



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

1 **Date:** XXXX, 2024

2 **Mortgagee Letter** 2024-XX

3 **To:** All FHA-Approved Mortgagees
4 All Direct Endorsement Underwriters
5 All Eligible Submission Sources for Condominium Project Approvals
6 All FHA Roster Appraisers
7 All FHA-Approved 203(k) Consultants
8 All HUD-Certified Housing Counselors
9 All HUD-Approved Nonprofit Organizations
10 All Governmental Entity Participants
11 All Real Estate Brokers
12 All Closing Agents

13 **Subject** Modernization of Engagement with Borrowers in Default

14 **Purpose** This Mortgagee Letter (ML) modernizes requirements for a Loss Mitigation
15 Consultation with Borrowers in Default.

16 **Effective Date** The provisions of this ML are effective on January 1, 2025.

17 All updates will be incorporated into a forthcoming update of the HUD
18 Handbook 4000.1, *FHA Single Family Housing Policy Handbook*
19 (Handbook 4000.1).

20 **Affected** The provisions of this ML apply to all FHA-insured Title II Single Family
21 **Programs** forward mortgage programs.

22 **Background** HUD recognizes that substantial advancements have been made in
23 communication technology, remote communication options have increased,
24 and consumer preferences have shifted to favor greater flexibility and more
25 options for engagement. HUD has reviewed options to leverage these
26 changes to better assist delinquent Borrowers, including delinquent
27 Borrowers with disabilities.

1 On August 2, 2024, HUD published a final rule in the Federal Register (FR),
2 Modernization of Engagement with Mortgagors in Default [Docket No. FR-
3 6353-P-01] to modernize 24 CFR § 203.604. The final rule modernizes
4 FHA’s requirements for meeting with delinquent Borrowers by allowing
5 Mortgagees to utilize electronic and other remote communication methods,
6 including telephone calls and video calling services, to meet with Borrowers
7 in Default. This rule also expands the meeting requirement to all Borrowers
8 in Default, including those who do not reside in the mortgaged Property and
9 Borrowers with a mortgaged Property that is more than 200 miles from the
10 Mortgagee or its branch office. While HUD’s revisions to 24 CFR
11 § 203.604 update the acceptable methods that Mortgagees may use to
12 arrange and meet with Borrowers in Default, the purpose of the meeting
13 remains the same. This meeting, known as a Loss Mitigation Consultation,
14 is the Borrower’s opportunity to meet with trained Mortgagee employees
15 who can provide information about FHA’s loss mitigation options and assist
16 the Borrower in bringing the FHA-insured Mortgage current and avoiding
17 foreclosure. By expanding the meeting requirement to all Borrowers in
18 Default, more Borrowers will have this opportunity to discuss their hardship
19 and financial circumstances, learn about FHA’s loss mitigation options, and
20 resolve the delinquency.

21 This ML aligns HUD’s policy with the published regulatory changes and
22 provides further guidance on how to arrange, conduct, and follow up on the
23 Loss Mitigation Consultation to improve Borrower engagement and meeting
24 participation while maintaining consumer protections. These updates will
25 allow Mortgagees to use a wider variety of communication options to
26 schedule and meet at the Borrower’s convenience. This increased flexibility
27 will particularly assist delinquent Borrowers with disabilities, including
28 Borrowers who are immunocompromised, and Borrowers whose work or
29 family obligations may otherwise prevent them from participating in an in-
30 person meeting.

31 **Summary of**
32 **Changes**

This ML:

- updates Prohibited Fees and Charges (III.A.1.f.ii(B));
- updates Collection Communication Timeline – Standard (III.A.2.h.iii(B));
- updates Communication Methods (III.A.2.h.iv);
- replaces Face-to-Face Interviews with Loss Mitigation Consultation (III.A.2.h.xii);
- renames Section 247 Assignments (III.A.3.c.ii) and updates Standard (III.A.3.c.ii(A));
- updates Insured Mortgages on Indian Land (Section 248 Mortgages) (III.A.3.d); and
- updates Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages (IV.A.2.b.i(C)).

1 **FHA Single**
 2 **Family Housing**
 3 **Policy**
 4 **Handbook**
 5 **4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

Servicing Fees and Charges – Standard (III.A.1.f.ii)

(B) Prohibited Fees and Charges

6 **Servicing and**
 7 **Loss Mitigation**

The Mortgagee must not charge the Borrower for the following services:

- costs of telephone calls, certified mail, arranging and conducting in-person or virtual meetings with the Borrower, and other activities that are normally considered a part of a prudent Mortgagee’s servicing activity;
- preparing and providing evidence of Payoff, Reconveyance, or termination of the Mortgage;
- providing information essential to the Payoff;
- recording the Payoff of the Mortgage in states where recordation is the responsibility of the Mortgagee;
- fees for services performed by attorneys or trustees who are salaried members of the Mortgagee’s staff; or
- Mortgagee’s use of an independent contractor, such as services related to the Loss Mitigation Consultation or a tax service to furnish tax data and information necessary to pay property taxes or make the payments on behalf of the Mortgagee.

Collection Communication Timeline (III.A.2.h.iii)

(B) Standard

The Mortgagee must perform in a timely manner the servicing actions set forth in the following Collection Communication Timeline.

Day	Mortgagee Action
1	Payment due date; no action required until the Mortgage becomes Delinquent.
10	The Mortgagee must begin attempts to contact Borrowers with a Delinquent Mortgage at risk of Early Payment Default or Re-Default in accordance with Specialized Collection Techniques for Early Payment Defaults and Re-Defaults (III.A.2.h.v).
25	The Mortgagee must begin attempts to contact Borrowers with a Delinquent Mortgage in accordance with Contact Efforts for Delinquent Borrowers (III.A.2.h.vi).
30	The Mortgagee must report the delinquency to HUD (III.A.2.h.vii) via SFDMS.

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32	<p>The Mortgagee must send the following:</p> <ul style="list-style-type: none"> • Notice of Homeownership Counseling Availability (III.A.2.h.ix(A)(1)); • Servicemembers Civil Relief Act (SCRA) Notice Disclosure (III.A.2.h.ix(A)(2)) (form HUD-92070); • Delinquency Notice Cover Letter (III.A.2.h.x(A)(1)); and • <i>Save Your Home: Tips to Avoid Foreclosure</i> (form HUD-2008-5-FHA).
45	<p>The Mortgagee should begin analysis to identify appropriate loss mitigation options, if any.</p> <p>If unable to reach the Borrower(s), the Mortgagee must perform an Occupancy Inspection (III.A.2.h.xi).</p>
61	<p>The Mortgagee must conduct or make a Reasonable Effort to arrange the Loss Mitigation Consultation with the Borrower no later than this date.</p>
90	<p>The Mortgagee must report the appropriate Default Reason Code (III.A.2.h.xiii) for the Default in SFDMS.</p> <p>The Mortgagee must have evaluated all loss mitigation options to determine whether any are appropriate. The Mortgagee must reevaluate the Borrower for loss mitigation each month thereafter.</p>

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Early Default Intervention (III.A.2.h)

iv. Communication Methods

(A) Selecting Best Method of Communication

The Mortgagee must use the method or methods of communication most likely to receive a response from each Borrower and consider the Borrower’s expressed preference for using certain methods of communication.

The Mortgagee must effectively communicate with persons with hearing, visual, and other communications-related disabilities, including the use of auxiliary aids and services in accessible formats, and must take reasonable steps to provide meaningful access to persons with Limited English Proficiency (LEP), such as providing oral interpretation and/or written translation of vital documents.

(B) Electronic Methods of Communication

The Mortgagee may use any acceptable electronic communications or telephone contact attempts to establish contact with the Borrower.

1 Acceptable methods of electronic communication that Mortgagees may
2 use to contact the Borrower include:

- 3 • telephone, Voice over Internet Protocol (VoIP), or other
4 technology that allows voice calls;
- 5 • interactive virtual communication methods;
- 6 • email;
- 7 • secure web portals (such as online account management tools
8 accessible by Borrowers); and
- 9 • other reliable communication methods through which the
10 Mortgagee has been able to effectively communicate with
11 Borrowers in the past.

12 The Mortgagee must ensure that their electronic signature technology
13 complies with all requirements of the Electronic Signatures in Global
14 and National Commerce (ESIGN) Act, 15 U.S.C. § 7001 et seq. The
15 Mortgagee must include within the electronic communication the
16 Mortgagee's email address, telephone number, and/or website address.

17 **Early Default Intervention (III.A.2.h)**

18 **xii. Loss Mitigation Consultation**

19 **(A) Definitions**

20 The Loss Mitigation Consultation is a meeting that provides a delinquent
21 Borrower the opportunity to meet with the Mortgagee to discuss their
22 hardship, financial circumstances, and the loss mitigation options
23 available, and, when possible, to be evaluated for these options.

24 A Verifiable Attempt is a solicitation that provides evidence of delivery
25 or attempted delivery and includes the information needed for a
26 Borrower to arrange a Loss Mitigation Consultation with the Mortgagee.

27 A Reasonable Effort consists of, at a minimum, two Verifiable Attempts
28 to arrange the Loss Mitigation Consultation using different methods.

29 **(B) Standard**

30 The Mortgagee must conduct one Loss Mitigation Consultation with the
31 delinquent Borrower for each Default episode. The Mortgagee may use
32 the following acceptable methods to conduct the Loss Mitigation
33 Consultation:

- 34 • in person;
- 35 • telephone, VoIP, or other technology that allows voice calls;
- 36 • interactive virtual communication methods;
- 37 • video conference technology platforms; and

- teleconference, virtual meeting, or a video conference hosted at a local Mortgagee branch, housing counselor's office, or alternate location.

The Mortgagee is not required to conduct a Loss Mitigation Consultation if:

- the Borrower has communicated that they will not cooperate in a Loss Mitigation Consultation;
- Reasonable Efforts to arrange a Loss Mitigation Consultation prior to the first legal action to initiate foreclosure were unsuccessful; or
- the Borrower is on a repayment plan that provides specific terms to bring the Mortgage current and is meeting the terms of the plan. TPP and forbearances do not meet this requirement.

(1) When to Conduct the Loss Mitigation Consultation

The Mortgagee must conduct, or make a Reasonable Effort to arrange, the Loss Mitigation Consultation:

- before three full monthly installments are due and unpaid on the Mortgage (61 Days Delinquent); or
- no later than 30 Days after the date the Borrower fails to make a payment on a repayment plan that provides specific terms to bring the Mortgage current.

If the initial Reasonable Effort to arrange the Loss Mitigation Consultation with the Borrower was unsuccessful, the Mortgagee must make one additional Reasonable Effort to arrange and conduct the Loss Mitigation Consultation:

- at least 30 Days prior to the first legal action to initiate foreclosure; or
- at least 30 Days prior to requesting assignment for Mortgages insured on Hawaiian Home Lands.

(2) Reasonable Effort to Arrange the Loss Mitigation Consultation

The Mortgagee must make a Reasonable Effort to arrange the Loss Mitigation Consultation with the Borrower using, at minimum, two different methods as described in [Communication Methods](#) that provide a date or timestamp of delivery or attempted delivery. Telephone attempts that do not result in direct contact with the Borrower do not meet this requirement.

1 Mortgagees must not include attempts to arrange the Loss Mitigation
2 Consultation in any other communication applicable to mortgage
3 servicing, unless required by law.

4 The Mortgagee must ensure all Verifiable Attempts provide the
5 following, at minimum:

- 6 • the purpose of the Loss Mitigation Consultation;
- 7 • at least three available times of the day when the meeting can
8 be held, including at least one evening option, and
9 instructions that describe how to schedule the Loss
10 Mitigation Consultation;
- 11 • at least two available methods the Mortgagee is offering to
12 conduct the Loss Mitigation Consultation and instructions
13 that describe how to select the Borrower's preferred method;
- 14 • if applicable, a list of information or documentation the
15 Mortgagee needs to evaluate the Borrower for loss
16 mitigation;
- 17 • contact information for the Mortgagee's loss mitigation
18 and/or customer assistance personnel to include, at minimum,
19 a toll-free telephone number;
- 20 • information about the availability of language access services
21 offered by the Mortgagee for Borrowers with LEP (this
22 information must be provided, at a minimum, in Spanish and
23 must include an advisement to seek translation or other
24 language assistance);
- 25 • information on how to locate a [HUD-approved Housing](#)
26 [Counselor online](#) or by calling HUD's interactive voice
27 system at (800) 569-4287 or (202) 708-1455 for Text
28 Telephone (TTY); and
- 29 • notice that the Borrower may invite a housing counselor or
30 other third party to the Loss Mitigation Consultation.

31 **(3) Conducting the Loss Mitigation Consultation**

32 The Mortgagee must ensure that employees who conduct the Loss
33 Mitigation Consultation are trained in FHA loss mitigation in
34 accordance with the requirements in [Staffing](#) (I.A.6.i) and have the
35 authority to evaluate and offer any loss mitigation option to eligible
36 Borrowers, when possible.

37 Mortgagees are not permitted to use any form of artificial
38 intelligence, machine learning technology, or chatbots to conduct
39 Loss Mitigation Consultations.

40 During the Loss Mitigation Consultation, the Mortgagee must:

- 41 • discuss the Borrower's hardship;

- explain the loss mitigation options available;
- evaluate the Borrower for these options, when possible; or
- if applicable, request the information or documentation needed to complete the loss mitigation analysis; and
- advise the Borrower that a notice will be provided in writing within 5 Days of the Loss Mitigation Consultation regarding next steps.

(4) Notice to Borrower Upon Completion of the Loss Mitigation Consultation

The Mortgagee must provide the following to the Borrower in writing no later than 5 Days from the date the Loss Mitigation Consultation is conducted:

- the date the Loss Mitigation Consultation was conducted;
- the loss mitigation option(s) discussed or offered to the Borrower;
- if applicable, a list of information or documentation the Mortgagee needs to complete the loss mitigation analysis;
- a reminder that, if the Borrower's financial situation changes at any point, the Borrower should contact the Mortgagee;
- contact information for the Mortgagee's loss mitigation and/or customer assistance personnel to include, at minimum, a toll-free telephone number; and
- information on how to locate a [HUD-approved Housing Counselor online](#) or by calling HUD's interactive voice system at (800) 569-4287 or (202) 708-1455 for TTY.

(C) Required Documentation

Mortgagees must document the following in the servicing file, as applicable:

- the dates and methods used to make a Reasonable Effort to arrange the Loss Mitigation Consultation;
 - the date the Loss Mitigation Consultation was conducted or the reason a Loss Mitigation Consultation was not conducted or required;
 - the method of communication used to conduct the Loss Mitigation Consultation, if applicable; and
 - a copy of the notice sent to the Borrower upon the completion of the Loss Mitigation Consultation, if applicable.
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1 **Section 247 Assignments (III.A.3.c.ii)**

2 **(A) Standard**

3 The Mortgagee may assign the Delinquent insured Mortgage and Note to
4 HUD if all of the following conditions are met:

- 5 • the Mortgage has been in Default for 180 Days or more;
- 6 • when the Mortgage is 90 Days Delinquent, the Mortgagee has
7 notified DHHL of the Default in writing;
- 8 • the Mortgagee has conducted or made a Reasonable Effort to arrange
9 the Loss Mitigation Consultation; and
- 10 • the Mortgagee has evaluated the Borrower for loss mitigation in
11 accordance with HUD guidance.

12 The Mortgagee must not foreclose on or approve a Pre-Foreclosure Sale
13 (PFS) or Deed-in-Lieu (DIL) transaction on Section 247 Mortgages; the
14 only disposition option available to the Mortgagee is assignment.

15 **Programs and Products (III.A.3)**

16 **d. Insured Mortgages on Indian Land (Section 248 Mortgages)**

17 **i. Face-to-Face Interviews**

18 The Mortgagee must have a face-to-face interview with the Borrower or
19 make a reasonable effort to arrange a face-to-face interview no later than
20 the 61st Day of delinquency.

21 **(A) Face-to-Face Meetings Not Required**

22 The Mortgagee is not required to conduct a face-to-face interview if:

- 23 • the Borrower has clearly indicated that they will not
24 cooperate with a face-to-face meeting; or
- 25 • the Borrower's payment is current due to an agreed-upon
26 repayment plan or Forbearance Plan.

27 **(B) Arranging a Face-to-Face Interview**

28 **(1) Standard**

29 To arrange the face-to-face interview, the Mortgagee must:

- 30 • make at least one telephone call to the Borrower;
- 31 • send one letter certified by the U.S. Postal Service as
32 having been dispatched; and

- make one trip to visit the Borrower at the mortgaged Property.

The Mortgagee must provide the following in each attempt to arrange the face-to-face interview:

- the availability of face-to-face interviews; and
- how to schedule the interview.

(2) Required Documentation

The Mortgagee must document in its servicing file all attempts in contacting the Borrower to arrange a face-to-face interview, information about the interview, and any decisions or follow-up needed as a result of the interview.

ii. Information Provided to the Borrower

(A) Standard

The Mortgagee must inform the Borrower of the following:

- that information regarding the status and payment history of the Borrower’s Mortgage may be made available to credit bureaus and prospective creditors;
- other available mortgage assistance, if any; and
- contact information for the FHA Resource Center (1-800-CALLFHA (1-800-225-5342) and answers@hud.gov) and that the FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities.

(B) Required Documentation

The Mortgagee must note in its servicing file when and how the Borrower was informed of the information above.

27	FHA Single	Hawaiian Home Lands Mortgages (Section 247 Mortgages) Claims
28	Family Housing	(IV.A.2.b.i)
29	Policy	
30	Handbook	(C) Submission of Claim Form Parts to HUD for Hawaiian Home
31	4000.1	Lands Mortgages

- Claims and Disposition**
- The Mortgagee may only file a claim after:
- the Mortgagee has notified the Department of Hawaiian Home Lands (DHHL) of the Borrower’s Default by letter by the 90th Day of Delinquency;
 - the Borrower’s Default has remained uncured for 180 Days; and

- 1 • the Mortgagee has met all regulatory program requirements,
2 including the Loss Mitigation Consultation and required loss
3 mitigation evaluation.

4 The Mortgagee must submit form HUD-27011 to HUD via EDI or FHA
5 Catalyst. For EDI submissions, the Mortgagee must submit Parts A and B
6 simultaneously. For FHA Catalyst submissions, the Mortgagee must submit
7 Parts A, B, C, D, and E. The Mortgagee must retain copies of all Parts of the
8 form HUD-27011 in the Claim Review File.

9 **Paperwork**
10 **Reduction Act**

11 The information collection requirements contained in this document have
12 been approved by the Office of Management and Budget (OMB) under the
13 Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and
14 assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-
15 0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-
16 0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-
17 0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-
18 0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and
19 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor,
and a person is not required to respond to, a collection of information unless
the collection displays a currently valid OMB control number.

20 **Signature**

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21 Julia R. Gordon
22 Assistant Secretary for Housing -
23 FHA Commissioner
