



FHA INFO 2023-60

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FHA Publishes Proposed Rule to Modernize Engagement with Borrowers in Default

Today, the Federal Housing Administration (FHA) published a proposed rule in the Federal Register (FR), *Modernization of Engagement with Mortgagors in Default* [[Docket No. FR-6353-P-01](#)], for public comment. This proposed rule would update the Department of Housing and Urban Development's (HUD) current regulation ([24 CFR 203.604](#)) that requires mortgagees to meet in person with borrowers who are in default on their mortgage payments.

The proposed rule, if finalized, would:

- Allow mortgagees (servicers) to utilize electronic and other remote communication methods for conducting interviews with borrowers to satisfy FHA's early default intervention requirements;
- Eliminate the requirement that mortgagees make at least one trip to the mortgaged property to schedule a meeting with the borrower; and
- Expand the meeting requirement to include borrowers who do not reside in the mortgaged property or have a mortgaged property that is not within 200 miles of their mortgagee, its servicer or a branch office.

If adopted, HUD's regulation would align with advances in electronic communication technology and borrower engagement preferences while preserving necessary consumer protections. Borrowers have increasingly indicated their preference for electronic and other remote communication alternatives to discuss foreclosure prevention options.

Due to the COVID-19 pandemic, in early 2020 HUD waived the face-to-face meeting requirement for mortgagees. Over the past three years, mortgagees have successfully demonstrated their ability to communicate with those borrowers who preferred to meet using electronic or other remote communication tools, as evidenced by the unprecedented number of distressed borrowers who have been assisted with loss mitigation assistance since the onset of the pandemic. This proposed rule would make permanent the flexibilities afforded during the pandemic period while ensuring that borrowers continue to receive robust loss mitigation services when they encounter difficulty in meeting their mortgage obligations.

As a reminder, this proposed rule is not official policy until finalized and may not be used in connection with any FHA-insured mortgage. FHA's existing regulations remain in effect until the final rule is published and effective.

Interested stakeholders are encouraged to review the entire [proposed rule](#) and submit comments following the methods outlined in the Federal Register through September 29, 2023.

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- Call 1-800-CALLFHA (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.

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