National Servicing Center

Servicing and Loss Mitigation for FHA-Insured Mortgages in Presidentially-Declared Major Disaster Areas (PDMDAs)

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SF Handbook 4000.1, Section III.A.3.c

Agenda

- Affected Programs and Declarations
- Foreclosure Moratorium
- Loss Mitigation for Borrowers in a PDMA
- Resources

Affected Programs and Declarations

Affected Programs

This Loss Mitigation guidance applies to all FHA Title II single family forward mortgages of Borrowers, whose property and/or employment is in a Presidentially-Declared Major Disaster Area (PDMDA).

Disaster Declarations

- Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the President has authority to declare a major disaster for any area which has been affected by damage of sufficient severity and magnitude to warrant major disaster assistance.

- Disaster declarations and information regarding available federal assistance for each disaster incident are posted on the Federal Emergency Management Agency's (FEMA) website.

- When the President declares a major disaster, the Mortgagee must implement the procedures set forth in the *Single Family Housing Policy Handbook* 4000.1, Section III.A.3.c, for each designated area that is eligible for federal disaster assistance.

Foreclosure Moratorium

Moratorium on Foreclosures

- FHA-insured Mortgages secured by Properties located in Presidentially-Declared Major Disaster Areas (PDMDA) will be subject to a moratorium on foreclosures following the Disaster Declaration.
  - The Foreclosure Moratorium is:
    - Effective for a 90-Day period, beginning on the date of the Disaster Declaration for that area (The Department of Housing and Urban Development (HUD) may communicate further specific guidance for extension of moratorium periods for individual disasters.);
    - Applicable to the initiation of foreclosures and foreclosures already in process; and
    - Considered an additional period of time, approved by HUD, for the Mortgagee to take loss mitigation action or commence foreclosure.

Foreclosure Request for Extension of Time & Insurance Settlement

Documentation

- The Mortgagee may submit a request for an extension to HUD's foreclosure-related deadlines via HUD's Extensions and Variances Automated Requests System (EVARS) when prohibited from performing a required activity due to the Foreclosure Moratorium.
- The Mortgagee must retain, in its Claim Review File, any approved extensions from HUD related to a foreclosure moratorium.

Hazard or Flood Insurance Settlement

- The Mortgagee must take no action to initiate or complete foreclosure proceedings after expiration of a disaster-related foreclosure moratorium, if such action will jeopardize the full recovery of a hazard or flood insurance settlement.

Monitoring of Repairs to Substantially Damaged Homes

A building is considered to be "Substantially Damaged," as defined in the National Flood Insurance Program (NFIP) regulations, when "damage of any origin is sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred."

Standard

- The Mortgagee must take appropriate actions to ensure that repairs to Substantially Damaged Properties comply with the federal building elevation standards, including those established by FEMA.
- The Mortgagee must ensure compliance with any higher applicable building elevation standard adopted by the state or local government.

Hazard & Flood Insurance

Mortgagees are encouraged to make exceptional efforts to assist Borrowers by:

- Providing insurance information and copies of insurance policies when needed;
- Promptly releasing insurance claim proceeds when a viable repair plan has been approved; and
- Following standard procedures to assure that hazard insurance claims are filed and settled expeditiously.

Loss Mitigation for Borrowers in a PDMDA

Loss Mitigation for Borrowers in PDMDAs

If a Presidentially-Declared Major Disaster adversely impacts a Borrower's ability to make on-time Mortgage Payments, the Mortgagee must provide the Borrower with Forbearance and HUD loss mitigation assistance, where appropriate, as provided in applicable FHA policy guidance.

Loss Mitigation Owner-Occupant Requirement

The Mortgagee must not deny a Borrower any Loss Mitigation Option solely for failure to occupy a mortgaged Property if the following conditions are met:

- The mortgaged Property is located within a PDMDA;
- The dwelling was the Principal Residence of a Borrower immediately prior to the disaster event;
- A Borrower intends to re-occupy the mortgaged Property upon restoration of the home to habitable condition; and
- The total accumulated mortgage arrearages have not exceeded the equivalent of 12 months Principal, Interest, Taxes, and Insurance (PITI).

Forbearance Options for Disaster-Affected Borrowers

Before considering an affected Borrower for a permanent solution using one of FHA's Loss Mitigation Home Retention Options, the Borrower must first be evaluated for a Forbearance.

- Allows for one or more periods of reduced or suspended payments without specific terms of repayment.
- The Mortgagee may offer Forbearance relief to a Borrower with a mortgaged Property or place of employment located within a PDMDA.

Forbearance Options for Disaster-Affected Borrowers (cont.)

Informal Forbearance for Borrowers in PDMDAs

- Mortgagees may consider Borrowers in PDMDAs for an Informal Forbearance and offer additional Informal Forbearance periods if the Foreclosure Moratorium is extended.

Formal Forbearance for Borrowers in PDMDAs

- Mortgagees may consider Formal Forbearances for Borrowers in PDMDAs while they are pursuing home repairs and/or resolving verifiable financial difficulties related to the disaster, provided that:
  - The forbearance period does not exceed the estimated time needed to complete home repairs as supported by a contract or repair estimate; and
  - The total accumulated mortgage arrearages during the forbearance period does not exceed the equivalent of 12 months PITI.

Disaster Loan Modification

For Borrowers who receive Informal or Formal Forbearances based solely on location of their mortgaged Property or place of employment within a PDMDA, the Mortgagee must offer a Rate and Term Loan Modification at the end of the forbearance period based on the Eligibility and Term requirements.

Eligibility for Disaster Loan Modification

Eligibility Requirements for a Disaster Loan Modification:

- The Mortgage was current or less than 30 Days past due as of the date of the applicable Disaster Declaration.
- The Mortgagee confirms Borrower income is equal to or greater than it was prior to the Disaster using a recent pay stub for income, W-2, bank statement or other documentation reflecting the amount of income.
  - As an alternative to providing income documentation, the Borrower can complete a three-month Trial Payment Plan (TPP), which will confirm that their income has returned to pre-disaster levels.
  - The TPP does not have to be signed by the Borrower.
- The Property is owner-occupied.

Terms of Disaster Loan Modification

Requirements for Disaster Loan Modification:

- The total Principal and Interest (P&I) amount of a Borrower’s monthly Mortgage Payment does not change.
- The Mortgagee must capitalize into a modified mortgage balance:
  - Accumulated arrearages for unpaid accrued interest; and
  - Eligible unreimbursed Mortgagee advances and related fees and costs chargeable to the Mortgage.
- The Mortgagee waives the Borrower’s accumulated late fees.

Terms of Disaster Loan Modification (cont.)

Requirements for Disaster Loan Modification (cont.)

- The interest rate must be no greater than the Market Rate as defined by HUD.
  - "Market Rate" is defined as a rate that is no more than 25 basis points 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 one percent (0.125%), as of the date a Trial Payment Plan is offered to a Borrower for an FHA-HAMP option or the date the borrower is offered a permanent Disaster Rate and Term Loan Modification. The Weekly PMMS results are published on Freddie Mac's website at: http://www.freddiemac.com/pmms/
- The term for the modified loan is 360 months. The term may be less than 360 months if:
  - Requested by the Borrower; and
  - A term that is less than 360 does not result in the modified P&I being greater than current P&I.
- Borrower(s) can only receive one Permanent Loss Mitigation Home Retention Option for a PDMDA.

Disaster Standalone Partial Claim

The Mortgagee must evaluate Borrowers for a Disaster Standalone Partial Claim at the end of the Forbearance period if the Borrower does not qualify for a Disaster Loan Modification.

Disaster Standalone Partial Claim (cont.)

Eligibility Requirements for Disaster Standalone Partial Claim:

- The Mortgage was current or less than 30 Days past due as of the date of the applicable Disaster Declaration.
- The Mortgagee confirms Borrower income is equal to or greater than it was prior to the Disaster using a recent pay stub for income, W-2, bank statement or other documentation reflecting the amount of income.
  - As an alternative to providing income documentation, the Borrower can complete a three-month Trial Payment Plan (TPP), which will confirm that their income has returned to pre-disaster levels. The TPP does not have to be signed by the Borrower.
- The Property must be owner-occupied.
- The total Principal and Interest (P&I) amount of a Borrower's monthly Mortgage Payment does not change.
- The Mortgagee waives the Borrower's accumulated late fees.

Disaster Standalone Partial Claim (cont.)

Eligibility Requirements for Disaster Standalone Partial Claim (cont.):

- The Disaster Standalone Partial Claim is subject to the maximum statutory value of all Partial Claims for an FHA-insured Mortgage.
  - The statutory maximum value of all Partial Claims (i.e., combined) is 30 percent (30%) of the Unpaid Principal Balance of each FHA-insured Mortgage and any costs that are approved by the Secretary.
    - For purposes of calculating the maximum Partial Claim value for the Disaster Standalone Partial Claim, it is the lesser of:
      - The Unpaid Principal Balance as of the date of Default associated with the initial Partial Claim, if applicable, multiplied by 30 percent, less any previous Partial Claim(s) paid on the FHA-insured Mortgage;
      - If there are no previous Partial Claim(s), the Unpaid Principal Balance as of the date of the current Default multiplied by 30 percent; or
      - The amount required to bring the Mortgage current.
      - Borrower(s) can only receive one Permanent Loss Mitigation Home Retention Option for a PDMDA.

Required Financial Evaluation for other Loss Mitigation Home Retention Options

- Following evaluation for, and completion of, approved Forbearances, the Mortgagee must evaluate those Borrowers who do not qualify for either the "Disaster Loan Modification or "Disaster Standalone Partial Claim" Options for other Loss Mitigation Home Retention Options.
- Borrowers who do not currently have an increase in living expenses but are Delinquent due to a Forbearance received following a Disaster Declaration are deemed to satisfy the eligibility conditions for FHA Loss Mitigation Home Retention Options.

Required Financial Evaluation for other Loss Mitigation Home Retention Options (cont.)

Terms of the Mortgage Loan are Unaffected

- Nothing in Handbook 4000.1 confers any right to a borrower to any loss mitigation or any other action by HUD or the Mortgagee.
  - Nothing in the Handbook interferes with any right of the Mortgagee to enforce its private contractual rights under the terms of the Mortgage Loan. All private contractual rights and obligation remain unaffected.
  - Where a Mortgagee chooses to enforce its contractual rights after expiration of any automatic foreclosure moratorium, the standard timeframes to initiate foreclosure and reasonable diligence in prosecuting foreclosure following expiration of a foreclosure moratorium will apply.

Required Financial Evaluation for other Loss Mitigation Home Retention Options (cont.)

Use of Loan Modification Option

- The Mortgagee must ensure that the Borrower occupies the dwelling as an owner-occupant before completing a Loan Modification.

Home Disposition Options

- Home Disposition Options are also available to Borrowers that are in disaster areas.
- Pre-Foreclosure Sale or Deed in Lieu of Foreclosure Eligibility Requirements:
  - The Mortgage was current or less than 30 Days past due as of the date of the applicable Disaster Declaration.
  - The Mortgagee obtains from the Borrower a recent pay stub for income, W-2, bank statement or other documentation reflecting the amount of income.
  - The Property was owner-occupied.

Suspension of Reporting to Consumer Reporting Agencies

The Mortgagee must suspend reporting of delinquencies to consumer reporting agencies for a Borrower who is granted disaster-related Mortgage Payment relief and is otherwise performing as agreed.

Waiver of Late Charges

The Mortgagee must waive Late Charges when the Borrower is on a Forbearance Plan or paying as agreed on a Loss Mitigation Option.

SFDMS Reporting

Mortgagees must report the appropriate default status codes associated with the actions taking place.

- Status Code 34 must be reported for PDMDA Loss Mitigation until another default status code applies.
- Default Reason Code 055 must be reported for COVID-19 Loss Mitigation.
  - If the property is also located in a PDMDA, the PDMDA must be noted in the Servicing File.

Resources

Online Loss Mitigation Resources

- HUD Disaster Resources
- HUD COVID-19 Resources and Fact Sheets
- 4000.1 Single Family Housing Handbook
- Single Family Handbook Supplemental Documents
- FHA Servicing and Loss Mitigation Training Page
- 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 (FHA_SFClaims@hud.gov)

Thank You!

For joining us today