan Guarantee program (Section 184A).

Purpose The purpose of this Dear Lender Letter (DLL) is to inform Lenders of the endorsement process for loans where a Borrower has been granted a COVID-19 forbearance prior to the loan receiving an endorsement for a Section 184 or Section 184A loan guarantee.

Effective Date The provisions of this DLL are effective immediately and for all endorsements submitted through January 31, 2022.

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.

For loans being submitted for endorsement in accordance with this DLL, the policy updates in this DLL supersede the requirements in PIH Notice 2014-22, where they conflict. These updates are temporary and will continue for all endorsements submitted through January 31, 2022.

Background

Mortgage loans that have been placed into forbearance prior to endorsement are ineligible for endorsement by HUD. However, HUD recognizes that the COVID-19 National Emergency has had wide ranging financial impacts on many Borrowers, including 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 child care—on top of potential impacts of contracting COVID-19. Such hardships may have subsequently resulted in the Borrower receiving a COVID-19 forbearance in accordance with DLLs 2020-06 and 2021-02.

To provide ongoing liquidity to the mortgage industry, HUD is issuing this DLL with the intention to balance the need to provide assurances to Lenders of the ability to continue to offer Section 184 and Section 184A guaranteed loans while also managing credit risk. Under this DLL, HUD is temporarily allowing the endorsement of loans currently under a COVID-19 Forbearance, provided the Lender agrees to execute a partial indemnification.

Summary of Changes

- Temporarily allow Section 184 and 184A loan endorsements where the Borrower is in a COVID-19 forbearance, subject to execution of a two-year partial indemnification agreement.
 - Allows for a temporary certification amendment to the Lender's certification on forms HUD 50111 and 50111A with respect to Lender's knowledge of changes in a Borrower's employment status and ability to make loan payments as a result of COVID-19.
-

Section 184/184A Post Closing and Endorsement Requirements

A Direct Guarantee Lender may submit an eligible Section 184 or 184A loan for a Borrower who is under a COVID-19 forbearance if:

- at the time of the loan closing, the loan satisfied all requirements for a Section 184 or 184A loan guarantee;
- the Lender notifies HUD that the Borrower has received a COVID-19 forbearance, and the Lender is requesting endorsement of the loan under this DLL by including a cover letter in the endorsement file;

- the Lender executes a two-year partial indemnification agreement;
- at the time forbearance was initiated, the loan was current; and
- the Lender submits a temporary certification amendment to HUD.

Additionally, a COVID-19 forbearance is not considered the provision of funds by a Lender to bring and/or keep the loan current or to provide the appearance of an acceptable payment history.

**COVID-19
Forbearance
Cover Letter**

If a Borrower received a COVID-19 forbearance after closing, but before endorsement, the Lender must submit a cover letter with the endorsement package. This cover letter should include:

- a description of how the Borrower requested the COVID-19 forbearance (by mail, email, or telephone);
 - a timeline of forbearance and payment history; and
 - documentation or a statement outlining the COVID-19 forbearance agreement between the Lender and the Borrower.
-

**Temporary
Certification
Amendment
to Form HUD
50111/50111A**

Where a Lender is made aware of a change in a Borrower's employment status due to COVID-19 after the closing of the loan and before endorsement of the loan by HUD, and this change in status has led to a COVID -19 forbearance, the Lender should include in the endorsement package a one-page amendment to the *Lender's Certification* section of form HUD 50111 or 50111A, as applicable.

The document should state the Borrower's name, Section 184 or 184A case number, and the following statement: "The executed Lender's Certification excludes certification of knowledge of the Borrower's employment status as provided in the form HUD 50111 or 50111A." The document must be signed and dated by an authorized official.

The ability to amend the Lenders Certification is temporary and available only during the period for which this DLL is in effect, including any future extensions of this DLL.

**Two-year
Partial
Indemnificati
on Agreement**

When a Lender has issued a COVID-19 forbearance after closing of a loan and before endorsement by HUD, the Lender should submit a completed and signed *Two-Year Partial Indemnification Agreement* (attached) indemnifying HUD for an amount equal to 20 percent of the initial loan amount, should a claim be submitted on the loan within two years of the date of endorsement.

Endorsement Processing

Where a Lender seeks to obtain an endorsement of a loan involving a Borrower under a COVID-19 forbearance, the Lender must follow the document submission requirements of this DLL and PIH Notice 2014-22.

If a Borrower receives a COVID-19 forbearance after the Lender has submitted the endorsement file, but before HUD's endorsement, the Lender must immediately submit the additional documents required by this DLL to be considered for endorsement.

Document Submission

All endorsement packages or post-submission documents should be electronically submitted through the *ONAP Catalyst Case Binder Module*.

Lenders should add the following documents to their endorsement checklist:

- COVID-19 Forbearance Cover Letter
- Temporary Certification Amendment to Form HUD 50111 or 50111A
- Two-year Partial Indemnification Agreement

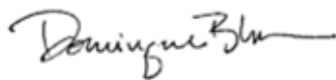
All endorsement packages to be considered under this DLL must be submitted to HUD no later than January 31, 2021.

Compliance with DLL 2020-06 and DLL 2021-02

Lenders must ensure that upon endorsement, any previously provided forbearance complies with, or is converted to comply with, HUD's requirements in DLL 2020-06 as amended by DLL 2021-02.

Questions

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

Signature

Dominique Blom
General Deputy Assistant Secretary
for Public and Indian Housing