



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



COVID-19 Recovery Loss Mitigation Options Mortgagee Letter 2021-18

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OFFICE OF SINGLE FAMILY HOUSING



Agenda

Summary of Changes

COVID-19 Forbearance

COVID-19 Advance Loan Modification

COVID-19 Recovery Loss Mitigation Options

COVID-19 ALM and Recovery Option Case Studies

COVID-19 Home Disposition Options

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Mortgagee Letter 2021-18 Summary of Changes

- Establishes the **COVID-19 Recovery Home Retention Options** and associated SFDMS Status Codes including:
 - **COVID-19 Recovery Standalone Partial Claim** (replaces the COVID-19 Standalone Partial Claim);
 - **COVID-19 Recovery Modification** (replaces the COVID-19 Owner-Occupant Loan Modification, COVID-19 Combination Partial Claim and Loan Modification, and the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation);
 - **COVID-19 Recovery Non-Occupant Loan Modification** (replaces the COVID-19 Non-Occupant Loan Modification).
- Streamlines the requirements for the COVID-19 Pre-foreclosure Sale.
- Establishes the deadline by which Borrowers who have not been on a COVID-19 Forbearance may request COVID-19 loss mitigation assistance.



Mortgagee Letter 2021-18 — Effective Date

- The Effective Date of this ML may be implemented immediately but must be implemented no later than 90 Days from the date of publication of this ML.
 - This does not impact previously announced Effective Dates in Mortgagee Letter 2021-15 for the COVID-19 Advance Loan Modification.



Forbearance for Borrowers Affected by the COVID-19 National Emergency



COVID-19 Forbearance — Overview

- 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 FHA Borrowers are eligible for a COVID-19 Forbearance, regardless of the delinquency status of the Mortgage.
- The term of either the initial and any additional Forbearance period may be shortened at the Borrower's request.
- Mortgagees must waive all Late Charges, fees, and penalties, if any, as long as the Borrower is on a COVID-19 Forbearance Plan.



COVID-19 Forbearance Period, Based on Start Date

Initial Forbearance Start Date	Initial Forbearance Period	Additional Forbearance Period	Forbearance Extension	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	0	0	Up to 6 months

***No COVID-19 Forbearance Period may extend beyond June 20, 2022**

Reporting to Consumer Reporting Agencies of Borrowers Impacted by COVID-19 National Emergency

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



COVID-19 Advance Loan Modification (COVID-19 ALM)



COVID-19 Advance Loan Modification (COVID-19 ALM) — Overview

A COVID-19 Advance Loan Modification (COVID-19 ALM) is a permanent change in one or more terms of a Borrower's Mortgage that achieves a 25% reduction to the Borrower's Principal and Interest, which does not require Borrower contact.

- The Mortgagee must review eligible Borrowers for a COVID-19 Advance Loan Modification (COVID-19 ALM).
- The COVID-19 ALM is not incentivized.



COVID-19 ALM – Eligibility

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

- The Borrower must be 90 or more Days Delinquent.
- A 30-year loan modification at the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate rounded to the nearest one-eighth of 1% (0.125 percent) will achieve a minimum 25% reduction in the Borrower's monthly P&I.

The Property may be owner-occupied or non-owner occupied.

COVID-19 ALM – Standard

Mortgagees must review the following eligible Borrowers for the COVID-19 ALM:

- All Borrowers on a COVID-19 Forbearance 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 ALM through the termination of the COVID-19 National Emergency.

COVID-19 ALM – Standard

The Partial [Waiver](#) of the Borrower review requirements for the COVID-19 Advance Loan Modification in Handbook 4000.1 and Mortgagee Letter 2021-18 published on August 5, 2021, waives the following stricken text re-review requirements:

- ~~• No later than August 24, 2021, the Mortgagee must review the following Borrowers where the Mortgagee has not yet sent out the final documents to the Borrower to complete a Loss Mitigation Option as of June 25, 2021:~~
 - ~~– Borrowers who have exited or requested to exit their COVID-19 Forbearance;~~
 - ~~– Borrowers whose COVID-19 Forbearance has expired or will expire by August 24, 2021; or~~
 - ~~– Borrowers who were not on a COVID-19 Forbearance.~~



COVID-19 ALM — Standard (cont.)

If the Borrower is eligible for the COVID-19 ALM, the Mortgagee 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 Mortgage 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 obtaining another loss mitigation option to bring their mortgage 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 Servicer, if needed.



COVID-19 ALM — Standard (cont.)

- Mortgagees do not have to contact the Borrower prior to reviewing the Borrower for the COVID-19 ALM or sending out the modification documents.
- Borrowers who do not qualify for the COVID-19 ALM or who do not complete and return the signed COVID-19 ALM loan modification documents must be evaluated for the COVID-19 Recovery Options.

COVID-19 ALM — Terms

The Mortgagee must ensure the following Terms:

- The COVID-19 ALM must achieve a minimum 25% P&I monthly mortgage payment reduction;
- The modified Mortgage must be a fixed-rate Mortgage;
- The interest rate of the modified Mortgage is the PMMS Rate rounded to the nearest one-eighth of 1% (0.125 percent);
- The term for the modified Mortgage is 360 months.

COVID-19 ALM — Terms (cont.)

- The COVID-19 ALM only capitalizes arrearages, which refers to any amounts needed to bring the Borrower current and includes:
 - unpaid accrued interest;
 - Mortgagee 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
 - Mortgagees may include an additional month in the total outstanding debt to be resolved to allow time for the Borrower to return the executed Mortgage modification documents before the modified Mortgage Payment begins;
- The COVID-19 ALM must fully reinstate the Mortgage; and
- All Late Charges, fees, and penalties are waived except that Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020.



COVID-19 ALM — Required Documentation

Servicing File

- For Borrowers that were sent an offer for a COVID-19 ALM, the following must be retained in the Servicing File:
 - a copy of the cover letter, and
 - a copy of the loan modification documents.

Mortgagees are not required to note in each individual Borrower's file if the Borrower does not qualify for the COVID-19 ALM.

COVID-19 ALM – Default Status Code Reporting

Reporting to HUD

- Mortgagees must report the use of the COVID-19 ALM in the Single Family Default Monitoring System (SFDMS) using:
 - Default Reason Code 055 and Default Status Code 3A – Advance Modification Started.
- If the Borrower does not return the executed documents within 30 days, the Mortgagee must report Default Status Code AQ – Option Failure.
- The Mortgagee must report the characteristics of the non-incentivized COVID-19 ALM including the rate and term in FHA Connection (FHAC) within **90** Days of the executed COVID-19 ALM.

COVID-19 Recovery Loss Mitigation Options



COVID-19 Recovery Loss Mitigation Options - Overview

The COVID-19 Recovery Loss Mitigation Options (COVID-19 Recovery Options) provide Borrowers impacted, directly or indirectly, by COVID-19 with options to bring their Mortgage current and may reduce the Principal and Interest (P&I) portion of their monthly Mortgage Payment to reduce the risk of redefault and assist in the broader COVID-19 recovery.

- The COVID-19 Recovery Options are not incentivized for Mortgagees.
- The Mortgagee must review eligible Borrowers for the COVID-19 Recovery Options.
- Eligible Borrowers may receive more than one COVID-19 Recovery Option.
- A Trial Payment Plan (TPP) is not required for a Borrower to be eligible for the COVID-19 Recovery Options.



COVID-19 Recovery Loss Mitigation Options — Standard Requirements (cont'd)

For Borrowers who were on a COVID-19 Forbearance the Mortgagee must:

- Review all Borrowers for the COVID-19 Recovery Options after the completion or expiration of the Borrower's forbearance period.
- 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 forbearance.
 - The 120 Day period includes the COVID-19 ALM.
 - For Home Disposition Options, a signed Approval to Participate (ATP) Agreement (form HUD-90045) or a signed DIL Agreement will meet this requirement.

COVID-19 Recovery Loss Mitigation Options — Standard Requirements (cont.)

For Borrowers who were not on a COVID-19 Forbearance the Mortgagee must:

- Review all Borrowers for COVID-19 Recovery Options when the Borrower is 90 or more Days Delinquent and the Borrower affirms they have been negatively impacted by COVID-19.
 - Borrowers may request COVID-19 loss mitigation assistance through the termination of the COVID-19 National Emergency.
- Complete a Loss Mitigation Option no later than 120 Days from the date of the Borrower's request for loss mitigation assistance.
 - The 120 Day period includes the COVID-19 ALM.
 - For Home Disposition Options, a signed Approval to Participate (ATP) Agreement (form HUD-90045) or a signed DIL Agreement will meet this requirement.
- Document the date of the request for loss mitigation assistance in the Servicing File.

COVID-19 Recovery Loss Mitigation Options — Standard Requirements (cont.)

The Partial [Waiver](#) of the Re-Review of Borrowers Requirements for the COVID-19 Recovery Loss Mitigation Options in Mortgagee Letter 2021-18 published on August 5, 2021, waives the following stricken text re-review requirements:

- The Mortgagee must re-review the following Borrowers and implement for the COVID-19 Recovery Options no later than October 21, 2021, if:
 - ~~The Mortgagee has not yet sent out the final documents to the Borrower to complete one of the COVID-19 Home Retention Options found in ML 2021-05 as of August 22, 2021;~~
 - The Borrower was not eligible for a COVID-19 Home Retention Option; or
 - The Borrower became Delinquent due to the COVID-19 pandemic after reinstating using a COVID-19 Home Retention Option.

Homeowner Assistance Fund

- The Mortgagee must inform the Borrower, utilizing any available 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 FHA-insured Mortgage or any Partial Claim Mortgage in a manner consistent with the respective mortgage documents and FHA 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 Recovery Standalone Partial Claim



COVID-19 Recovery Standalone Partial Claim – Overview

The COVID-19 Recovery Standalone Partial Claim reinstates the Mortgage through the use of a Partial Claim for Borrowers impacted by COVID-19 who are able to resume their Mortgage Payments.

- The Mortgagee must evaluate Owner-Occupant Borrowers impacted by COVID-19 for a COVID-19 Recovery Standalone Partial Claim.



COVID-19 Recovery Standalone Partial Claim — Eligibility

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

- The Borrower indicates they have the ability to resume making on-time Mortgage Payments; and
- The Property is owner-occupied.

Eligible Borrowers may receive more than one COVID-19 Recovery Standalone Partial Claim.

COVID-19 Recovery Standalone Partial Claim — Terms

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

- Must fully reinstate the Mortgage;
- The COVID-19 Recovery Standalone Partial Claim amount includes only arrearages, which refers to any amounts needed to bring the Borrower current and includes:
 - Mortgagee 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.
- All Late Charges, and penalties must be waived. Mortgagees are not required to waive Late Charges, and penalties, if any, accumulated prior to March 1, 2020.

COVID-19 Recovery Standalone Partial Claim — Terms (cont.)

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

- The COVID-19 Recovery Standalone Partial Claim **must not exceed 25%** of the unpaid principal balance as of the date of Default at the time of payment of the initial Partial Claim less any previous Partial Claims paid.
 - The Mortgagee must first calculate 25% of the UPB as of the initial date of Default at the time of payment of the initial Partial Claim; and
 - The Mortgagee must then subtract any previous Partial Claims paid to determine the available Partial Claim amount that can be used for the COVID-19 Recovery Standalone Partial Claim.

Example Calculation for the Maximum Available Amount of a COVID-19 Recovery Partial Claim

UPB as of the Date of Default at the time of payment of the initial Partial Claim	25% of UPB	Less previous Partial Claim(s) paid (if applicable)	COVID-19 Recovery PC amount available
\$175,000	\$43,750	\$15,000	\$28,750

COVID-19 Recovery Standalone Partial Claim – Document Delivery Requirements

Document Delivery Requirements

- The Mortgagee must submit all required documentation for COVID-19 Recovery Standalone Partial Claims as listed under FHA-HAMP Loan Documents (III.A.2.k.v(H)), except that no TPP is required.
 - The Mortgagee is automatically granted a 90-Day extension to the six-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(H)(7)).

COVID-19 Recovery Standalone Partial Claim — Required Documentation

Servicing / Claim Review File

- The Mortgagee must retain the following in the Servicing File and the Claim Review File:
 - a copy of the executed Partial Claim promissory Note and subordinate Mortgage;
 - evidence that the Mortgage was timely submitted for recording; and
 - the date the Mortgagee received the executed Partial Claim documents from the Borrower and the date the subordinate Mortgage was sent to be recorded.

Reporting to HUD

- The Mortgagee must report the use of a COVID-19 Recovery Standalone Partial Claim in SFDMS.

COVID-19 Recovery Modification



COVID-19 Recovery Modification — Overview

The COVID-19 Recovery Modification is a 360-month loan modification, which must include a Partial Claim, if Partial Claim funds are available.

The COVID-19 Recovery Modification targets a reduction in the P&I portion of the Borrower's monthly Mortgage Payment.

- The Target Payment of the COVID-19 Recovery Modification is a payment that achieves a 25% reduction to the P&I portion of the Borrower's monthly Mortgage Payment.
- For Borrowers who do not meet the requirements for a COVID-19 Recovery Standalone Partial Claim, the Mortgagee must review the Borrower for the COVID-19 Recovery Modification.

COVID-19 Recovery Modification

The Mortgagee must ensure the following eligibility requirements are met for a Recovery Modification:

- The Borrower indicates they have the ability to make the modified Mortgage Payment, and
- The Property is owner-occupied.

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

COVID-19 Recovery Modification — Target Payment

- To arrive at the Target Payment, the Mortgagee must apply Steps 1-4 until the Target Payment is achieved.
- No income documentation is required to calculate the Borrower's modified monthly Mortgage Payment.



COVID-19 Recovery Modification — Target Payment (cont.)

Step 1 – Calculate Partial Claim Availability

- The Mortgagee must determine the maximum Partial Claim amount available for a COVID-19 Recovery Modification.
- For a Partial Claim as part of a COVID-19 Recovery Modification, the Partial Claim must not exceed 25% of the unpaid principal balance (UPB) as of the date of Default at the time of payment of the initial Partial Claim less any previous Partial Claims paid.
 - The Mortgagee must first calculate 25% of the UPB as of the initial date of Default.
 - The Mortgagee must then subtract any previous Partial Claims paid to determine the available Partial Claim amount that can be used for the COVID-19 Recovery Modification.

COVID-19 Recovery Modification — Target Payment (cont.)

Step 2 – Arrearages

- The Mortgagee must calculate the arrearages. Arrearages refers to any amounts needed to bring the Borrower current and includes:
 - unpaid accrued interest;
 - Mortgagee 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.
- Mortgagees may include an additional month in the total outstanding debt to be resolved to allow time for the Borrower to return the executed Mortgage modification documents before the modified Mortgage Payment.
- The Mortgagee must ensure that all Late Charges, and penalties are waived. Mortgagees are not required to waive Late Charges, and penalties, if any, accumulated prior to March 1, 2020.

COVID-19 Recovery Modification — Target Payment (cont.)

Step 3 – Modify the Rate and Term of the Mortgage

- The modified Mortgage must be a 360-month Loan Modification, which must include a Partial Claim, if Partial Claim funds are available.
- The Mortgagee must first apply available Partial Claim funds toward the arrearages.
 - If the Partial Claim funds are insufficient to cure the arrearages, then the Mortgagee must capitalize the remaining arrearages into the modified Mortgage.
- The Mortgagee must then extend the term to 360 months and calculate the modified Mortgage Payment.
- The interest rate of the modified Mortgage is no greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1% (0.125 percent) as of the date the Borrower is offered a COVID-19 Recovery Modification.

COVID-19 Recovery Modification – Target Payment (cont.)

Step 4 – Principal Deferment

- If the Target Payment is not achieved, the Mortgagee must apply the remaining Partial Claim funds, if any, as a principal deferment, to achieve the Target Payment with the modified Mortgage.

Step 5 – Target Payment Not Achieved

- If the Mortgagee cannot achieve the Target Payment using the above steps, then the Mortgagee must offer the Borrower the lowest monthly P&I payment achieved under the COVID-19 Recovery Modification. If the Borrower affirms that they can make the offered payment, then the Mortgagee must complete that option.

COVID-19 Recovery Modifications – Terms

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

Rate for 30-year fixed rate conforming (US average), rounded to the nearest one-eighth of 1% (0.125 percent) as of the date the Borrower is offered the COVID-19 Recovery Modification;

- The Partial Claim, as part of a COVID-19 Recovery Modification, does not exceed 25% of the UPB as of the date of Default at the time of payment of the initial Partial Claim less any previous Partial Claims paid;



COVID-19 Recovery Modification – Document Delivery Requirements

Document Delivery Requirements

- The Mortgagee must submit all required documentation for COVID-19 Partial Claims as listed under FHA-HAMP Loan Documents (III.A.2.k.v(H)) except no TPP is required.
 - The Mortgagee is automatically granted a 90-Day extension to the six-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(H)(7)).

COVID-19 Recovery Modification— Required Documentation

Servicing / Claim Review File

- The Mortgagee must retain the following in the Servicing File and the Claim Review File:
 - A copy of the executed Partial Claim promissory Note and subordinate Mortgage; and
 - Evidence that the Mortgage was timely submitted for recording; and
 - The date the Mortgagee received the executed Partial Claim documents from the Borrower and the date the subordinate Mortgage was sent to be recorded.

COVID-19 Recovery Modification — Required Documentation (cont.)

Reporting to HUD

- The Mortgagee must report the use of the COVID-19 Recovery Modification in SFDMS as follows:
 - Default Status Code 61 – Recovery Modification Started with a Partial Claim, or
 - Default Status Code 38 – Recovery Modification Started without a Partial Claim.
- The Mortgagee must report the characteristics of all COVID-19 Recovery Modifications including the rate and term in FHAC within 90 Days of the executed COVID-19 Recovery Modification.

Case Studies



COVID-19 ALM Case Study – Mr. Paul

Current Mortgage Information	
Principal & Interest Payment (Interest Rate: 5%)	\$956.00
Unpaid Principal Balance (UPB):	\$163,595.00
Total Arrearages:	\$8,348.00
Previous Partial Claim Amount:	\$-0-
UPB at time of Original Default:	\$163,595.00

Target Monthly P&I Payment:	\$717.00
(25% Reduction of \$956.00)	
COVID-19 ALM Eligibility Test	
Total Amount to be Resolved:	\$171,943.00
PMMS Interest Rate:	2.875%
COVID-19 ALM P&I Payment:	\$713.38



COVID-19 Recovery Modification Case Study – Mr. Paul (cont.)

Target Monthly P&I Payment: \$717.00

Step 1 - Calculate Partial Claim Availability	25% of outstanding UPB at time of initial Default (\$163,595.00) less outstanding PC (\$-0-):	\$40,898.75
Step 2 - Calculate the Arrearages	Total Arrearage, Legal Fees and Foreclosure Costs:	\$8,348.00
Step 3 - Modify the Rate and Term of the Mortgage	Current PMMS Interest Rate:	2.875%
	Unpaid Principal Balance:	\$163,595.00
	Loan Term:	360
	Modified P&I Payment:	\$678.74



COVID-19 Recovery Modification Case Study – Mr. Paul (cont.)

Step 4 - Principal Deferment

Calculate Target Loan Amount: (includes PMMS interest rate, 360 mo. term, and Target Payment):

N/A

A Principal Deferment is not required to meet the Target P&I Payment. Review COVID-19 Recovery Modification Results below.

COVID-19 Recovery Modification Results

Total Outstanding Debt to be Resolved:	\$171,943.00		
Final COVID-19 Recovery Modified Loan Amount:	\$163,595.00	Modified P&I Payment:	\$678.74
Final COVID-19 Recovery Partial Claim (arrearages only of \$8,348.00):	\$8,348.00	Total P&I Payment Reduction:	\$277.26 (29% Payment Reduction)



COVID-19 Recovery Modification Case Study – Mr. Booker

Current Mortgage Information

Principal & Interest Payment (Interest Rate: 4%)	\$1,170.00
Unpaid Principal Balance (UPB):	\$250,000.00
Total Arrearages:	\$16,680.00
Previous Partial Claim Amount:	\$3,000.00
UPB at time of Original Default:	\$262,000.00

Target Monthly

P&I Payment:	\$877.50
(25% Reduction of \$1,170)	

COVID-19 ALM Eligibility Test

Total Amount to be Resolved:	\$266,680.00
PMMS Interest Rate:	3.00%
COVID-19 ALM P&I Payment:	\$1,124.33



COVID-19 Recovery Modification Case Study – Mr. Booker (cont.)

Target Monthly P&I Payment: \$877.50

Step 1 - Calculate Partial Claim Availability

25% of outstanding UPB at time of initial Default (\$262,000) less outstanding PC (\$3,000):

\$62,500.00

Step 2 - Calculate the Arrearages

Total Arrearage, Legal Fees and Foreclosure Costs:

\$16,680.00

Step 3 - Modify the Rate and Term of the Mortgage

Current PMMS Interest Rate:

3.000%

Unpaid Principal Balance:

\$250,000.00

Loan Term:

360

Modified P&I Payment:

\$1,054.01



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COVID-19 Recovery Modification Case Study – Mr. Booker (cont.)

Step 4 - Principal Deferment

Calculate Target Loan Amount: (includes 3.00% PMMS interest rate, 360 mo. term, and Target Payment of \$877.50): **\$208,133.68**

COVID-19 Recovery Modification Results

Total Outstanding Debt to be Resolved:	\$266,680.00		
Final COVID-19 Recovery Modified Loan Amount:	\$208,133.68	Modified P&I Payment:	\$877.50
Final COVID-19 Recovery Partial Claim (arrears of \$16,680 + Principal Deferment of \$41,866.32):	\$58,546.32	Total P&I Payment Reduction:	\$292.50 (25% Payment Reduction)



COVID-19 Recovery Modification Case Study – Mr. Crowder

Current Mortgage Information	
Principal & Interest Payment (Interest Rate: 3.50%)	\$561.31
Unpaid Principal Balance (UPB):	\$122,193.00
Total Arrearages:	\$8,715.00
Previous Partial Claim Amount:	\$5,050.00
UPB at time of Original Default:	\$124,605.00

Target Monthly P&I Payment:	\$420.98
(25% Reduction of \$561.31)	
COVID-19 ALM Eligibility Test	
Total Amount to be Resolved:	\$130,908.00
PMMS Interest Rate:	3.00%
COVID-19 ALM P&I Payment:	\$551.91



COVID-19 Recovery Modification Case Study – Mr. Crowder (cont.)

Target Monthly P&I Payment: \$420.98

Step 1 - Calculate Partial Claim Availability

25% of outstanding UPB at time of initial Default (\$124,605) less outstanding PC (\$5,050):

\$26,101.25

Step 2 - Calculate the Arrearages

Total Arrearage, Legal Fees and Foreclosure Costs:

\$8,715.00

Step 3 - Modify the Rate and Term of the Mortgage

Current PMMS Interest Rate:

3.00%

Unpaid Principal Balance:

\$122,193.00

Loan Term:

360

Modified P&I Payment:

\$515.17



COVID-19 Recovery Modification Case Study – Mr. Crowder (cont.)

Step 4 - Principal Deferment	Calculate Target Loan Amount: (includes PMMS interest rate, 360 mo. term, and Target Payment):	\$99,852.58
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COVID-19 Recovery Modification Results

Total Outstanding Debt to be Resolved:	\$130,908.00		
Final COVID-19 Recovery Modified Loan Amount:	\$104,806.75	Modified P&I Payment:	\$441.87
Final COVID-19 Recovery Partial Claim (arrearages of \$8,715 + Maximum allowable Principal Deferment of \$17,386.25):	\$26,101.25	Total P&I Payment Reduction:	\$119.44 (21.28% Payment Reduction)



COVID-19 Recovery Non-Occupant Loan Modification



COVID-19 Recovery Non-Occupant Loan Modification — Overview

- The COVID-19 Recovery Non-Occupant Loan Modification is a rate and term Loan Modification.
- Mortgagees must review Non-Occupant Borrowers for a COVID-19 Non-Occupant Loan Modification.

COVID-19 Recovery Non-Occupant Loan Modification — Eligibility

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

- 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.

COVID-19 Recovery Non-Occupant Loan Modification — Terms

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

- All Late Charges, fees, and penalties are waived except that Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020;
 - Mortgagee must only capitalize into a COVID-19 Recovery Non-Occupant Loan Modification:
 - arrearages for unpaid accrued interest;
 - mortgagee advances for escrowed items; and
 - an escrow shortage that falls below the target balance, calculated during an escrow analysis, that exceeds the amount of the Mortgagee’s advances already capitalized in the modified Mortgage; 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.

COVID-19 Recovery Non-Occupant Loan Modification — Terms (cont.)

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

- The COVID-19 Recovery Non-Occupant Loan Modification must fully reinstate the Mortgage.
- The modified Mortgage must be a fixed rate Mortgage.
- The interest rate of the modified Mortgage is no greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1% (0.125 percent) as of the date the Borrower is offered a permanent COVID-19 Recovery Non-Occupant Loan Modification.

COVID-19 Recovery Non-Occupant Loan Modification — Terms (cont.)

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

- The term for the modified Mortgage is 360 months; – 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.
- Mortgagees may include an additional month in the total outstanding debt to be resolved.

If a Borrower re-defaults due to COVID-19, they may receive more than one COVID-19 Recovery Non-Occupant Loan Modification.



COVID-19 Recovery Non-Occupant Loan Modification— Required Documentation

Servicing File

- The Mortgagee must retain the following in the Servicing File:
 - 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; and
 - Evidence that the Mortgage was timely submitted for recording.

COVID-19 Recovery Non-Occupant Loan Modification — Required Documentation (cont.)

Reporting to HUD

- The Mortgagee must report the use of the COVID-19 Recovery Non-Occupant Loan Modification in SFDMS.
- The Mortgagee must report the characteristics of the COVID-19 Recovery Non-Occupant Loan Modification including the rate and term in FHAC within 90 Days of the executed COVID-19 Recovery Modification.

COVID-19 Home Disposition Options



COVID-19 Home Disposition Options

- Mortgagees must review Borrowers that do not qualify for the COVID-19 Recovery Home Retention Options for the COVID-19 Home Disposition Options, including:
 - COVID-19 Pre-Foreclosure Sale, and
 - COVID-19 Deed-In-Lieu of Foreclosure.
- COVID-19 Home Disposition Options are available to Owner-Occupant and Non-Occupant Borrowers.

COVID-19 Pre-Foreclosure Sale (PFS)



COVID-19 Pre-Foreclosure Sale (PFS) — Overview

A COVID-19 PFS also known as a Short Sale, refers to the sale of real estate that generates proceeds that are less than the amount owed on the Property and through which the lien holders agree to release their liens and forgive the deficiency balance on the real estate. A COVID-19 PFS is available to Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to COVID-19.

COVID-19 PFS — Eligibility

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

- The Borrower indicates a financial hardship affecting their ability to sustain the Mortgage;
- The Borrower does not qualify for any COVID-19 Recovery Home Retention Options; and
- **The Property is not condemned.**

COVID-19 PFS — Standard

- The Mortgagee must ensure the COVID-19 PFS meets all PFS program requirements outlined in Pre-Foreclosure Sales (III.A.2.I.ii), with the following exceptions:
 - PFS Options (III.A.2.I.ii(C)) and
 - Mortgagee PFS Incentive (III.A.2.I.ii(Q)) does not apply to COVID-19 PFS.
- If the Borrower advises that their financial situation has improved during the COVID-19 PFS process and wants to retain their home, the Mortgagee must review the Borrower for the COVID-19 Recovery Home Retention Options.
- The Mortgagee may consider the COVID-19 PFS for Borrowers that are in Default or are current but facing Imminent Default due to a hardship affecting their ability to sustain their Mortgage.
 - On the date the PFS closing occurs, the Mortgagee must ensure that the Mortgage is in Default status (minimum 31 Days Delinquent).
- The Mortgagee must report the use of a COVID-19 PFS in SFDMS.



COVID-19 Deed-in-Lieu of Foreclosure (DIL)



COVID-19 Deed-In-Lieu of Foreclosure (DIL) — Overview

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 to HUD in exchange for a release from all obligations under the Mortgage.



COVID-19 Deed-In-Lieu of Foreclosure — Eligibility

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

- Meet the requirements for COVID-19 PFS transaction;
- Was unable to complete a COVID-19 PFS transaction by the expiration of the PFS marketing period; and
- Meet all DIL eligibility requirements except:
 - the Borrower Eligibility Streamlined DIL Standards (III.A.2.1.iii(C)(2)(a-b)), 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.(C)(2)(d)).

COVID-19 Deed-In-Lieu of Foreclosure — Terms

- 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.I.iii), with the following exceptions:
 - Mortgagee DIL Compensation (III.A.2.I.iii(G)) does not apply to COVID-19 DIL.
 - Extensions for Foreclosure Time Frames (III.A.2.I.iii(H)):
 - If the DIL follows a failed COVID-19 PFS, it must be completed or foreclosure must be initiated within 90 Days of the termination or expiration of the PFS ATP Agreement (form HUD-90045).
- The Mortgagee must report the use of a COVID-19 DIL in SFDMS.

Single Family Default Reporting Requirements for Borrowers Affected by the COVID-19 National Emergency in Loss Mitigation



Default Reporting Requirements for Borrowers Affected by the COVID-19 National Emergency in Loss Mitigation

Default Reason Code Reporting

- Mortgagees 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.
- Mortgagees must use Default Reason Code 055 – Related to National Emergency Declaration to report that the delinquency is a result of impacts of the COVID-19 pandemic.
 - Default Reason Code 055 must be reported for all Borrowers utilizing COVID-19 Loss Mitigation options or COVID-10 Recovery Options, regardless of prior delinquency status and participation on a COVID-19 or other Forbearance related to the COVID-19 pandemic.



Default Reporting Requirements for Borrowers Affected by the COVID-19 National Emergency in Loss Mitigation (cont.)

Default Status Code Reporting

- Mortgagees must report the Default Status Codes detailed in ML 2021-18 for all FHA-insured Mortgages utilizing the COVID-19 Loss Mitigation Options or COVID-19 Recovery Options.
- If the Mortgage is newly defaulted Mortgagees must report Status Code 42 – Delinquent prior to reporting any other Status Codes.



COVID-19 Default Status Codes

Mortgagees should report the correct Status Code 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 or the COVID-19 Recovery 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 3A	Advance Loan Modification Started
Status Code 53	Combination Partial Claim/Modification Started (Non-FHA-HAMP) for the COVID-19 Combination Partial Claim and Loan Modification
Status Code 61	Recovery Modification Started with a Partial Claim
Status Code 38	Recovery Modification Started without a Partial Claim or for the COVID-19 Recovery Non-Occupant Loan Modification



COVID-19 Default Status Codes (cont.)

Mortgagees should report the correct Status Code as follows:

Status Code 78	Borrower Program Assistance Received if Homeowner Assistance Funds are used in connection with reinstating the Mortgage
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 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 15 and 44, as appropriate

COVID-19 Default Status Code Reporting (cont.)

- For Borrowers utilizing HAF funds in connection with reinstating the Mortgage, the Mortgagee must report both Status Code 78 and then Status Code 61 or Status Code 38 to indicate use of HAF funds in conjunction with a COVID-19 Recovery Modification.
 - If a Mortgagee cannot report both codes for the reporting cycle, Status Code 78 must be reported.
- No TPP is required for the COVID-19 Loss Mitigation Options or the COVID-19 Recovery Options.
 - Mortgagees are not required to report Status Code 08 – Trial Payment Plan prior to reporting Status Codes 3A, 10, 28, 53, 61 or 38.

Extension of First Legal Deadline Date

- Deadlines for the first legal action and Reasonable Diligence Time Frame are extended to 180 days from the date of expiration of the foreclosure moratorium for FHA-insured Single Family Mortgages, except for FHA-insured Mortgages secured by vacant or abandoned properties.
- ML 2021-19 extended the COVID-19 foreclosure-related eviction moratorium through Sept.30, 2021.

Exclusion of COVID-19 from FHA's Presidentially-Declared Major Disaster Areas (PDMDA) Policy

- For Borrowers impacted by the COVID-19 National Emergency and whose Mortgaged Property is located in a COVID-19 PDMDA, the COVID-19 Recovery Option policy applies in lieu of FHA's PDMDA guidance listed in *Presidentially-Declared Major Disaster Areas* (III.A.2.n), for the purposes of this National Emergency only.

Borrowers Impacted by COVID-19 and a PDMDA

- For Borrowers impacted by a PDMDA during the COVID-19 pandemic:
 - For Borrowers who are already on a COVID-19 Loss Mitigation Option or a COVID-19 Recovery Option, including a COVID-19 Forbearance, before the date of a new PDMDA disaster declaration, the Mortgagee must continue to follow the COVID-19 Loss Mitigation Option or COVID-19 Recovery Option guidance.
 - For all other Borrowers, the Mortgagee must evaluate the Borrower for all Loss Mitigation Options available to them, including any PDMDA or COVID-19 Loss Mitigation Option or COVID-19 Recovery Options, based on their reason for hardship.
- For any buildings in a PDMDA that are Substantially Damaged, Mortgagees must follow the PDMDA guidance in Monitoring of Repairs to Substantially Damaged Homes (III.A.2.n.iii). This requirement applies to all Properties covered by a non-COVID-19 PDMDA during the COVID-19 pandemic, including those already under a COVID-19 Loss Mitigation Option or COVID-19 Recovery Option, such as COVID-19 Forbearance.

Resources



Online Loss Mitigation Resources

- HUD COVID-19 Resources: <https://www.hud.gov/coronavirus>
- Single Family Housing Handbook: https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
- Single Family Handbook Supplemental Documents: https://www.hud.gov/program_offices/housing/sfh/handbook_references
- HUD Approved Counseling Agencies: <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
- Extension and Variance Automated Requests System (EVARS): <https://evars.hudnsc.org/index.cfm?login=true>
- FHA Info Announcements Archives: https://www.hud.gov/program_offices/housing/sfh/FHA_info_messages
- Single Family Default Reporting Codes: <https://www.hud.gov/sites/dfiles/SFH/documents/SFDMS%20Codes%2007.23.2021.pdf>



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
1-800-225-5342

QUESTIONS:

- Secretary-Held Servicing Contractor: 1-800-225-5342
- Home Equity Conversion Mortgage (HECM) Servicing: hecm.servicing@novadconsulting.com
- EVARS (general questions only): extensionrequests@hud.gov
- Training issues: eclass@hud.gov
- TRS, Data, Default Reporting: sfdatarequests@hud.gov
- Single Family FHA - Claims Processing: FHA_SFClaims@hud.gov

Thank You!

For joining us today

