



OFFICE OF PUBLIC AND INDIAN HOUSING

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

Date: March 10, 2022

Dear Lender Letter 2022-03

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

Subject Amendments to COVID-19 Recovery Loss Mitigation Options and First Legal Action and Reasonable Diligence Time Frames

Purpose The purpose of this Dear Lender Letter (DLL) is to amend some of the review and re-review requirements in DLL 2022-01 and to make a technical update to the First Legal Action and Reasonable Diligence time frames for Borrowers exiting a COVID-19 Forbearance.

Effective Date The policies in this DLL may be implemented immediately but must be implemented by March 20, 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 (OLG) 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 amends DLLs 2022-01 and [DLL 2021-06](#).

Background

On January 19, 2022, OLG published DLL 2022-01 implementing new COVID-19 Recovery loss mitigation options. This DLL was based COVID-19 loss mitigation options offered by FHA in Mortgage Letters (MLs) 2021-15 and 2021-18. Based on Lender feedback, FHA waived two provisions of these MLs relating to the re-review of Borrowers.

Similar to FHA, ONAP has heard from Lenders about difficulties in implementing some of the Borrower re-review provisions within the timeframe provided in DLL 2022-01. ONAP has decided, consistent with FHA, to eliminate certain re-review requirements to prevent delays and confusion with existing loss mitigation documents. At the same time, OLG is adding language to make it clear that, while Lenders do not have to re-review loss mitigation options for Borrowers whose final loss mitigation documents have not been sent within 30 days of DLL 2022-01, these Borrowers may request a re-review to see if they are eligible for one of the Recovery Loss Mitigation options.

OLG is also making a technical change to DLL 2022-01 regarding the timeframe for implementing the COVID-19 Native Advance Loan Modification (COVID-19 Native ALM). As originally published, the deadline to implement the COVID-19 Native ALM was 15 days before the implementation of DLL 2022-01. OLG is correcting this timeframe to coincide with the March 20, 2022, implementation date of DLL 2022-01.

Additionally, OLG is making technical changes to DLL 2021-06 which established deadlines for First Legal Action and Reasonable Diligence in connection OLG's COVID-19 related foreclosure moratorium for Section 184 and Section 184A Guaranteed Loans. These changes clarify OLG's original intent for when the timeframe for First Legal Action and Reasonable Diligence begins for Borrowers on a COVID-19 Forbearance. These deadlines are being amended and included in the Amended DLL 2022-01 to have all COVID-19 loss mitigation policies for the Section 184 and Section 184A programs in one place.

Summary of Changes

This DLL amends the re-review requirements for the COVID-19 loss mitigation options under DLL 2022-01. Lenders no longer have to re-review Borrowers for a COVID-19 Recovery option when a Borrower's final loss mitigation documents have not yet been sent, unless requested by the Borrower.

Lenders now have until March 20, 2022, to begin reviewing Borrowers who are 90 days or more delinquent for a COVID-19 Native Advance Loan Modification.

This DLL also clarifies that the deadline for First Legal Action Borrower's in COVID-19 Forbearance is 180 days from the date the Borrower has exited forbearance.

This DLL reminds Lenders that the deadline for filing First Legal Action/assignment for Borrowers not under a COVID-19 Forbearance was January 27, 2022, and that HUD will not be extended this deadline, unless an extension request was submitted to HUD before January 27, 2022.

Amendments to the sections of DLL 2022-01 and DLL 2021-06 are highlighted below. Also attached is a copy of the Amended DLL 2022-01 that includes these changes.

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

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

- Borrowers on a COVID-19 Forbearance who are 90 days or more delinquent must be reviewed within 30 days of the expiration of the forbearance. If a Borrower's COVID-19 Forbearance ends after the termination of the COVID-19 National Emergency, these Borrowers may still receive a COVID-19 Native ALM.
 - ~~Borrowers who have exited their COVID-19 Forbearance where the Lender has not yet sent out the final documents to the Borrower to complete a loss mitigation option must be reviewed within 45 days of the date of this DLL.~~
 - Borrowers who are 90 or more days delinquent before the end of the National Emergency and not on a COVID-19 Forbearance must be considered for a COVID-19 ALM through the termination of the COVID-19 National Emergency.
 - ~~Borrowers who are 90 or more days delinquent as of the date of this DLL and not on a COVID-19 Forbearance must be considered for a COVID-19 Native ALM within 45 days of the date of this DLL.~~
 - ~~Lenders must continue to review Borrowers who are 90 days or more delinquent for a COVID-19 Native ALM through the termination of the COVID-19 National Emergency.~~
 - 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.
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**Borrower
Review for a
COVID-19
Recovery Loss
Mitigation
Advance or
Recovery
Native Loan
Modification
Amendments**

Re-Review of Borrowers. The Lender must re-review the following Borrowers and implement the COVID-19 Recovery Options no later than 90 days after publication of this DLL, if:

- the Lender has not yet sent out the final loss mitigation documents within 30 days of the publication of this DLL;
- the Borrower has not yet signed the final loss mitigation documents and requests a review for COVID-19 Recovery options;
- the Borrower was not eligible for a COVID-19 Loss Mitigation Advance; or
- the Borrower's payments became past due as a result of the COVID-19 pandemic after reinstating using a loss mitigation option.

The Lender must complete a 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 or 120 days from the date of the Borrower's request for loss mitigation assistance.

**Extension of
First Legal
Deadline Date
related to
Foreclosure
Moratorium**

Deadlines for the First Legal Action and Reasonable Diligence Time Frame for fee simple properties and the deadline for assignment to HUD for Tribal Trust properties is extended by 180 Days from the later date of either the end of the Borrower's COVID-19 Forbearance or the expiration of the foreclosure moratorium for Section 184 and Section 184 Guaranteed Loans, except for Section 184 and Section 184A Guarantee Loans secured by vacant or abandoned Properties.

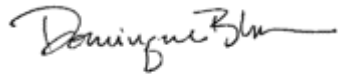
To clarify, the foreclosure moratorium ended on July 31, 2021; therefore, the deadline for the First Legal Action/assignment for Borrowers not under a COVID-19 Forbearance was January 27, 2022. Unless requested before the deadline, HUD will not consider issuing an extension of this timeframe.

If the Lender needs additional time to meet the First Legal Action/assignment deadline for Borrowers whose COVID-19 Forbearance has ended, the Lender must submit a request for an extension on HUD Form 50012 to 184Servicing@hud.gov before the expiration of the 180 days.

Questions

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

Signature



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for Public and Indian Housing