



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



FHA's COVID-19 Loss Mitigation Options Mortgagee Letter 2020-22

Presented by:
Stacey Brown
National Servicing Center



OFFICE OF SINGLE FAMILY HOUSING



Summary of Changes



Summary of Changes

Key Changes to HUD's Loss Mitigation Options for Borrowers Affected by the COVID-19 National Emergency include:

- **COVID-19 Home Retention Options:**
 - COVID-19 Owner-Occupant Loan Modification
 - COVID-19 Combination Partial Claim and Loan Modification
 - COVID-19 FHA-HAMP Loan Modification and Partial Claim with Reduced Documentation
 - COVID-19 Non-Occupant Loan Modification
- **COVID-19 National Emergency Home Disposition Options:**
 - COVID-19 Pre-Foreclosure Sale, and
 - COVID-19 Deed-in-Lieu of Foreclosure
- **SFDMS Reporting Requirements**

ML 2020-22 Effective Dates

COVID-19 Loss Mitigation Options

- Mortgagees must offer eligible Borrowers the COVID-19 Loss Mitigation Options and procedures announced in ML 2020-22 no later than 90 days from the date of 7/8/2020 but may begin offering the new options immediately.

SFDMS Reporting Requirements

- The new SFDMS Delinquency and Default Reason (DDR) Code 055 – Related to National Emergency Declaration must be used to report delinquencies as a result of impacts of the COVID-19 pandemic effective immediately, or no later than the July 2020 reporting cycle.

COVID-19 Forbearance



COVID-19 Forbearance

- If a Borrower is experiencing a financial hardship negatively impacting their ability to make on-time Mortgage Payments due to COVID-19 and makes a request for a COVID-19 Forbearance, the Mortgagee must offer the Borrower a COVID-19 Forbearance.
- The COVID-19 Forbearance allows for one or more periods of reduced or suspended payments without specific terms of repayment.
- All Borrowers are eligible for a COVID-19 Forbearance, regardless of the delinquency status of the Mortgage.



COVID-19 Forbearance – Communication Methods

- The Mortgagee may utilize any available method for communicating with a Borrower regarding a COVID-19 Forbearance.
 - Acceptable methods of communication include, but are not limited to:
 - Emails
 - text messages
 - fax
 - teleconferencing
 - websites, web-portals, etc.
 - If a Mortgagee sends out a general communication advising that a COVID-19 Forbearance is available, the Borrower may reply to that communication requesting a COVID-19 Forbearance, via e-mail, phone call, or any other method of communication clearly made available to the Borrower by the Mortgagee.

COVID-19 Forbearance (cont'd)

- The initial Forbearance period may be up to 6 months.
 - Upon Borrower request, an additional Forbearance period of up to 6 months must be approved by the Mortgagee.
- The term of either the initial or the extended Forbearance may be shortened at the Borrower's request.
- The Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the Borrower is on a Forbearance Plan.
- Mortgagees must complete a Loss Mitigation Option for an eligible Borrower no later than 90 days from the earlier of the date of completion or expiration of the COVID-19 Forbearance.
 - For Home Disposition Options, a signed Approval to Participate (ATP) Agreement or a signed DIL Agreement will meet this requirement.



COVID-19 Forbearance

Extension of First Legal Deadline Date

- For Borrowers participating in the COVID-19 Forbearance, Mortgagees are granted an automatic 90-Day extension to the First Legal Deadline Date, *from the earlier of the date of completion or expiration of the COVID-19 Forbearance period*, to complete a Loss Mitigation Option, or to commence or re-commence Foreclosure.
- Mortgagees must report the appropriate loss mitigation action in SFDMS.



COVID-19 Home Retention Options



COVID-19 Home Retention Options Overview

- **Owner-Occupant Borrowers** who were current or less than 30 Days past due as of March 1, 2020 must be reviewed for the following COVID-19 Home Retention Options:
 - COVID-19 Standalone Partial Claim,
 - COVID-19 Owner-Occupant Loan Modification,
 - COVID-19 Combination Partial Claim and Loan Modification, and
 - COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim Reduced Documentation Option.
- A Trial Payment Plan is not required for a Borrower to be eligible for COVID-19 Loss Mitigation Options.
- Presidentially-Declared Major Disaster Area (PDMDA) Disaster Loss Mitigation Options and COVID-19 Home Retention Options do not count against the Standard FHA-HAMP requirement that a Borrower has not executed an FHA-HAMP agreement in the past 24 months.
- **Non-Occupant Borrowers** who were current or less than 30 Days past due as of March 1, 2020 must be reviewed for the COVID-19 Non-Occupant Loan Modification.



COVID-19 Standalone Partial Claim



COVID-19 Standalone Partial Claim

For any **Owner-Occupant Borrowers** who receive the COVID-19 Forbearance, the Mortgagee must evaluate the Borrower for the COVID-19 Standalone Partial Claim no later than the end of the forbearance period(s).



Eligibility for COVID-19 Standalone Partial Claim

The Mortgagee must ensure the following eligibility requirements are met for a COVID-19 Standalone Partial Claim:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020;
- The Borrower indicates they have the ability to resume making on-time Mortgage Payments; and
- The Property is owner-occupied.

Terms of the COVID-19 Standalone Partial Claim

The Mortgagee must ensure the following terms are met for a COVID-19 National Emergency Standalone Partial Claim:

- The Borrower's accumulated Late Charges, fees, and penalties are waived;
- The COVID-19 Standalone Partial Claim amount includes only arrearages, which consists of Principal, Interest, Taxes, and Insurance (PITI);
- The COVID-19 Standalone Partial Claim does not exceed the 30 percent maximum statutory value of all Partial Claims for an FHA-insured Mortgage, as listed in Statutory Maximum for Partial Claims (III.A.2.k.v(D)(2)(a)); and
- The Borrower receives only one permanent COVID-19 Home Retention Option.

COVID-19 Standalone Partial Claim - Required Documentation

- The Mortgagee must submit all required documentation for Partial Claims as listed under Delivery of Partial Claim Documents (Sec. III.A.2.k.v(J)(6)).
- The Mortgagee is automatically granted a 90-day extension to the 6-month deadline for the recorded Mortgage.
- If a Mortgagee experiences additional delays out of their control, including past the automatic 90-day extension for the recorded Mortgage, that impact delivery of the Partial Claim documents, Mortgagees may file requests for an additional extension in accordance with Requests for Extensions of Time for Delivery of Partial Claim Documents (III.A.2.k.v(J)(7)).



Case Study – Mr. Brooks

Borrower Information	
Borrower:	Mr. Brooks
Was the Mortgage current or less than 30 Days past due as of March 1, 2020?	Yes
Is the Borrower currently on a COVID-19 Forbearance Plan?	Yes
Total number of months Borrower enrolled on a COVID-19 Forbearance Plan:	6
Has the Borrower confirmed ability to resume making on-time Mortgage Payments?	Yes
Is the Property Owner-Occupied?	Yes
Has the Borrower previously executed a COVID-19 PC or COVID-19 Loan Modification:	No
Has the Borrower previously executed an FHA-HAMP:	No

Current Principal & Interest Payment:	\$950.00
Current Escrow Payment:	\$220.00
Current Total Mortgage Payment:	\$1,170.00
Current Unpaid Principal Balance (UPB):	\$250,000.00
Arrearage:	\$7,020.00
Number of Months in Arrears:	6
Previous Partial Claim Amount:	\$0.00
UPB at time of Original Default:	\$250,000.00
Current Interest Rate:	4.000%
Partial Claim - Available Maximum Statutory Limit:	\$75,000.00
Current Market Rate:	3.50%

COVID-19 Loss Mitigation Option: COVID-19 Partial Claim (Reporting Status Code: 10)

Mr. Brooks has confirmed his ability to resume making on-time mortgage payments and the total arrearage of \$7,020 is within the available maximum Partial Claim Statutory Limit of \$75,000. Execute a Partial Claim in the amount of \$7,020 to bring the Mortgage loan current.



COVID-19 Owner-Occupant Loan Modification



COVID-19 Owner-Occupant Loan Modification

For eligible **Owner-Occupant Borrowers** who do not qualify for the COVID-19 Standalone Partial Claim, the Mortgagee must review the Borrower for a COVID-19 Owner-Occupant Loan Modification, which modifies the rate and term of the Mortgage at the end of the COVID-19 Forbearance period.



Eligibility for COVID-19 Owner-Occupant Loan Modification

The Mortgagee must ensure the following eligibility requirements are met for a COVID-19 Owner-Occupant Loan Modification:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020;
- The Borrower indicates they have the ability to make the modified Mortgage Payment, and
- The Property is owner-occupied.

Terms of the COVID-19 Owner-Occupant Loan Modification

The Mortgagee must ensure the following terms are met for a COVID-19 Owner-Occupant Loan Modification:

The Mortgagee must modify the Mortgage as follows:

- All accumulated Late Charges, fees, and penalties must be waived.
- The Mortgagee must only capitalize into a COVID-19 Owner-Occupant Loan Modification:
 - Arrearages for unpaid accrued interest, and
 - Mortgagee advances for escrowed items.
- The COVID-19 Owner-Occupant Loan Modification must fully reinstate the Mortgage.
- The Mortgagee must ensure that the modified Mortgage is modified to a fixed rate Mortgage.
- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD.

Terms of the COVID-19 Owner-Occupant Loan Modification (cont'd)

The Mortgagee must ensure the following terms are met for a COVID-19 Owner-Occupant Loan Modification:

Modification Requirements continued:

- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's P&I may not increase under the COVID-19 Owner-Occupant Loan Modification unless:
 - The Borrower has exhausted the maximum 30 percent maximum statutory value of all Partial Claims for an FHA-insured Mortgage.
- The FHA-insured modified Mortgage must remain in first lien position and is legally enforceable.
- The Borrower(s) receives only one permanent COVID-19 Home Retention Option.



Case Study – Mr. Bono

Borrower Information	
Borrower:	Mr. Bono
Was the Mortgage current or less than 30 Days past due as of March 1, 2020?	Yes
Is the Borrower currently on a COVID-19 Forbearance Plan?	Yes
Total number of months Borrower enrolled on a COVID-19 Forbearance Plan:	7
Has the Borrower confirmed ability to resume making on-time Mortgage Payments?	No
Is the Property Owner-Occupied?	Yes
Has the Borrower previously executed a COVID-19 PC or COVID-19 Loan Modification:	No
Has the Borrower previously executed an FHA-HAMP:	No

Current Principal & Interest Payment:	\$1,377.00
Current Escrow Payment:	\$255.00
Current Total Mortgage Payment:	\$1,632.00
Current Unpaid Principal Balance (UPB):	\$271,605.00
Arrearage:	\$6,713.00
Number of Months in Arrears:	7
Previous Partial Claim Amount:	\$0.00
UPB at time of Original Default:	\$271,605.00
Current Interest Rate:	4.25%
Partial Claim - Available Maximum Statutory Limit:	\$81,481.50
Current Market Rate:	3.50%

Mr. Bono has sufficient available Partial Claim funds to bring the Mortgage loan current but has confirmed he does NOT have the ability to resume on-time Mortgage Payments. The Borrower must be reviewed for the COVID-19 Owner-Occupant Loan Modification.



Case Study – Mr. Bono (cont'd)

Existing Loan Summary	
Current Principal & Interest Payment:	\$1,377.00
Current Escrow Payment:	\$255.00
Current Total Mortgage Payment:	\$1,632.00
Current Unpaid Principal Balance (UPB):	\$271,605.00
Arrearage:	\$6,713.00

COVID-19 Loan Modification Results	
Total Amt. to be resolved (UPB+ Arrearage):	\$278,318.00
Proposed Market Rate:	3.50%
Amortization Term:	360
Modified Principal & Interest Payment:	\$1,249.77
Escrow Payment:	\$255.00
Modified Mortgage Payment:	\$1,504.77

COVID-19 Loss Mitigation Option: COVID-19 Owner-Occupant Loan Modification (Reporting Status Code: 28)

The Modified P&I Payment of \$1,249.77 is less than the current P&I Payment of \$1,377.00. Mr. Bono has confirmed his ability to make the modified Mortgage Payment. Execute a Loan Modification in the amount of \$278,318 to bring the Mortgage loan current.



COVID-19 Combination Partial Claim and Loan Modification



COVID-19 Combination Partial Claim and Loan Modification

Eligible **Owner-Occupant Borrowers** must be reviewed for the COVID-19 Combination Partial Claim and Loan Modifications when:

- The modified monthly Mortgage Payment will increase utilizing the COVID-19 Owner-Occupant Loan Modification, and the Borrower is unable to bring the Mortgage current through the COVID-19 Standalone Partial Claim because the total arrearage exceeds the available portion of the statutory maximum for Partial Claims and the available portion of the statutory maximum for the Mortgage has not been fully exhausted, or
- The Borrower cannot resume their existing monthly Mortgage Payments with a COVID-19 Standalone Partial Claim.



Eligibility for COVID-19 Combination Partial Claim and Loan Modification

The Mortgagee must ensure the following eligibility requirements are met for a COVID-19 Combination Partial Claim and Loan Modification:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020;
- The Borrower has not exceeded the 30 percent statutory maximum value of all Partial Claims for an FHA-insured Mortgage, as listed in Statutory Maximum for Partial Claims (III.A.2.k.v(D)(2)(a));
- The Borrower indicates they have the ability to make the modified Mortgage Payments; and
- The Property is owner-occupied.

Terms of the COVID-19 Combination Partial Claim and Loan Modification

The Mortgagee must ensure the following terms are met for a COVID-19 Combination Partial Claim and Loan Modification:

- All accumulated Late Charges, fees, and penalties must be waived.
- The Mortgagee must only capitalize into the modified Mortgage of the COVID-19 Combination Partial Claim and Loan Modification:
 - Arrearages for unpaid accrued interest, and
 - Mortgagee advances for escrowed items.
- The Mortgagee must determine the maximum Partial Claim amount available that does not exceed the 30 percent maximum statutory value of all Partial Claims for an FHA-insured Mortgage.
- The Mortgagee must apply any remaining available Partial Claim amount toward the arrearage first, and then capitalize the remaining arrearage into the modified Mortgage.

Terms of the COVID-19 Combination Partial Claim and Loan Modification (cont'd)

The Mortgagee must ensure the following terms are met for a COVID-19 Combination Partial Claim and Loan Modification:

- The COVID-19 Combination Partial Claim and Loan Modification must fully reinstate the Mortgage.
- The modified Mortgage must be a fixed rate Mortgage.
- The interest rate must be no greater than the Market Rate as defined by HUD.
- The term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's monthly Mortgage Payment may increase.
- The FHA-insured modified Mortgage must remain in first lien position and is legally enforceable.
- The Borrower(s) receives only **one** permanent COVID-19 Home Retention Option.

COVID-19 Combination Partial Claim and Loan Modification - Required Documentation

- The Mortgagee must submit all required documentation for Partial Claims as listed under Delivery of Partial Claim Documents (Sec. III.A.2.k.v(J)(6)).
- The Mortgagee is automatically granted a 90-day extension to the 6-month deadline for the recorded Mortgage.
- If a Mortgagee experiences additional delays out of their control, including past the automatic 90-day extension for the recorded Mortgage, that impact delivery of the Partial Claim documents, Mortgagees may file requests for an additional extension in accordance with Requests for Extensions of Time for Delivery of Partial Claim Documents (III.A.2.k.v(J)(7)).



Case Study – Ms. Ross

Borrower Information	
Borrower:	Ms. Ross
Was the Mortgage current or less than 30 Days past due as of March 1, 2020?	Yes
Is the Borrower currently on a COVID-19 Forbearance Plan?	Yes
Total number of months Borrower enrolled on a COVID-19 Forbearance Plan:	11
Has the Borrower confirmed ability to resume making on-time Mortgage Payments?	Yes
Is the Property Owner-Occupied?	Yes
Has the Borrower previously executed a COVID-19 PC or COVID-19 Loan Modification:	No
Has the Borrower previously executed an FHA-HAMP:	Yes

Current Principal & Interest Payment:	\$822.13
Current Escrow Payment:	\$265.00
Current Total Mortgage Payment:	\$1,087.13
Current Unpaid Principal Balance (UPB):	\$192,299.00
Arrearage:	\$4,778.00
Number of Months in Arrearage:	11
Previous Partial Claim Amount:	\$43,400.00
UPB at time of Original Default:	\$160,000.00
Current Interest Rate:	3.00%
Partial Claim 30% Statutory Limit = \$48,000 Available Maximum Statutory Limit:	\$4,600.00
Current Market Rate:	3.50%

The arrearage of \$4,778 is greater than the available amount of PC funds of \$4,600 making Ms. Ross ineligible for a COVID-19 Standalone PC. The Borrower must be reviewed for the COVID-19 Owner-Occupant Loan Modification.



Case Study – Ms. Ross (cont'd)

Existing Loan Summary	
Current Principal & Interest Payment:	\$822.13
Current Escrow Payment:	\$265.00
Current Total Mortgage Payment:	\$1,087.13
Current Unpaid Principal Balance (UPB):	\$192,299.00
Arrearage:	\$4,778.00
Partial Claim 30% Statutory Limit = \$48,000 Available Maximum Statutory Limit:	\$4,600.00

COVID-19 Loan Modification Results	
Total Amt. to be resolved (UPB+ Arrearage):	\$197,077.00
Proposed Market Rate:	3.50%
Amortization Term:	360
Modified Principal & Interest Payment:	\$885.00
Escrow Payment:	\$265.00
Modified Mortgage Payment:	\$1,150.00

*The Modified P&I Payment of \$885.00 is greater than the current P&I Payment of \$822.13. The Borrower's P&I may not increase under the COVID-19 Owner-Occupant Loan Modification unless the Borrower has exhausted the 30 percent maximum statutory value of all Partial Claims for an FHA-insured Mortgage. **The Borrower must be reviewed for the COVID-19 Combination Partial Claim and Loan Modification.***



Case Study – Ms. Ross (cont'd)

Existing Loan Summary	
Current Principal & Interest Payment:	\$822.13
Current Escrow Payment:	\$265.00
Current Total Mortgage Payment:	\$1,087.13
Current Unpaid Principal Balance (UPB):	\$192,299.00
Arrearage:	\$4,778.00
Partial Claim 30% Statutory Limit = \$48,000 Available Maximum Statutory Limit:	\$4,600.00

COVID-19 Combo Partial Claim and Loan Modification Results	
Total Amt. to be resolved (UPB+ Arrearage):	\$197,077.00
Partial Claim Amount:	\$4,600.00
Loan Modification Amount:	\$192,477.00
Proposed Market Rate:	3.50%
Amortization Term:	360
Modified Principal & Interest Payment:	\$864.00
Escrow Payment:	\$265.00
Modified Mortgage Payment:	\$1,129.00

COVID-19 Loss Mitigation Option: COVID-19 Combination Partial Claim and Loan Modification (Reporting Status Code: 53)

The Combo includes a Partial Claim for \$4,600.00 (Maximum available PC Funds); the outstanding arrearage of \$178 is capitalized in the Loan Modification for a total amount of \$192,477.00. The modified P&I Payment of \$864.00 is greater than the current P&I Payment of \$822.13 and Ms. Ross has confirmed she can make the modified Mortgage Payment.



COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim



COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim

- Borrowers may provide income documentation to be reviewed for an affordable monthly payment under a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation, which may include a Principal Deferment.



Eligibility for COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation

The Mortgagee must ensure the following eligibility requirements are met for a COVID-19 FHA-HAMP Combination Partial Claim and Loan Modification with Reduced Documentation:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020;
- The Property is owner-occupied;
- The Borrower has not exhausted the 30 percent statutory maximum value of all Partial Claims for an FHA-insured Mortgage; and
- The Borrower is not eligible for the COVID-19 Home Retention Options due to the following:
 - The Borrower is not eligible for the COVID-19 Standalone Partial Claim because the Borrower indicates they are unable to resume the existing monthly Mortgage Payments after the COVID-19 Forbearance; or
 - The Borrower is not eligible for the COVID-19 Combination Partial Claim and Loan Modification because the Borrower indicates they are unable to make the modified monthly Mortgage Payment under the COVID-19 Combination Partial Claim and Loan Modification.

Terms of the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation

The Mortgagee must ensure the following terms are met for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation:

- The Mortgagee must review the Borrower for an affordable monthly Mortgage Payment using the FHA-HAMP calculations in Step 5 of the Loss Mitigation Home Retention Waterfall Options (III.A.2.j.iii).
- If required, a Principal Deferment may be utilized. No portion of the Partial Claim may be used to bring the modified PITI monthly payment below the targeted payment.

Terms of the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation (cont'd)

The Mortgagee must ensure the following terms are met for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation:

- The following reduced income documentation requirements are adequate to review the Borrower for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim:
 - The Borrower's most recent pay stub for wage income reflecting year-to-date earnings; or
 - The Borrower's most recent bank statement reflecting deposits of income amounts from applicable sources; or
 - Other documentation (e.g., monthly statement of Social Security benefits, monthly pension statement) reflecting the amount of income.
- A TPP is not required.

Case Study – Ms. Gaga

Borrower Information	
Borrower:	Ms. Gaga
Was the Mortgage current or less than 30 Days past due as of March 1, 2020?	Yes
Is the Borrower currently on a COVID-19 Forbearance Plan?	Yes
Total number of months Borrower enrolled on a COVID-19 Forbearance Plan:	9
Has the Borrower confirmed ability to resume making on-time Mortgage Payments?	No
Is the Property Owner-Occupied?	Yes
Has the Borrower previously executed a COVID-19 PC or COVID-19 Loan Modification:	No
Has the Borrower previously executed an FHA-HAMP:	No

Current Principal & Interest Payment:	\$1,487.00
Current Escrow Payment:	\$310.00
Current Total Mortgage Payment:	\$1,797.00
Current Unpaid Principal Balance (UPB):	\$318,076.00
Arrearage:	\$8,904.00
Number of Months in Arrearage:	9
Previous Partial Claim Amount:	\$0.00
UPB at time of Original Default:	\$318,076.00
Current Interest Rate:	3.75%
Partial Claim - Available Maximum Statutory Limit:	\$95,422.80
Current Market Rate:	3.25%

*Ms. Gaga has sufficient available Partial Claim funds to bring the loan current but she has confirmed she does **NOT** have the ability to resume on-time Mortgage Payments. The Borrower must be reviewed for the COVID-19 Owner-Occupant Loan Modification.*



Case Study – Ms. Gaga (cont'd)

Existing Loan Summary	
Current Principal & Interest Payment:	\$1,487.00
Current Escrow Payment:	\$310.00
Current Total Mortgage Payment:	\$1,797.00
Current Unpaid Principal Balance (UPB):	\$318,076.00
Arrearage:	\$8,904.00
Partial Claim - Available Maximum Statutory Limit:	\$95,422.80

COVID-19 Loan Modification Results	
Total Amt. to be resolved (UPB+ Arrearage):	\$326,980.00
Proposed Market Rate:	3.25%
Amortization Term:	360
Modified Principal & Interest Payment:	\$1,423.00
Escrow Payment:	\$310.00
Modified Mortgage Payment:	\$1,733.00

*The Modified P&I Payment of \$1,423.00 is less than the current P&I Payment of \$1,487.00 but Ms. Gaga has confirmed she does **NOT** have the ability to make the modified Mortgage Payment. **The Borrower must be reviewed for the COVID-19 Combination Partial Claim and Loan Modification.***



Case Study – Ms. Gaga (cont'd)

Existing Loan Summary	
Current Principal & Interest Payment:	\$1,487.00
Current Escrow Payment:	\$310.00
Current Total Mortgage Payment:	\$1,797.00
Current Unpaid Principal Balance (UPB):	\$318,076.00
Arrearage:	\$8,904.00
Partial Claim - Available Maximum Statutory Limit:	\$95,422.80

COVID-19 Combo Partial Claim and Loan Modification Results	
Total Amt. to be resolved (UPB+ Arrearage):	\$326,980.00
Partial Claim Amount:	\$8,904.00
Loan Modification Amount:	318,076.00
Proposed Market Rate:	3.25%
Amortization Term:	360
Modified Principal & Interest Payment:	\$1,384.29
Escrow Payment:	\$310.00
Modified Mortgage Payment:	\$1,694.29

*The COVID-19 Combination Partial Claim and Loan Modification includes a Partial Claim for the Arrearage amount of \$8,904.00, and a Loan Modification reamortizing the Unpaid Principal Balance of \$318,076.00 to a 30-year term at market rate. The modified P&I Payment of \$1,384.29 is less than the current P&I Payment of \$1,487.00 but Ms. Gaga has confirmed she can not make the modified Mortgage Payment. Ms. Gaga will provide reduced income documentation to be reviewed for a possible Principal Deferment. **The Borrower must be reviewed for the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation.***



Case Study – Ms. Gaga

COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim

COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation				
<i>Partial Claim Calculation - The amount of the Partial Claim will be the lesser of: Step 1: UPB as of the date of default associated with the initial PC. If none, the UPB as of the date of the current default. Step 2: Total amount required to meet the Target Payment</i>				
Partial Claim - Step 1:	30% of outstanding UPB (\$318,076), less any outstanding PC:		\$95,422.80	Partial Claim Results Maximum Allowable Partial Claim: (Includes Arrearage of \$8,904.00, and Principal Deferment of \$58,980.50) \$67,884.50
Partial Claim - Step 2:	Arrearage:		\$8,904.00	
	Amount required to meet Target Payment:		\$67,884.50	
Step 5.1:	Step 5.1.A	31% of Gross Monthly Income:	\$5,100.00	\$1,581.00
	Step 5.1.B	80% of Current Monthly Pymt:	\$1,797.00	\$1,437.60
	Step 5.1.C	25% of Gross Monthly Income:	\$5,100.00	\$1,275.00
	Step 5.1.D	Greater of 5.1.B or 5.1.C		\$1,437.60
	Step 5.1.E	Target Monthly Payment (Lesser of 5.1.A or 5.1.D):		\$1,437.60
Step 5.2:	Proposed Market Interest Rate:		3.25%	
	Total Amt. to be resolved (UPB + Arrearage):		\$326,980.00	
	Term:		360	
	Proposed Monthly Payment (PITI):		\$1,733.04	
Step 5.3:	<i>Is result of Step 5.2 (Proposed Monthly Payment), lower than result from Step 5.1.E (Target Monthly Payment)?</i>		<i>NO – Proposed Monthly Payment of \$1,733.04 is greater than the Target Monthly Payment of \$1,437.60. Proceed to Step 5.4.A</i>	
Step 5.4.A:	Target Loan Amount: (includes proposed market interest rate, estimated target payment - Step 5.1.E less Escrows, 360 mo. term):		\$259,095.50	Proceed – Target Loan Amount is within allowable maximum Partial Claim
Step 5.4.B:	Maximum Modified Loan Amount (Total Amt. to Resolve-Max Allowable PC):		N/A	Modified P&I Payment: \$1,127.60

COVID-19 Loss Mitigation Option: COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim (Reporting Status Code: 41)

The COVID-19 FHA-HAMP Combo includes a Partial Claim for \$67,884.50 (Amount Required to meet the Target Payment) and a Loan Modification for a total amount of \$259,095.50. Ms. Gaga has confirmed she can make the modified P&I Payment.

COVID-19 Non-Occupant Loan Modification



COVID-19 Non-Occupant Loan Modification

At the expiration of the COVID-19 Forbearance period, the Mortgagee must review Non-Occupant Borrowers for a COVID-19 Non-Occupant Loan Modification, which modifies the rate and term of the Mortgage.



Eligibility for COVID-19 Non-Occupant Loan Modification

The Mortgagee must ensure the following eligibility requirements are met for a COVID-19 Non-Occupant Loan Modification:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020.
- The Borrower indicates they have the ability to make the modified Mortgage Payments; and
- The Property is not owner-occupied.
 - The Property can be used as a Rental Property, Secondary Residence, or Vacation Home for the Borrower.



Terms of the COVID-19 Non-Occupant Loan Modification

The Mortgagee must ensure the following terms are met for a COVID-19 Non-Occupant Loan Modification:

The Mortgagee must modify the Mortgage as follows:

- The Mortgagee must waive all Late Charges, fees, and penalties accumulated during the COVID-19 Forbearance.
- The Mortgagee must only capitalize into a COVID-19 Non-Occupant Loan Modification:
 - Arrearages for unpaid accrued interest, and
 - Mortgagee advances for escrowed items.
- The COVID-19 Non-Occupant Loan Modification must fully reinstate the Mortgage.
- The Mortgagee must ensure that the modified Mortgage is modified to a fixed rate Mortgage.
- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD.

Terms of the COVID-19 Non-Occupant Loan Modification (cont'd)

The Mortgagee must ensure the following terms are met for a COVID-19 Owner-Occupant Loan Modification:

Modification Requirements continued:

- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's total monthly Mortgage Payment may increase.
- The Mortgagee must ensure the FHA-insured Mortgage remains in first lien position and is legally enforceable.
- The Borrower(s) receives only one permanent COVID-19 Home Retention Option.

Required Documentation for the COVID-19 Non-Occupant Loan Modification

The Mortgagee must document the following in the Claim Review File for the COVID-19 Non-Occupant Loan Modification:

- A copy of the rental agreement for each rental unit, if applicable; and
- A written statement from the Borrower stating:
 - They are the landlord of the Property and their renter is impacted, directly or indirectly, by the COVID-19 pandemic and is either unable to make rent payments or has vacated the Property; or
 - The Property is used as a Secondary Residence or a Vacation Home for the Borrower.

COVID-19 Home Disposition Options



COVID-19 Home Disposition Options

- COVID-19 Home Disposition Options provide options for the disposition of a Property if the Borrower is unable to reinstate the Mortgage using the COVID-19 Home Retention Options. They are:
 - COVID-19 Pre-Foreclosure Sale, and
 - COVID-19 Deed-In-Lieu of Foreclosure
- Mortgagees must review Borrowers that are impacted, directly or indirectly, by COVID-19, that do not qualify for a COVID-19 Home Retention Option or indicate that they cannot resume making the monthly or modified monthly Mortgage Payment, for the COVID-19 Home Disposition Options.
- COVID-19 Home Disposition Options are available to Owner-Occupant and Non-Occupant Borrowers.

COVID-19 Pre-Foreclosure Sale



COVID-19 Pre-Foreclosure Sale

- A COVID-19 Pre-Foreclosure Sale (COVID-19 PFS) option is available for Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to COVID-19.
- To evaluate Borrowers for the COVID-19 PFS option, Mortgagees must follow the Streamlined PFS requirements (III.A.2.I.ii), except as noted in ML 2020-22.

Eligibility for COVID-19 PFS

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following eligibility requirements for a COVID-19 PFS:

- The Mortgage was current or less than 30 Days past due as of March 1, 2020;
- The Borrower indicates a financial hardship affecting their ability to sustain the Mortgage due, directly or indirectly, to the COVID-19 pandemic;
- The Borrower does not qualify for any COVID-19 Home Retention Options; and
- The Borrower and Mortgage must meet all PFS eligibility requirements except the Mortgagee is not required to review the Borrower for Borrower Eligibility (III.A.2.1.ii(B)(3)).

COVID-19 PFS Program Requirements

- The Mortgagee must ensure the COVID-19 PFS meets all other Streamlined PFS program requirements outlined in Pre-Foreclosure Sales (III.A.2.1.ii), with the following exceptions:
 - Under PFS Outreach Requirements (III.A.2.1.ii(C)), Mortgagees may utilize any available means of communication to provide the Borrower with form HUD-90035.
 - Mortgagee PFS Incentive (III.A.2.1.ii(P)) does not apply to COVID-19 PFS.



COVID-19 Deed-in-Lieu of Foreclosure



COVID-19 Deed-In-Lieu of Foreclosure

- A COVID-19 Deed-in-Lieu (DIL) of Foreclosure (COVID-19 DIL) is a COVID-19 Home Disposition Option in which a Borrower voluntarily offers the deed as collateral Property to HUD in exchange for a release from all obligations under the Mortgage.
- A COVID-19 DIL option is available for Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to the COVID-19 pandemic, and who were unable to complete a COVID-19 PFS transaction at the expiration of the PFS marketing period.
- The Mortgagee must ensure that the Borrower and the eligible FHA-insured Mortgages meet the eligibility and program requirements.
 - To evaluate Borrowers for the COVID-19 DIL, Mortgagees must follow the Streamlined DIL requirements in Deed-in-Lieu of Foreclosure (III.A.2.I.iii), except as noted in ML 2020-22.



COVID-19 DIL Eligibility

The Mortgagee must ensure that Borrower and FHA-insured Mortgage meet the following eligibility requirements for a COVID-19 DIL:

- Borrower must meet the requirements for COVID-19 PFS transaction;
- Borrower was unable to complete a COVID-19 PFS transaction by the expiration of the PFS marketing period; and
- Must meet all Streamlined DIL eligibility requirements except:
 - the Borrower Eligibility Streamlined DIL Standards (III.A.2.1.iii(B)(2)(a)(ii)), which are not required for the COVID-19 DIL; and
 - Mortgagees are not required to submit a request for NSC approval via Extensions and Variances Automated Requests System (EVARS) for approval to offer a COVID-19 DIL Option to a Borrower who owns more than one FHA-insured Property as outlined in DIL Exceptions for Borrowers with More than One FHA-Insured Mortgage (III.A.2.1.iii.(B)(2)(d)).

COVID-19 DIL Program Requirements

- The Mortgagee must ensure the COVID-19 DIL meets all other Streamlined DIL program requirements outlined in Deed-in-Lieu of Foreclosure (III.A.2.1.iii), with the following exceptions:
 - Mortgagee DIL Compensation (III.A.2.1.iii(H)) does not apply to COVID-19 DIL.
 - Extensions for Foreclosure Time Frames (III.A.2.1.iii(I)):
 - If the DIL follows a failed COVID-19 PFS, it must be completed or foreclosure must be initiated within 90 Days of the end of the COVID-19 Forbearance period.

Single Family Default Monitoring System (SFDMS) Reporting Requirements for Borrowers Affected by the COVID-19 National Emergency in Loss Mitigation



SFDMS Reporting - Default Reason Code Reporting

- Servicers must report the Delinquency/Default Reason (DDR) codes that apply to the Borrower at the end of each reporting cycle and must update the code as the Borrower's circumstances change.
- To assist in identifying delinquencies and loss mitigation utilization that are a result of a National Emergency Declaration FHA has implemented a DDR code that is available for use by Mortgagees.
 - DDR Code 055 – Related to National Emergency Declaration must be used to report that the delinquency is a result of impacts of the COVID-19 pandemic.



SFDMS Default Status Code Reporting

- If the Mortgage is newly defaulted (no open default episode in SFDMS), Mortgagees must report Status Code 42 – Delinquent prior to reporting any other Status Codes.
- FHA has implemented a Delinquency/Default Status (DDS) Code that is available for use by Mortgagees.
 - The DDS Code 053 – Combination Partial Claim/Modification Started (Non-FHA-HAMP) must be used to report that the Mortgagee has approved the Borrower for this loss mitigation option.



COVID-19 Default Status Codes

Mortgagees should report the correct Status Code in SFDMS as follows:

Status Code 06	Formal Forbearance Plan for the COVID-19 Forbearance
Status Code 10	Partial Claim Started for the COVID-19 Standalone Partial Claim
Status Code 28	Modification Started with an occupancy Status Code 1 (Occupied by Borrower) for the COVID-19 Owner-Occupant Loan Modification
Status Code 53	Combination Partial Claim/Modification Started (Non-FHA-HAMP) for the COVID-19 Combination Partial Claim and Loan Modification
Status Code 28	Modification Started with the applicable occupancy Status Code that indicates the type of non-borrower occupancy for the COVID-19 Non-Occupant Loan Modification
Status Code 41	FHA-HAMP Modification/Partial Claim Started for the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim Reduced Documentation Option
Status Code 15	Pre-foreclosure Acceptance Plan Available for the COVID-19 PFS
Status Code 44	Deed-in-Lieu Started for the COVID-19 DIL
Status Code AH	Streamlined Financials Received and In Review should be reported prior to Status Codes 41, 15, and 44 as appropriate.



Required Financial Evaluation for other Loss Mitigation Home Retention Options

- The Mortgagee must evaluate any Borrower who is not eligible for a COVID-19 Home Retention or Disposition Option, because the Mortgage was not current or less than 30 Days past due as of March 1, 2020, for HUD's standard Loss Mitigation Home Retention Options (III.A.2.k) and Home Disposition Options (III.A.2.l).

Reporting to Consumer Reporting Agencies

- Any Borrower who is granted a “*Forbearance for Borrowers Affected by the COVID-19 National Emergency*” and is otherwise performing as agreed is not considered to be delinquent for purposes of credit reporting.
- FHA requires Servicers to comply with the credit reporting requirements of the Fair Credit Reporting Act (FCRA); FHA encourages Servicers to consider the impacts of the COVID-19 National Emergency on Borrowers’ financial situations and any flexibilities a Servicer may have under the FCRA when taking any negative credit reporting actions.



Exclusion of COVID-19 from FHA's PDMDA Guidance in HB 4000.1

- For Borrowers impacted by the COVID-19 National Emergency and whose Mortgaged Property is located in a COVID-19 PDMDA, the policy in ML 2020-22 applies in lieu of FHA's PDMDA guidance listed in *Presidentially-Declared Major Disaster Areas* (III.A.3.c), for the purposes of this National Emergency only.
- Mortgagees that have begun using FHA's PDMDA Loss Mitigation Options (III.A.3.c), must convert to the COVID-19 National Emergency Loss Mitigation Options listed in ML 2020-06 and ML 2020-22.



Resources



Online Loss Mitigation Resources

- [HUD COVID-19 Resources and Fact Sheets](#)
- [4000.1 Single Family Housing Handbook](#)
- [Single Family Handbook Supplemental Documents](#)
- [HUD Approved Counseling Agencies](#)
- [Extension and Variance Automated Requests System \(EVARS\)](#)
- [FHA Info Announcements Archives](#)
- [Single Family Default Monitoring System \(SFDMS\) Reporting Codes](#)



FHA Resource Center

Option	Point of Contact	Hours Available	Comments
1 FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2 Email	answers@hud.gov	24/7/365	
3 Telephone	1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe



NSC Contact Information

U.S. Department of HUD
FHA National Servicing Center
301 NW 6th Street
Oklahoma City, OK 73102
1-877-622-8525

QUESTIONS:

- Secretary Held Servicing Contractor: (877) 622-8525
- Home Equity Conversion Mortgage (HECM) Servicing: hecm.servicing@novadconsulting.com
- EVARS (general questions only): extensionrequests@hud.gov
- Training issues: eclass@hud.gov
- TRS, Data, SFDMS Reporting: sfdatarequests@hud.gov
- Single Family FHA - Claims Processing: [Claims Help Desk](mailto:FHA_SFClaims@hud.gov) (FHA_SFClaims@hud.gov)

