



OFFICE OF PUBLIC AND INDIAN HOUSING

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

Date: May 12, 2023

Dear Lender Letter 2023-04

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

Subject Expansion of the COVID-19 Loss Mitigation Options

Purpose This Dear Lender Letter (DLL) extends and amends the COVID-19 Loss Mitigation Options.

Effective Date The provisions of this DLL may be implemented immediately but must be implemented no later than May 31, 2023.

The COVID-19 Loss Mitigation Options may be offered through, but no later than, October 30, 2024, and completed no later than February 27, 2025.

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.

This DLL supersedes DLL 2022-01(Amended) and DLL 2022-03 as well as includes new Foreclosure provisions from DLL 2023-01.

This DLL also temporarily replaces PIH Notice 2014-11, Section 8. HUD Approved Relief Procedures, Partial Claim and Loan Modification and the Section 184A Processing Guide, Section 8.9 Approved Relief Procedures,

Loan Modification through October 30, 2024. Beginning October 30, 2024, the PIH Notice 2014-11, Section 8 and the Section 184A Processing Guide, Section 8.9 Approved Relief Procedures, Loan Modification will apply again.

Background

In support of the goal of achieving broad economic recovery following the COVID-19 National Emergency, HUD's Office of Native American Programs (ONAP) established expanded COVID-19 loss mitigation options to address the impacts many Americans are experiencing in recovering financially from the long-lasting effects of the pandemic.

HUD is authorized to conduct loss mitigation, including loss mitigation advances, under 12 USC 1715z-13a(h)(1)(B) and 12 USC § 1715z-13b(i)(1)(B) for the Section 184 program, and under 12 USC § 1715z-13b(i)(1)(B) and 12 USC § 1715z-13b(j)(3)(B) for the Section 184A program. In this guidance document, HUD is extending and amending COVID-19 Loss Mitigation Options. These options were published in previous guidance documents DLLs 2020-06, 2021-02, 2021-06, 2021-11, and DLL 2022-01(amended).

HUD has found the COVID-19 Loss Mitigation Options established in DLL 2022-01 (amended) to be very successful in helping Borrowers bring their Section 184 Guaranteed Loans current and providing significant monthly mortgage payment reduction.

Therefore, even though the COVID-19 National Emergency ended on April 10, 2023, HUD is temporarily extending the COVID-19 Loss Mitigation Options published in DLL 202-01(amended) to allow as many eligible Borrowers as possible to take advantage of these options. This will reduce the costs and complexity of loss mitigation and ensure that Lenders can streamline and strengthen their delivery of loss mitigation.

While the COVID-19 Loss Mitigation Options allow Lenders to deliver assistance to Borrowers and prevent foreclosure, rising interest rates have impeded the effectiveness of a COVID-19 Recovery Native Loan Modification. Therefore, HUD is expanding the limits of the COVID-19 Recovery Loss Mitigation Advance to reduce payments and avoid payment increase.

Further, HUD considers it prudent to expand the COVID-19 Recovery Options for all Borrowers in Default, regardless of their reason for Default.

HUD is restating its COVID-19 Loss Mitigation Options established in DLL 2022-01 (amended) in this DLL, with new provisions/changes highlighted in yellow. In places where text was removed from DLL 2022-01(amended), HUD has the statement highlighted in yellow: "Text was deleted from this section."

**Summary of
Changes**

This DLL:

- Temporarily suspends the Partial Claims and Loan Modification loss mitigation options found in PIH Notice 2014-11 and Loan Modification loss mitigation option found in the Section 184A Processing Guide.
- Extends the COVID-19 Advance Loan Modification and Recovery Options found in DLL 2022-01 (Amended) to October 30, 2024.
- Extends the COVID-19 Loss Mitigation Options to all Borrowers in default on the Section 184/184A Guaranteed Loan payments, regardless of the reason for their hardship.
- Increases the allowable COVID-19 Recovery Loss Mitigation Advance amount to 30 percent of the Borrower’s unpaid principal balance as of the date of default of the first Loss Mitigation Advance
- Updates Loss Mitigation for Borrowers in Presidentially Declared Major Disaster Areas.

**Loss
Mitigation
Options**

Section 184 Program. Loss mitigation options for the Section 184 program are found in PIH Notice 2014-11. This DLL temporarily suspends Partial Claim and Loan Modifications loss mitigation options found in *Section 8. HUD Approved Relief Procedures* until October 30, 2024. These two loss mitigation options are replaced by the COVID-19 Native Advance Loan Modification, the COVID-19 Recovery Loss Mitigation Advance and the COVID-19 Native Recovery Loan Modification. All other approved relief procedures presented in PIH Notice 2014-11 remain valid and operational during this time.

Section 184A Program. Loss mitigation options for the Section 184A program are found in chapter eight of the Section 184A Processing Guide. This DLL temporarily suspends the Loan Modification loss mitigation option found in *Section 8.9 HUD Approved Relief Procedures* until October 30, 2024. This loss mitigation option is replaced by the COVID-19 Native Advance Loan Modification and the COVID-19 Native Recovery Loan Modification. All other approved relief procedures presented in the Section 184A Processing Guide remain valid and operational during this time.

Loss Mitigation for Borrowers in Presidentially Declared Major Disaster Area (PDMDA)

For Section 184 and 184A Borrowers impacted by a PDMDA through October 30, 2024:

- For Borrowers who were on a COVID-19 Forbearance or were being evaluated for a COVID-19 Loss Mitigation Option before being impacted by a Presidentially Declared Major Disaster Area (PDMDA), the Lender must continue to follow the COVID-19 Loss Mitigation guidance.
- For all other Borrowers, the Lender must evaluate the Borrower for forbearance options in accordance with PIH Notice 2015-15, and then evaluate the Borrower for a COVID-19 Loss Mitigation Option, regardless of the reported reason for default.

Outreach Requirements for Lenders and Servicers to All Section 184 and 184A Borrowers

Lenders and Servicers must ensure all Borrowers are informed of all available relief options presented in this DLL. Lenders may utilize any acceptable methods for communicating with Borrowers regarding possible COVID-19 **Recovery** loss mitigation options.

Acceptable methods of communication are emails, texts, fax, teleconferencing, Lender or Servicer's websites, or sending out a general communication advising Borrowers of possible COVID-19 **Recovery** loss mitigation options.

At a minimum, Lenders should reach out to the following groups of Borrowers:

- Outreach to all Borrowers by public posting
- Outreach to all Borrowers currently in default
- Outreach to all Borrowers being evaluated for or currently in a loss mitigation plan

Homeowner Assistance Fund. The Lender must inform Borrowers, utilizing any acceptable method of communication, that they can apply for the Department of Treasury's Homeowner Assistance Fund (HAF), if HAF is available in their jurisdiction.

As permitted by the jurisdiction's HAF program, HAF funds may be used in connection with the Borrower's Section 184 or Section 184A Loan in a manner consistent with the respective loan documents and Section 184 or Section 184A requirements.

More information on HAF is available at: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/homeowner-assistance-fund>.

**COVID-19
Loss
Mitigation
Options**

Borrowers in the Section 184 and Section 184A programs have the following COVID-19 Loss Mitigation Options: [Text was deleted in this section.]

- **COVID-19 Forbearance.** The COVID-19 Forbearance provides Borrowers who experience an adverse impact on their ability to make on-time Loan payments due to the COVID-19 pandemic with a forbearance period, which allows for one or more periods of reduced or suspended payments without specific terms of repayment.
- **The COVID-19 Native Advance Loan Modification (COVID-19 Native ALM).** The COVID-19 Native ALM is proactively offered to eligible delinquent Borrowers who can achieve a minimum 25 percent reduction in the Principal and Interest (P&I) portion of the Borrower's monthly Loan payment through a 30-year rate and term Loan Modification that includes arrearages.
- **COVID-19 Recovery Loss Mitigation Advance (COVID-19 Recovery LMA).** The COVID-19 Recovery LMA is a zero-interest subordinate lien for arrearages for Borrowers who can return to making their existing Loan payments after Forbearance or Default.
- **The COVID-19 Recovery Native Loan Modification.** The COVID-19 Recovery Native Loan Modification includes a Loss Mitigation Advance for arrearages and a Loan Modification with a targeted 25 percent P&I reduction for Borrowers who are unable to return to their existing Loan payments.

**COVID-19
Forbearance**

A COVID-19 Forbearance allows Borrowers to pause or reduce Loan payments for a period of time. The Borrower is still responsible for any arrearages that occur during the forbearance period. A COVID-19 Forbearance is initiated at the Borrower's request and is available to any Borrower that experiences an adverse impact on their ability to make on-time Loan payments due to the COVID-19 pandemic, regardless of default status.

The term of the initial and any additional COVID-19 Forbearance period may be shortened at the Borrower's request.

The Lender must waive all late charges, fees, and penalties, if any, as long as the Borrower is on a COVID-19 Forbearance Plan.

No COVID-19 Forbearance period may extend beyond November 30, 2023.

COVID-19 Forbearance Period, Based on Date of Initial COVID-19 Forbearance

Initial Forbearance Date	Initial Forbearance Period	Additional Forbearance Period	Forbearance Extensions	Maximum Forbearance Period
March 1, 2020 – June 30, 2020	Up to 6 months	Up to 6 months	Up to 6 months (in 3-month increments)	Up to 18 months
July 1, 2020 – Sept. 30, 2020	Up to 6 months	Up to 6 months	Up to 3 months	Up to 15 months
Oct. 1, 2020 – June 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months
July 1, 2021 – Sept. 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months
October 1, 2021 – May 31, 2023	Up to 6 months	Up to 6 months (if the initial forbearance will be exhausted or expires on or before May 31, 2023)	0	Up to 12 months (not to exceed November 30, 2023)

(1) Initial COVID-19 Forbearance Requested on or before June 30, 2020

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 Lender. After 12 months of COVID-19 Forbearance, if needed, the Borrower may request, and the Lender must approve, up to two additional three-month COVID-19 Forbearance extension periods. Each three-month extension must be requested individually. Neither of the two additional three-month extension periods may extend beyond December 31, 2021. The maximum COVID-19 Forbearance period for these Borrowers is 18 months.

(2) Initial COVID-19 Forbearance Requested between July 1, 2020, and September 30, 2020

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 Lender. After 12 months of COVID-19 Forbearance, if needed, the Borrower may request, and the Lender must approve, one additional three-month COVID-19 Forbearance extension period. The additional three-month extension period must not extend beyond December 31, 2021. The maximum COVID-19 Forbearance period for these Borrowers is 15 months.

(3) Initial COVID-19 Forbearance Requested between October 1, 2020, and June 30, 2021

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 Lender. The COVID-19 Forbearance must not extend beyond June 30, 2022. The maximum COVID-19 Forbearance period for these Borrowers is 12 months.

(4) Initial COVID-19 Forbearance Requested between July 1, 2021, and September 30, 2021

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 Lender. This COVID-19 Forbearance period must not extend beyond September 30, 2022. The maximum COVID-19 Forbearance period for these Borrowers is 12 months.

(5) Initial COVID-19 Forbearance Requested between October 1, 2021 and May 31, 2023

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 Lender if:

- the Borrower has utilized a full six months of initial COVID-19 Forbearance; and

the initial COVID-19 Forbearance will expire on or before May 31, 2023.

This COVID-19 Forbearance period must not extend beyond November 30, 2023. The maximum COVID-19 Forbearance period for these Borrowers is 12 months.

**COVID-19
Native
Advance Loan
Modification
(COVID-19
Native ALM).**

A COVID-19 Native ALM is a permanent change in one or more terms of a Borrower's Loan that achieves a minimum 25 percent reduction in the Borrower's monthly P&I payment. The COVID-19 Native ALM includes any arrearages the Borrower may have and is not incentivized.

Eligibility. To be eligible for a COVID-19 Native ALM the Borrower's Section 184 or Section 184A loan must be 90 or more days past due and the Property must be owner-occupied.

Lender Requirements. [Text was deleted in this section.]

Lenders must review Borrowers for the COVID-19 Native ALM as follows:

- Borrowers on a COVID-19 Forbearance who are within 30 days of the expiration of the forbearance.
- Borrowers who are 90 or more days delinquent and not on a COVID-19 Forbearance must be considered for a COVID-19 Native ALM through **October 30, 2024.**
- Lenders have 120 days to execute a COVID-19 Native ALM or other loss mitigation activity from the end of a Borrowers' COVID-19 Forbearance or from the date a Borrower was 90 days delinquent.

If the Borrower qualifies for a COVID-19 Native ALM, the Lender must:

- prepare and send out the Loan Modification documents to the Borrower; and
- provide a cover letter that includes:
 - an explanation of terms including the modified Loan payment amount;
 - the date the next payment is due;
 - a statement that no lump sum payment is required;
 - a statement that if the Borrower does not accept this offer, this does not prevent them from being evaluated for and potentially obtaining another loss mitigation option to bring their Loan current;
 - a statement that the Borrower must sign and return the Loan Modification documents within 30 Days of receipt of the documents; and
 - information for the Borrower to contact the Lender, if needed.

The Lender does not have to contact the Borrower prior to reviewing the Borrower for the COVID-19 Native ALM or sending out the Loan Modification documents.

Borrowers who do not qualify for a COVID-19 Native ALM (the modified loan does not result in a minimum 25 percent P&I monthly payment reduction) or who do not elect to participate in the COVID-19 Native ALM must be evaluated for a COVID-19 Recovery Loss Mitigation Advance or a Recovery Native Loan Modification.

Terms. The Lender must ensure that COVID-19 Native ALM meets the following criteria:

- the COVID-19 Native ALM achieves a minimum 25 percent P&I monthly payment reduction;
- the modified Loan is a fixed rate loan;
- the interest rate of the modified Loan is the Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate rounded to the nearest one-eighth of 1 percent (0.125 percent);
- the term for the modified Loan is 360 months;
- the COVID-19 Native ALM only capitalizes arrearages, which refers to any amounts needed to bring the Borrower current and includes:
 - unpaid accrued interest;
 - Lender advances for escrow items;
 - projected escrow shortage amount;
 - related legal fees and foreclosure and bankruptcy costs not higher than the foreclosure-related fees and costs HUD has identified as customary and reasonable; and
 - an additional month in the total outstanding debt to be resolved, to allow time for the Borrower to return the executed Loan Modification documents before the modified Loan payment begins;
- the COVID-19 Native ALM fully reinstates the Loan; and
- 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.

HUD does not provide a model for COVID-19 Native ALM documents, but the Lender must ensure the Section 184 or Section 184A Loan remains in first lien position and is legally enforceable.

Servicing File. For those Borrowers that were sent an offer for a COVID-19 Native ALM, a copy of the cover letter and Loan Modification documents, including evidence of the Freddie Mac weekly PMMS used, must be retained in the Servicing File.

Additionally, if the Borrower accepts the COVID-19 Native ALM, copies of the executed Loan Modification documents must be included in the Servicing File.

**Borrower
Review for a
COVID-19
Recovery
Loss
Mitigation
Advance or
Recovery
Native Loan
Modification**

Lender Requirements. [Text was deleted in this section.] The Lender must review the following Borrowers for a COVID-19 Recovery Loss Mitigation Advance or Recovery Native Loan Modification (COVID-19 Recovery Options):

(1) Borrowers who were on a COVID-19 Forbearance. The Lender must review all Borrowers who were on a COVID-19 Forbearance for the COVID-19 Recovery Options after completion or expiration of the Borrower's forbearance period. Lenders may review the Borrower for the COVID-19 Recovery Options prior to the completion or expiration of the Borrower's forbearance period. A Borrower does not need to exit their forbearance to be reviewed for the COVID-19 Recovery Options.

The Lender must complete any eligible loss mitigation option for these Borrowers no later than 120 days from the earlier of the date of completion or expiration of the COVID-19 Forbearance. The 120-Day period to complete a loss mitigation option includes the COVID-19 Native ALM.

(2) Borrowers who are not on a COVID-19 Forbearance. The Lender must review all Borrowers that are in Default through October 30, 2024, regardless of the reason for Default and the Borrower's previous participation in a COVID-19 Forbearance.

The Borrower must be 90 or more days in default at the time the permanent loss mitigation documents are executed.

The Lender may offer the Borrower a Forbearance prior to reviewing the Borrower for a COVID-19 Recovery Option. A Borrower may request a COVID-19 Forbearance through May 31, 2023, in accordance with DLL 2023-01. For any Borrower requesting Forbearance after May 31, 2023, the Lender may offer a Forbearance in accordance with PIH Notice 2014-11 for 184 Borrowers, or in accordance with the Section 184A Processing Guide for 184A Borrowers.

The Lender must complete any eligible loss mitigation option for these Borrowers no later than 120 days from the date of the Borrower's request for loss mitigation assistance.

The Lender must document the date of the Borrower's request for loss mitigation assistance in the Servicing File.

(3) Additional Evaluation for COVID-19 Recovery Options

For Borrowers who are 90 or more Days Delinquent as of April 10, 2023, and not presently on a COVID-19 Forbearance, including Borrowers in foreclosure where the foreclosure sale has not been scheduled, the Lender must:

- send written notification to the Borrower, unless otherwise prohibited by law, stating that additional loss mitigation options have become available which may assist them in retaining their home. This language can be added to existing letters sent by the Lender; and
- retain documentation of the written notification to the Borrower in their Servicing File.

Lenders must re-review a Borrower for the COVID-19 Recovery Options upon Borrower request.

(4) Borrowers in Foreclosure

If a Borrower in foreclosure requests review for the COVID-19 Recovery Options:

- when the scheduled foreclosure sale is more than 37 days from the date of the Borrower's request, the Lender must review the Borrower for a COVID-19 Recovery Option;
- when the Borrower's request is received 37 days or fewer prior to the scheduled foreclosure sale date, the Lender must use its best efforts to review the Borrower for a COVID-19 Recovery Option; or
- when the Lender receives an executed loss mitigation agreement from the Borrower, the Lender must terminate the foreclosure process.

COVID-19 Recovery Loss Mitigation Advance (COVID-19 Recovery LMA).

The COVID-19 Recovery LMA reinstates the Section 184 or Section 184A Loan through the use of a loss mitigation advance for Borrowers who are able to resume their monthly Loan payments. [Text was deleted in this section.]

Eligibility. The Lender must ensure that:

- a Borrower's loan is 90 or more days past due;
- the Borrower indicates they have the ability to resume making on-time Loan payments; and
- the Property is owner-occupied.

Terms. The Lender must ensure that:

- the COVID-19 Recovery LMA fully reinstates the Loan.
- the COVID-19 Recovery LMA amount includes only arrearages, which refers to any amounts needed to bring the Borrower current and includes:
 - Lender advances for escrow items;
 - projected escrow shortage amount; and
 - related legal fees and foreclosure and bankruptcy costs not higher than the foreclosure-related fees and costs HUD has identified as customary and reasonable.
- If a Borrower does not have an existing LMA, the COVID-19 Recovery LMA must not exceed 30 percent of the unpaid principal balance as of the date of default.
- If a Borrower has an existing LMA(s), the Lender must:
 - calculate 30 percent of the unpaid principal balance as of the date of default for the initial LMA; and
 - subtract the outstanding balance of the previous LMA(s) to determine the available amount that can be used for the COVID-19 Recovery LMA.
- The Lender must waive all late charges and penalties. Lenders are not required to waive late charges and penalties, if any, accumulated prior to March 1, 2020.

Model Documents. HUD has provided the following model documents:

- Section 184 COVID-19 Recovery Loss Mitigation Advance Promissory Note;
- Section 184 COVID-19 Recovery Loss Mitigation Advance Subordinate Mortgage/Deed of Trust; and
- Section 184A COVID-19 Recovery Loss Mitigation Advance Promissory Note.

To expedite the processing of COVID-19 Recovery LMA claims, if any, Lenders should use these model documents. If the Lender chooses to use a different document, the Lender must utilize documents that comply with elements of the model documents. For the COVID-19 Recovery LMA, the Section 184 Mortgage must remain in first lien position and be legally enforceable. *ONAP cannot accept FHA documents.*

Eligible Borrowers may receive more than one COVID-19 Recovery LMA.

**COVID-19
Recovery
Native Loan
Modification**

The COVID-19 Recovery Native Loan Modification reinstates the Section 184 or Section 184A loan through the use of a Loss Mitigation Advance for arrearages plus a Loan Modification for Borrowers who are unable to resume their prior monthly Loan payments.

Eligibility. [Text was deleted in this section.]

The Lender must ensure that:

- a Borrower's loan is 90 or more days past due;
- the Borrower indicates they have the ability to make the modified monthly Loan payments; and
- the Property is owner-occupied.

Eligible Borrowers may receive more than one COVID-19 Recovery Native Loan Modification.

Calculation of Target Payment. The Target Payment for a COVID-19 Recovery Native Loan Modification is a payment that achieves a 25 percent reduction to the P&I portion of the Borrower's monthly Loan payment.

To arrive at the Target Payment, the Lender must apply the following steps until the Target Payment is achieved. No income documentation is required to calculate the Borrower's modified monthly Loan payment.

Step 1 – Calculate Loss Mitigation Advance Availability

The Lender must determine the amount available for a Loss Mitigation Advance. The LMA must not exceed 30 percent of the unpaid principal balance as of the date of default.

If a Borrower has an existing LMA(s), the Lender must:

- calculate 30 percent of the unpaid principal balance as of the date of default for the initial LMA, and
- subtract the outstanding balance of the previous LMA(s) to determine the available amount that can be used for the new LMA.

Step 2 – Arrearages

The Lender must calculate the arrearages. Arrearages refers to any amounts needed to bring the Borrower current and includes:

- unpaid accrued interest;
- Lender advances for escrow items;
- projected escrow shortage amount; and

- related legal fees and foreclosure and bankruptcy costs not higher than the foreclosure-related fees and costs HUD has identified as customary and reasonable.

Lenders may include an additional month in the total outstanding debt to be resolved to allow time for the Borrower to return the executed Loan Modification documents before the modified Loan payment.

The Lender must ensure that all late charges and penalties are waived. Lenders are not required to waive late charges and penalties, if any, accumulated prior to March 1, 2020.

Step 3 – Modify the Rate and Term of the Loan

The Lender must first apply available LMA funds toward the arrearages. If the LMA funds are insufficient to cure the arrearages, then the Lender must capitalize the remaining arrearages into the modified Loan.

The Lender must then extend the term to 360 months and calculate the modified Loan payment. The interest rate of the modified Loan is no greater than the most recent 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 Borrower is offered a COVID-19 Recovery Native Loan Modification.

Step 4 – Principal Deferment

If the Target Payment is not achieved, the Lender must apply the remaining available LMA funds, if any, as a principal deferment on the unpaid principal balance, to achieve the Target Payment with the modified Loan.

Step 5 – Target Payment Not Achieved [Text was deleted in this section.]

If the Lender cannot achieve the Target Payment using the above steps, then the Lender must offer the Borrower the lowest monthly P&I payment that can be achieved under the COVID-19 Recovery Native Loan Modification (NLM) or, if the P&I monthly payment increases under the proposed COVID-19 Recovery Native Loan Modification, the Lender must instead offer a COVID-19 LMA . If the Borrower affirms that they can make the offered payment, then the Lender must complete that option.

Terms. The Lender must ensure that:

- the modified Loan is a fixed rate Loan;
- the interest rate of the modified Loan is no greater than the most recent 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 Borrower is offered the
- COVID-19 Recovery **Native Loan Modification**; the LMA, does not exceed **30** percent of the unpaid principal balance as of the date of default at the time of any initial LMA less **the outstanding balance of the** previous LMA(s);
- the COVID-19 Recovery Native Loan Modification fully reinstates the Loan including all arrearages; and the Section 184 or 184A Loan remains in first lien position and is legally enforceable.

Model Documents. Since the COVID-19 Recovery Native Loan Modification includes both a loss mitigation advance and a loan modification, Lenders should use the model COVID-19 Recovery LMA documents for the loss mitigation advance portion. HUD does not provide model loan modification documents.

**COVID-19
Recovery LMA
Required
Documentation
and Deadline**

The Lender must submit all required documentation for COVID-19 Loss Mitigation Advance as listed below and found in the Model Loss Mitigation Advance Checklist. The Lender must retain a copy of these documents in the Servicing File.

Required Documents:

- 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 Form HUD-27011.
- Copy of executed COVID-19 Forbearance Agreement, if applicable.
- Lender Validation of Borrower's request for COVID-19 Forbearance, if applicable.
- Lender certification of Borrower eligibility of COVID-19 Recovery Options.
- Verification of Forbearance Agreement terms and Borrower's successful completion or termination of the Agreement, where applicable.
- Evidence of the calculations used to determine the COVID-19 Recovery LMA amount and availability.
- Borrower's Section 184/184A Loan payment history.
- Evidence of the date the Lender received the executed COVID-19 Recovery LMA documents from the Borrower.

- Evidence of the date Section 184 Subordinate Mortgage/Deed of Trust was submitted for recordation. A Subordinate Mortgage/Deed of Trust is not required for Section 184A loans.
- Original executed Promissory Note.
- Original recorded Subordinate Mortgage/Deed of Trust. This is not required for Section 184A loans.
- Updated Title Policy or Certified Title Status Report showing recordation of Subordinate Mortgage/Deed of Trust. This is not required for Section 184A loans.

The Lender must submit a copy of these documents using ONAP’s electronic document delivery portal, Native Advantage (aka ONAP Catalyst), no later than 45 days from the date of execution.

The Lender must also deliver the original executed COVID-19 Recovery LMA Promissory Note and recorded Subordinate Mortgage/Deed of Trust using an overnight or two-day delivery service. Deliver the original documents to:

U.S. Department of Housing and Urban Development
Office of Native American Programs/OLG
Attention: LMA Claims
451 Seventh St. SW, Room 4108
Washington, DC 20410

The Lender is automatically granted a 90-Day extension to the six-month deadline for submitting the original executed COVID-19 Recovery LMA Promissory Note and recorded Subordinate Mortgage/Deed of Trust documents to HUD.

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.

Required Documentation for COVID-19 Recovery Native Loan Modification

The Lender must submit the documents in the timeframe prescribed as listed above in “**COVID-19 Recovery LMA Required Documentation and Deadline.**” In addition, the Lender must retain the Loan Modification documents, including evidence of the Freddie Mac weekly PMMS used, in the Servicing Case Binder.

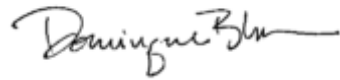
COVID-19 Loss Mitigation Reporting to HUD

Lenders must continue to track Borrowers with COVID-19 Loss Mitigation Options. HUD will provide updated reporting requirements under a separate Dear Lender Letter in the near future.

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