

**ENDORSEMENT OF MORTGAGES IN FORBEARANCE DUE TO COVID-19**  
**COMPLETING THE INSURANCE APPLICATION SCREEN IN FHA CONNECTION and**  
**PARTIAL INDEMNIFICATION AGREEMENT**

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Per Mortgage Letter 2020-16, FHA Connection (FHAC) has been modified to allow endorsement of mortgages where a borrower has been granted a forbearance related to the Presidentially-Declared COVID-19 National Emergency prior to the loan being endorsed for FHA insurance.

Following is a description of the changes to the FHAC Insurance Application screen, and the steps Mortgagees must follow to complete the endorsement process for mortgages when a mortgagee enters an agreement with the borrower impacted by COVID-19 to reduce or temporarily suspend monthly mortgage payments.

**Summary of Changes to the Insurance Application Screen in FHAC**

Formerly, the **Current Payments** field had *Yes* and *No* radio buttons and was only displayed if the **Closing/Disbursement Date** was **more than 60 days prior** to the Insurance date. This field will now be shown for all cases.

**Insurance Application Screen – Mortgage Information Section**

The **Current Payments** field in the **Mortgage Information** section of **Insurance Application** has changed to always display a drop-down list with the current **Yes** and **No** options, and a new **Forbearance** option.

The **Forbearance** option is allowed for any case endorsed for insurance after the implementation date of ML 2020-16 where the lender has entered into a forbearance agreement with a borrower impacted by COVID-19.

**Figure 1** below shows the **Current Payments** data field that has been changed to allow mortgagees to request endorsement of loans in forbearance due to COVID-19.

**\* Mortgage Information \***

Mortgage Amount: (without financed UFMIP)	<input type="text"/> .00	QM Points and Fees:	<input type="text"/>
Mortgage Amount: (with financed UFMIP)	<input type="text"/> .00	Interest Rate (%):	<input type="text"/>
Monthly Payment:	<input type="text"/>	Maturity Date:	<input type="text"/>
Term of Loan:	360	Warranty:	<input type="text"/>
Amortization:	N/A	First Payment:	<input type="text"/>
ARM Type:	N/A	ARM Index:	N/A
ARM Margin:	<input type="text"/>	Loan-to-value (%):	0.00
Qualifying Rate:	<input type="text"/>	MIP LTV (%):	0.00
Adjusted Value:	.00	CLTV Total (%):	0.00
Principal Reduction:	<input type="radio"/> Yes <input type="radio"/> No	CLTV Subject to Limit (%):	0.00
Current Payments:	<div style="border: 2px solid red; padding: 2px;"><div style="background-color: #e0e0e0; padding: 2px;">Select Current Payments</div><div style="background-color: #0070c0; color: white; padding: 2px;">Select Current Payments</div><div style="background-color: #ffff00; padding: 2px;">Yes</div><div style="background-color: #ffff00; padding: 2px;">No</div><div style="background-color: #ffff00; padding: 2px;">Forbearance</div></div>	Principal Reduction Amount:	<input type="text"/>
UFMIP Financed:	<input type="text"/>	Closing / Disbursement Date:	<input type="text"/>
Appraiser License ID:	<input type="text"/>	Appraiser Name:	MATTHEWS, MATTHEW M
203k Consultant ID:	<input type="text"/>	203k Name:	
		Pre-endorsement Delinquency Status:	None

**Figure 1: Mortgage Information** section of the **Insurance Application Update** page with a COVID-19 forbearance change

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**Instructions for completing the new Current Payments field on Insurance Application**

**Current Payments data field**

- Select either “**Yes**” or “**No**” as applicable from the drop down menu for cases where there is no COVID-19 related Forbearance.

If “**Yes**” is selected, but more than 60 days have elapsed since the Note Date:

- LI Mortgagees will continue to receive a system generated reminder message to retain a Late Submission letter and payment history in the case binder.
- Non-LI Mortgagees will continue to send Late Submissions to the jurisdictional Home Ownership Center for processing.

If “**No**” is selected, for all Mortgagees, a warning message will continue to be generated stating that the case is not eligible for FHA insurance.

- Select “**Forbearance**” for cases where the mortgage closed in accordance with FHA requirements and the Borrower is subsequently affected by a financial hardship due directly or indirectly to COVID-19 and the Mortgagee and Borrower have entered into a forbearance agreement.
  - A **Severe Case Warning** message will be generated requiring the execution of a partial Indemnification Agreement as a condition of endorsement and submission of the case binder to the HOC for further processing.
  - At the time of case binder submission, the case binder must include the Partial Indemnification Agreement executed by the Mortgagee. (See below for instructions on how to obtain HUD’s model Partial Indemnification for borrowers in forbearance due to COVID-19 impacts.)

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**Instructions for Completing HUD’s COVID-19 Partial Indemnification Agreement**

Mortgagees may use the model Partial Indemnification agreement found at [www.hud.gov/program\\_offices/housing/sfh/model\\_documents](http://www.hud.gov/program_offices/housing/sfh/model_documents), or create their own agreement as long as it includes the language and data in the model document. At a minimum, each Partial Indemnification Agreement must contain the following information when submitted to the HOC:

- **FHA Case Number:** Enter the full FHA Case Number [999-9999999-999]
- **Indemnification Number:** Enter the number 9 followed by your 5-digit FHA ID [formatted as “9XXXXX”]
- **Indemnification Type:** Enter “Partial Indemnification for endorsement during COVID-19 Forbearance”
- **Institution Name:** Enter the full Legal Name of your Company
- **FHA ID:** Enter your Institution 5-Digit FHA Identification Number
- **Signature Block:** An Authorized Representative of the Mortgage must print, sign and date the Agreement where indicated his/her name, sign where indicated.

Lenders must execute the Partial Indemnification and send to the jurisdictional HOC for HUD to review and sign. Lenders may use electronic signatures if needed provided the electronic signature complies with HUD policy.

If a lender creates their own Partial Indemnification agreement, it must also include the FHA Case Number, and an indemnification number that must be formatted as “9XXXXX”. (X equals the lender’s 5 digit FHA ID Number.)