



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
SINGLE FAMILY HOUSING



**FHA's Loss Mitigation Options for Borrowers
Affected by the Presidentially-Declared
COVID-19 National Emergency**
April 15, 2020

Presented by:
Stacey Brown
National Servicing Center



OFFICE OF SINGLE FAMILY HOUSING



Agenda

Background and Summary of Changes

Loss Mitigation for Borrowers Affected by the COVID-19 National Emergency

Resources



Background and Summary of Changes



Background

HUD is working to provide Mortgagees and Borrowers with additional Loss Mitigation Home Retention Options due to the COVID-19 National Emergency, clarify requirements around these options, and fully implement the **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)**. The Loss Mitigation Options in ML 2020-06 are part of this broader effort.

Anticipated financial impacts of COVID-19 for Borrowers include:

- Wage reductions,
- Job losses or interruptions,
- Inability to work for various reasons such as a lack of telework options or childcare, and
- Contracting COVID-19 directly or caring for a family member that contracts the virus.

Summary of Changes

Changes to HUD's Loss Mitigation Options for Borrowers Affected by the COVID-19 National Emergency include:

- Forbearance for Borrowers Affected by the COVID-19 National Emergency
- COVID-19 National Emergency Standalone Partial Claim
- COVID-19 National Emergency Loss Mitigation Options supersedes FHA's PDMDA Guidance in Handbook 4000.1 for the purposes of this National Emergency

ML 2020-06 Effective Dates

Effective Immediately:

- The Forbearance for Borrowers Affected by the COVID-19 National Emergency is effective immediately.
- The use of the COVID-19 National Emergency from FHA's PDMDA guidance in Handbook 4000.1 is effective immediately.
 - Mortgagees that have begun using FHA's PDMDA Loss Mitigation Options must convert Borrowers to the COVID-19 National Emergency Loss Mitigation Options.

Effective No Later Than April 30, 2020:

- All other procedures set forth in ML 2020-06 must be implemented no later than April 30, 2020 but may begin using the new procedures immediately.

Loss Mitigation for Borrowers Affected by the COVID-19 National Emergency



Loss Mitigation for Borrowers Affected by the COVID-19 National Emergency

The Mortgagee must not deny COVID-19 National Emergency Home Retention Options to Borrowers that experience an adverse impact on their ability to make on-time Mortgage Payments due to the COVID-19 National Emergency and satisfy the loss mitigation criteria in ML 2020-06.



COVID-19 National Emergency Forbearance

If a Borrower is experiencing a financial hardship negatively impacting their ability to make on-time Mortgage Payments due to the COVID-19 National Emergency and makes a request for a forbearance, the Mortgagee must offer the Borrower a forbearance, which allows for one or more periods of reduced or suspended payments without specific terms of repayment.

- The Mortgagee may utilize any available methods for communicating with a Borrower regarding a forbearance to meet these requirements.
- Acceptable methods of communication regarding a forbearance include, but are not limited to, emails, texts, fax, teleconferencing, websites, or sending out a general communication advising Borrowers that forbearance is granted provided the Borrower emails a request or calls their Servicer.

FAQ: What documentation is required to validate the Borrower's financial hardship?

No documentation is required to prove financial hardship due to the COVID-19 National Emergency. Mortgagees must offer Borrowers experiencing financial hardship due, directly or indirectly, to the COVID-19 National Emergency a COVID-19 Forbearance, regardless of delinquency status, upon borrower request.



COVID-19 National Emergency Forbearance (cont'd)

- The initial forbearance period may be up to 6 months. If needed, an additional forbearance period of up to 6 months must be approved by the Mortgagee.
- The term of either the initial or the extended forbearance may be shortened at the Borrower's request.
- The Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the Borrower is on a Forbearance Plan.

FAQ: Is the Mortgagee required to execute a written forbearance agreement for the Forbearance for Borrowers Affected by the COVID-19 National Emergency?

No, the Forbearance for Borrowers Affected by the COVID-19 National Emergency is not a written agreement.

FAQ: Should mortgagees offer impacted borrowers the COVID-19 Forbearance if they are unemployed due to the pandemic, or the standard Special Forbearance for Unemployment?

Mortgagees must offer the COVID-19 Forbearance to all borrowers who have been experiencing a financial hardship adversely impacting their ability to make on-time mortgage payments due, directly or indirectly, to the COVID-19 National Emergency, if requested by the borrower.



COVID-19 National Emergency Standalone Partial Claim

For any **Owner-Occupant Borrower** who receives a *Forbearance for Borrowers Affected by the COVID-19 National Emergency*, the Mortgagee must evaluate the Borrower for the COVID-19 National Emergency Standalone Partial Claim no later than the end of the forbearance period(s).



Eligibility for COVID-19 National Emergency Standalone Partial Claim

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

- The Mortgage was current or less than 30 Days past due as of March 1, 2020.
- The Borrower indicates they have the ability to resume making on-time mortgage payments.
- The Property is owner-occupied.

FAQ: What documentation is required to verify the Borrower has the ability to resume making on-time mortgage payments?

The Borrower must indicate by any means (verbal or written) to the Mortgagee they have the ability to resume making on-time mortgage payments.

FAQ: Is the Borrower required to successfully complete a Trial Payment Plan prior to executing the COVID-19 Partial Claim?

No. A Trial Payment Plan is not required.



Terms of the COVID-19 National Emergency Standalone Partial Claim

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

- The Borrower's accumulated late fees are waived; and
- The COVID-19 National Emergency Standalone Partial Claim amount includes only arrearages, which consists of Principal, Interest, Taxes, and Insurance; and
- The COVID-19 National Emergency Standalone Partial Claim does not exceed the maximum statutory value of all Partial Claims for an FHA-insured Mortgage, as listed in Statutory Maximum for Partial Claims (III.A.2.k.v(D)(2)(a)); and
- The Borrower(s) receives only one COVID-19 National Emergency Standalone Partial Claim.

FAQ: How does the COVID-19 Partial Claim work for borrowers whose loans have a previous Partial Claim?

- Partial claims on FHA-insured mortgages are limited by statute to 30% of the Unpaid Principal Balance (UPB). Borrowers who have a previous partial claim and did not use the full 30% are eligible to use the remaining amount for the COVID-19 Partial Claim.



COVID-19 National Emergency Standalone Partial Claim

Required Documentation

- The Mortgagee must submit all required documentation for Partial Claims as listed under Delivery of Partial Claim Documents (Sec. III.A.2.k.v(J)(6)).
- The Mortgagee is automatically granted a 90-day extension to the 6-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(J)(7)).



SFDMS Reporting Requirements

Servicers must report the Default/Delinquency Reason Codes that apply to the Borrower at the end of each reporting cycle and must update the code as the Borrower's circumstances change.

FAQ: What Default Status Code should be reported for COVID-19 Forbearances and COVID-19 Standalone Partial Claims?

Mortgagees should report Status Code 06 – Formal Forbearance for the COVID-19 Forbearance, and Status Code 10 – Partial Claim Started for the COVID-19 National Emergency Standalone Partial Claim.

FAQ: What SFDMS code(s) should be entered for borrowers impacted by the COVID-19 Moratorium?

For borrowers included in the COVID-19 moratorium published in ML 2020-04, Mortgagees should report the existing Delinquency/Default Status Code HUD Issued Moratorium (AS) for the applicable reporting cycle(s). **Please do not report Natural Disaster (34).**

Financial Evaluation for other Loss Mitigation Home Retention Options

- The Mortgagee must evaluate any Borrower not brought current through a “COVID-19 National Emergency Standalone Partial Claim” Option for other Loss Mitigation Home Retention Options (III.A.2.k) and Home Disposition Options (III.A.2.l).
- Borrowers who are Delinquent due to a forbearance received following a COVID-19 National Emergency Declaration are deemed to satisfy the eligibility requirements for FHA Loss Mitigation Home Retention and Home Disposition Options.

Terms of the Mortgage are Unaffected

- Nothing in ML 2020-06 confers any right to a Borrower to any loss mitigation or any other action by HUD or the Mortgagee.
 - Further, nothing in the ML interferes with any right of the Mortgagee to enforce its private contractual rights under the terms of the Mortgage.
 - All private contractual rights and obligations remain unaffected by anything in ML 2020-06.
- Where a Mortgagee chooses to enforce its contractual rights after expiration of COVID-19 National Emergency forbearance, the standard time frames to initiate foreclosure and reasonable diligence in prosecuting foreclosure following expiration of a foreclosure moratorium will apply.

Reporting to Consumer Reporting Agencies

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



Exclusion of COVID-19 from FHA's PDMDA Guidance in HB 4000.1

- For Borrowers impacted by the COVID-19 National Emergency and whose Mortgaged Property is located in a COVID-19 PDMDA, the policy in ML 2020-06 applies in lieu of FHA's PDMDA guidance listed in *Presidentially-Declared Major Disaster Areas* (III.A.3.c), for the purposes of this National Emergency only.
- Mortgagees that have begun using FHA's PDMDA Loss Mitigation Options (III.A.3.c), must convert to the COVID-19 National Emergency Loss Mitigation Options listed in ML 2020-06.

Resources



Online Loss Mitigation Resources

- [COVID-19 Questions and Answers](#)
- [HUD COVID-19 Resources and Fact Sheets](#)
- [4000.1 Single Family Housing Handbook](#)
- [Single Family Handbook Supplemental Documents](#)
- [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](mailto:FHA_SFClaims@hud.gov) (FHA_SFClaims@hud.gov)

