



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

ASSISTANT SECRETARY FOR HOUSING –
FEDERAL HOUSING COMMISSIONER

Date: February 16, 2021

Mortgage Letter 2021-05

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Extensions of Single Family Foreclosure and Eviction Moratorium, Start Date of COVID-19 Initial Forbearance, and HECM Extension Period; Expansion of COVID-19 Loss Mitigation Options

Purpose The purpose of this Mortgagee Letter (ML) is to inform Mortgagees of further extensions for the foreclosure and eviction moratorium, the COVID-19 Forbearance start date, and the COVID-19 Home Equity Conversion Mortgage (HECM) extension period. This ML also expands FHA's COVID-19 Loss Mitigation Options by implementing additional COVID-19 Forbearance and HECM extension periods for certain Borrowers, broadening Borrower eligibility for COVID-19 Loss Mitigation Options, and eliminating the restriction on the number of permanent COVID-19 Home Retention Options a Borrower can receive.

Effective Dates The policies in this ML are effective immediately.

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

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Affected Programs

This guidance applies to all FHA Title II Single Family programs.

Affected Topics

This ML supersedes ML 2021-03: *Extension of Foreclosure and Eviction Moratorium in Connection with the Presidentially-Declared COVID-19 National Emergency*.

This ML updates ML 2021-04: *Update to the COVID-19 Forbearance Start Date and the COVID-19 Home Equity Conversion Mortgage (HECM) Extension Period*.

This ML also provides updates to FHA's COVID-19 Loss Mitigation policies for Borrowers of FHA-insured forward Mortgages impacted by COVID-19 in section III.A.3.d. Presidentially-Declared COVID-19 National Emergency of HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

For HECM Borrowers, this ML extends deadlines found in:

- ML 2015-10, *Home Equity Conversion Mortgage (HECM) Due and Payable Policies*
 - ML 2015-11, *Loss Mitigation Guidance for Home Equity Conversion Mortgages (HECMs) in Default due to Unpaid Property Charges*
 - 24 CFR § 206.125, *Acquisition and sale of the property* and § 206.205, *Property charges*
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Summary of Changes

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

- extending the foreclosure and eviction moratorium to June 30, 2021, and the deadline for the first legal action and the Reasonable Diligence Time Frame to 180 days;
 - extending the COVID-19 Forbearance start date and HECM extension period to June 30, 2021;
 - providing up to two additional three-month COVID-19 Forbearance periods or HECM extension periods for certain Borrowers;
 - allowing additional Borrowers, regardless of delinquency status or participation on a COVID-19 Forbearance, to utilize FHA's COVID-19 Loss Mitigation Options; and
 - removing the restriction on Borrowers receiving more than one COVID-19 Home Retention Option.
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Background

President Joseph R. Biden has prioritized the response to, and recovery from, the COVID-19 pandemic. Housing is a critical component of the recovery and will be integral to rebuilding a more equitable and inclusive economic recovery while protecting people during the pandemic. The immediate actions of the Biden-Harris Administration, the increased rollout of COVID-19 vaccines, and projections by the Congressional Budget Office point to a positive economic recovery. Nevertheless, homeowners need immediate relief. To assist with the response to COVID-19 and the economic recovery, and in concert with its mission of sustaining homeownership, HUD is reviewing its policies and requirements in light of the ongoing and evolving challenges facing Borrowers and industry partners.

As a result of this review, HUD is further extending its foreclosure and eviction moratorium as well as the associated deadline for first legal action and Reasonable Diligence Time Frame. HUD initially announced the moratorium on March 18, 2020, and subsequently extended it five times to prevent Borrowers from losing their homes during the pandemic. This additional extension of the moratorium will provide further protection to Borrowers facing foreclosure during a time when people are advised to remain in their homes and be socially distanced. Further, HUD recognizes that additional time may be needed for Mortgagees to comply with the associated first legal deadline and Reasonable Diligence Time Frame as a result of court delays and a shortage of legal counsel due to the pandemic.

A key tool in retaining homeownership for many Borrowers during the pandemic has been the COVID-19 Forbearance, which provides for reduced or suspended payments, and the HECM Extension Periods protecting senior citizens from default and foreclosure. Both the COVID-19 Forbearance and the HECM Extension Period provide for an initial period of up to six months of relief and an extension of up to an additional six months. The current deadline for a Borrower to request the initial period of either the COVID-19 Forbearance or the HECM Extension Period has been extended four times in recognition of the ongoing nature of the pandemic. Due to the continued impacts on Borrowers across the country, HUD recognizes a need to further extend this deadline. Further, HUD also recognizes that the persistent and sustained nature of the pandemic has left many Borrowers who necessarily availed themselves of these tools early on approaching the end of this relief. Many of these Borrowers may need additional time to recover as the vaccine rollout increases and the economy improves.

In the early stages of the pandemic, HUD relied on its experience in previous disaster situations to limit the eligibility for streamlined Loss Mitigation Options to Borrowers who were not in Default prior to the pandemic. This was done to ensure that those Borrowers who were in Default prior to the pandemic received a full financial review to determine the appropriate Loss Mitigation Option tailored to their circumstances. Based on the length of its COVID-19 Forbearance, HUD also determined that only one permanent

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COVID-19 Home Retention Option should be necessary to reinstate the Mortgage following the COVID-19 Forbearance. This measure was also intended to ensure that the delinquency was fully cured. Due to the length of the pandemic, and its impact across all sectors of the economy, HUD is expanding its streamlined options to additional Borrowers and removing the limitation on the number of permanent COVID-19 Home Retention Options available.

HUD believes these additional measures will provide Mortgagees a better toolbox with which to assist Borrowers in recovery from the impacts of the pandemic. HUD believes that the extension of these moratoria, in addition to the increased eligibility of Borrowers for Loss Mitigation, will help marginalized communities that have been disproportionately impacted by the COVID-19 pandemic. HUD also encourages Mortgagees and Borrowers alike to utilize the extensive network of HUD-approved Housing Counselors to expedite this additional relief, especially to underserved populations.

Moratorium on Foreclosures and Evictions and Extension of Deadlines

FHA-insured Single Family Mortgages, excluding vacant or abandoned Properties, are subject to an extension to the moratorium on foreclosure through June 30, 2021. The moratorium applies to the initiation of foreclosures and to foreclosures in process.

Evictions of persons from Properties securing FHA-insured Single Family Mortgages, excluding actions to evict occupants of legally vacant or abandoned Properties, are also suspended through June 30, 2021.

Deadlines for the first legal action and Reasonable Diligence Time Frame are extended to 180 days from the date of expiration of this moratorium for FHA-insured Single Family Mortgages, except for FHA-insured Mortgages secured by vacant or abandoned Properties.

Update to the COVID-19 Forbearance Start Date and HECM Extension Period

Mortgagees must approve the initial COVID-19 Forbearance or HECM Extension Period no later than June 30, 2021.

**Single Family
Housing Policy
Handbook
4000.1**

The following policy changes will be incorporated into Handbook 4000.1 as appears below.

Programs and Products (III.A.3)

**Presidentially-
Declared
COVID-19
National
Emergency
Servicing and
Loss Mitigation
Program**

d. Presidentially-Declared COVID-19 National Emergency

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

i. Definitions

COVID-19 refers to the COVID-19 National Emergency declared on March 13, 2020.

The COVID-19 Forbearance provides Borrowers who experience an adverse impact on their ability to make on-time Mortgage Payments due to the COVID-19 pandemic with a forbearance period, upon request, which allows for one or more periods of reduced or suspended payments without specific terms of repayment.

The following COVID-19 Home Retention Options provide options to reinstate the Mortgage for Borrowers who are able to resume monthly or modified monthly Mortgage payments:

- Owner-Occupant Borrowers are eligible to be reviewed for the:
 - COVID-19 Standalone Partial Claim;
 - COVID-19 Owner-Occupant Loan Modification;
 - COVID-19 Combination Partial Claim and Loan Modification;and
 - COVID-19 FHA Home Affordable Modification Program (FHA-HAMP) Combination Loan Modification and Partial Claim with Reduced Documentation, which may include principal deferment and requires income documentation.
- Non-Occupant Borrowers are eligible to be reviewed for the COVID-19 Non-Occupant Loan Modification.

COVID-19 Home Disposition Options provide options for the disposition of a Property if the Borrower is unable to reinstate the Mortgage. The following COVID-19 Home Disposition Options are available to Owner-Occupant and Non-Occupant Borrowers:

- COVID-19 Pre-Foreclosure Sale (PFS); and
- COVID-19 Deed-in-Lieu (DIL) of Foreclosure.

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ii. Standard

Upon Borrower request, Mortgagees must offer a COVID-19 Forbearance to any Borrower that experiences an adverse impact on their ability to make on-time Mortgage Payments due to the COVID-19 pandemic, regardless of Default status.

Owner-Occupant Borrowers must be reviewed for the COVID-19 Standalone Partial Claim, the COVID-19 Owner-Occupant Loan Modification, the COVID-19 Combination Partial Claim and Loan Modification, or the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation.

Non-Occupant Borrowers must be reviewed for the COVID-19 Non-Occupant Loan Modification.

Eligible Borrowers may receive more than one COVID-19 Home Retention Option.

Mortgagees must report the appropriate Loss Mitigation Option to HUD.

COVID-19 Loss Mitigation Options are not incentivized for Mortgagees.

(A) Borrowers who were on a COVID-19 Forbearance or other forbearance related to the COVID-19 Pandemic

The Mortgagee must review all Borrowers who were on a COVID-19 Forbearance or other forbearance related to the COVID-19 pandemic, for COVID-19 Loss Mitigation Home Retention and Home Disposition Options after the completion or expiration of the Borrower's forbearance period.

The Mortgagee must complete a Loss Mitigation Option for these Borrowers no later than 120 Days from the earlier of the date of completion or expiration of the forbearance. If the Borrower's forbearance has completed or expired on or prior to February 16, 2021, the Mortgagee has 120 Days from February 16, 2021, to complete the Loss Mitigation Option. For Home Disposition Options, a signed Approval to Participate (ATP) Agreement (form HUD-90045) or a signed DIL Agreement will meet this requirement.

(B) Borrowers who were not on a COVID-19 Forbearance or other forbearance related to the COVID-19 Pandemic

The Mortgagee must review all Borrowers who did not participate on a COVID-19 Forbearance or other forbearance related to the COVID-19 pandemic for COVID-19 Loss Mitigation Home Retention and Home Disposition Options when the Borrower is 90 or more Days Delinquent and the Borrower affirms they have been negatively impacted by

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COVID-19. This expansion of eligibility for the COVID-19 Loss Mitigation Options for these Borrowers is temporary and will continue until HUD issues a further notice.

The Mortgagee must complete a Loss Mitigation Option for these Borrowers no later than 120 Days from the date of the Borrower's request for loss mitigation assistance. The Mortgagee must document the date of the request for loss mitigation assistance in the Servicing File.

iii. Forbearance for Borrowers Affected by the COVID-19 National Emergency (COVID-19 Forbearance) [Mortgagees must approve the initial COVID-19 Forward Forbearance no later than June 30, 2021.]

If a Borrower is experiencing a financial hardship negatively impacting their ability to make on-time Mortgage Payments due to COVID-19 and makes a request for a COVID-19 Forbearance, the Mortgagee must offer the Borrower a COVID-19 Forbearance.

The COVID-19 Forbearance allows for one or more periods of reduced or suspended payments without specific terms of repayment.

All FHA-insured Borrowers are eligible for a COVID-19 Forbearance, regardless of the delinquency status of the Mortgage.

The Mortgagee may utilize any available method for communicating with a Borrower regarding a COVID-19 Forbearance to meet these requirements. Acceptable methods of communication regarding a COVID-19 Forbearance include, but are not limited to, emails, text messages, fax, teleconferencing, websites, web portals, etc. If a Mortgagee sends out a general communication advising that a COVID-19 Forbearance is available, the Borrower may reply to that communication requesting a COVID-19 Forbearance, via email, phone call, or any other method of communication clearly made available to the Borrower by the Mortgagee.

The initial COVID-19 Forbearance period may be up to six months. If needed, an additional COVID-19 Forbearance period of up to six months may be requested by the Borrower and must be approved by the Mortgagee.

For Borrowers who requested their initial COVID-19 Forbearance on or before June 30, 2020, if needed, the Borrower may request, and the Mortgagee must approve, up to two additional three-month COVID-19 Forbearance periods, after 12 months of COVID-19 Forbearance. The Borrower must request each three-month extension individually. Neither of the two additional three-month COVID-19 Forbearance periods may extend beyond December 31, 2021.

No COVID-19 Forbearance period may extend beyond June 30, 2022.

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The term of the initial **and any additional** COVID-19 Forbearance **period** 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 COVID-19 Forbearance Plan.

iv. COVID-19 Home Retention Options

A Trial Payment Plan (TPP) is not required for a Borrower to be eligible for COVID-19 Loss Mitigation Options.

(A) COVID-19 Standalone Partial Claim

For any Owner-Occupant Borrower who **is eligible for** COVID-19 **Loss Mitigation Options**, the Mortgagee must evaluate the Borrower for the COVID-19 Standalone Partial Claim.

(1) Eligibility

The Mortgagee must ensure that:

- the Borrower indicates they have the ability to resume making on-time Mortgage Payments; and
- the Property is owner-occupied.

(2) Terms

The Mortgagee must ensure that:

- the COVID-19 Standalone Partial Claim fully reinstates the Mortgage;
- all Late Charges, fees, and penalties are waived **except that** Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020;
- the COVID-19 Standalone Partial Claim amount includes only arrearages, which consists of Principal, Interest, Taxes, and Insurance (PITI); **and**
- the COVID-19 Standalone Partial Claim does not exceed the 30 percent 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)).

(3) Document Delivery Requirements

The Mortgagee must submit all required documentation for COVID-19 Standalone Partial Claims as listed under [Delivery of Partial Claim Documents](#) (III.A.2.k.v(J)(6)).

The Mortgagee is automatically granted a 90-Day extension to the six-month deadline for the recorded Mortgage.

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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)).

(B) COVID-19 Owner-Occupant Loan Modification

For Borrowers who do not qualify for the COVID-19 Standalone Partial Claim, the Mortgagee must review the Borrower for a COVID-19 Owner-Occupant Loan Modification, which modifies the rate and term of the Mortgage.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 Owner-Occupant Loan Modification.

(1) Eligibility

The Mortgagee must ensure that:

- the Borrower indicates they have the ability to make the modified Mortgage Payment; and
- the Property is owner-occupied.

(2) Terms

The Mortgagee must modify the Mortgage as follows:

- The Mortgagee must ensure that all Late Charges, fees, and penalties are waived except that Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020.
- The Mortgagee must only capitalize into a COVID-19 Owner-Occupant Loan Modification:
 - arrearages for unpaid accrued interest;
 - Mortgagee advances for escrowed items; and
 - an escrow shortage that falls below the target balance, calculated during an escrow analysis, that exceeds the amount of the Mortgagee's advances already capitalized in the modified Mortgage.
- The Mortgagee must ensure that the COVID-19 Owner-Occupant Loan Modification fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including Adjustable Rate Mortgages (ARM), Graduated Payment Mortgages (GPM), or Growing Equity Mortgages (GEM), is modified to a fixed rate Mortgage.

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- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD¹.
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's Principal and Interest (P&I) may not increase under the COVID-19 Owner-Occupant Loan Modification unless:
 - The Borrower has exhausted the 30 percent maximum statutory value of all Partial Claims for an FHA-insured Mortgage.
- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured Mortgage remains in first lien position and is legally enforceable.

(C) COVID-19 Combination Partial Claim and Loan Modification

For Owner-Occupant Borrowers who do not meet the eligibility and term requirements for a COVID-19 Standalone Partial Claim or a COVID-19 Owner-Occupant Loan Modification, the Mortgagee must review the Borrower for a COVID-19 Combination Partial Claim and Loan Modification.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 Combination Partial Claim and Loan Modification.

(1) Eligibility

The Mortgagee must ensure that:

- the Borrower has not exceeded the 30 percent statutory maximum 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));
- the Borrower indicates they have the ability to make the modified Mortgage Payment; and
- the Property is owner-occupied.

(2) Terms

For the COVID-19 Combination Partial Claim and Loan Modification, the Mortgagee must ensure the following:

¹ Market Rate is a rate that is no more than 25 bps 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 1 percent (0.125 percent), as of the date the Loan Modification is approved.

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- The Mortgagee must ensure that all Late Charges, fees, and penalties are waived except that Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020.
- The Mortgagee must only capitalize into the modified Mortgage of the COVID-19 Combination Partial Claim and Loan Modification:
 - arrearages for unpaid accrued interest;
 - Mortgagee advances for escrowed items; and
 - an escrow shortage that falls below the target balance, calculated during an escrow analysis, that exceeds the amount of the Mortgagee's advances already capitalized in the modified Mortgage.
- The Mortgagee must determine the maximum Partial Claim amount available that does not exceed the 30 percent 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)). The Mortgagee must apply any remaining available Partial Claim amount toward the arrearage first, and then capitalize the remaining arrearage into the modified Mortgage.
- The Mortgagee must ensure that the COVID-19 Combination Partial Claim and Loan Modification fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including ARM, GPM, or GEM, is modified to a fixed rate Mortgage.
- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD.
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's monthly Mortgage Payment may increase.
- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured modified Mortgage remains in first lien position and is legally enforceable.

(3) Document Delivery Requirements

The Mortgagee must submit all required documentation for COVID-19 Partial Claims as listed under [Delivery of Partial Claim Documents](#) (III.A.2.k.v(J)(6)).

The Mortgagee is automatically granted a 90-Day extension to the six-month deadline for the recorded Mortgage.

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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)).

(D) COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation

Borrowers may provide income documentation to be reviewed for an affordable monthly payment under a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation, which may include a principal deferment.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation.

(1) Eligibility

The Mortgagee must ensure that:

- the Property is owner-occupied;
- the Borrower has not exhausted the 30 percent statutory maximum value of all Partial Claims for an FHA-insured Mortgage; and
- the Borrower is not eligible for the COVID-19 Home Retention Options due to the following:
 - the Borrower is not eligible for the COVID-19 Standalone Partial Claim because the Borrower indicates they are unable to resume the existing monthly Mortgage Payments after the COVID-19 Forbearance; or
 - the Borrower is not eligible for the COVID-19 Combination Partial Claim and Loan Modification because the Borrower indicates they are unable to make the modified monthly Mortgage Payment under the COVID-19 Combination Partial Claim and Loan Modification.

(2) Terms

The Mortgagee must review the Borrower for an affordable monthly Mortgage Payment using the FHA-HAMP calculations in Step 5 of the [Loss Mitigation Home Retention Waterfall Options](#) (III.A.2.j.iii).

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If required, a principal deferment may be utilized. No portion of the Partial Claim may be used to bring the modified PITI monthly payment below the targeted payment.

The following reduced income documentation requirements are adequate to review the Borrower for a COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation:

- the Borrower's most recent pay stub for wage income reflecting year-to-date earnings; or
- the Borrower's most recent bank statement reflecting deposits of income amounts from applicable sources; or
- other documentation (e.g., monthly statement of Social Security benefits, monthly pension statement) reflecting the amount of income.

For the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation, the Mortgagee must ensure the following:

- The Mortgagee must ensure that all Late Charges, fees, and penalties are waived except that Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020.
- The Mortgagee must only capitalize into the modified Mortgage:
 - arrearages for unpaid accrued interest;
 - Mortgagee advances for escrowed items; and
 - an escrow shortage that falls below the target balance, calculated during an escrow analysis, that exceeds the amount of the Mortgagee's advances already capitalized in the modified Mortgage.
- The Mortgagee must determine the maximum Partial Claim amount available that does not exceed the 30 percent 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)).
- The Mortgagee must ensure that the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including ARM, GPM, or GEM, is modified to a fixed rate Mortgage.
- The Mortgagee must ensure that the interest rate is no greater than the Market Rate as defined by HUD.
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
- The Borrower's monthly Mortgage Payment may increase.

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- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured modified Mortgage remains in first lien position and is legally enforceable.

To allow adequate time to complete the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation, obtain all required signatures, and provide adequate notice to the Borrower of the new payment, Mortgagees may include an additional month in the total outstanding debt to be resolved. The Mortgagee must not provide the Borrower with any cash from the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation.

(3) Document Delivery Requirements

The Mortgagee must submit all required documentation for COVID-19 Partial Claims as listed under [Delivery of Partial Claim Documents](#) (III.A.2.k.v(J)(6)).

The Mortgagee is automatically granted a 90-Day extension to the six-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)).

(E) COVID-19 Non-Occupant Loan Modification

The Mortgagee must review Non-Occupant Borrowers for a COVID-19 Non-Occupant Loan Modification, which modifies the rate and term of the Mortgage.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 Non-Occupant Loan Modification.

(1) Eligibility

The Mortgagee must ensure that:

- the Borrower indicates they have the ability to make the modified Mortgage Payments; and
- the Property is not owner-occupied. The Property can be used as a Rental Property, Secondary Residence, or Vacation Home for the Borrower.

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(2) Terms

The Mortgagee must modify the Mortgage as follows:

- The Mortgagee must ensure that all Late Charges, fees, and penalties are waived except that Mortgagees are not required to waive Late Charges, fees, and penalties, if any, accumulated prior to March 1, 2020.
- The Mortgagee must only capitalize into a COVID-19 Non-Occupant Loan Modification:
 - arrearages for unpaid accrued interest;
 - Mortgagee advances for escrowed items; and
 - an escrow shortage that falls below the target balance, calculated during an escrow analysis, that exceeds the amount of the Mortgagee's advances already capitalized in the modified Mortgage.
- The Mortgagee must ensure that the COVID-19 Non-Occupant Loan Modification fully reinstates the Mortgage.
- The Mortgagee must ensure that the modified Mortgage, including ARM, GPM, or GEM, is modified to a fixed rate Mortgage.
- The Mortgagee ensures that the interest rate is no greater than the Market Rate as defined by HUD.
- The Mortgagee must ensure that the term for the modified Mortgage is 360 months.
 - The term may be less than 360 months if requested by the Borrower.
- The Borrower's total monthly Mortgage Payment may increase.
- HUD does not provide a model for COVID-19 Loan Modification documents, but the Mortgagee must ensure the FHA-insured Mortgage remains in first lien position and is legally enforceable.

(3) Required Documentation

The Mortgagee must document the following in the Servicing File for any Non-Occupant Borrowers for the COVID-19 Non-Occupant Loan Modification:

- a copy of the rental agreement for each rental unit, if applicable; and
- a written statement from the Borrower stating:
 - that they are the landlord of the Property and their renter is impacted, directly or indirectly, by the COVID-19 pandemic and is either unable to make rent payments or has vacated the Property; or
 - that the Property is used as a Secondary Residence or a Vacation Home for the Borrower.

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v. COVID-19 Home Disposition Options

Mortgagees must review Borrowers that are impacted, directly or indirectly, by COVID-19, that do not qualify for a COVID-19 Home Retention Option or indicate that they cannot resume making the monthly or the modified monthly Mortgage Payment, for the COVID-19 Home Disposition Options. The COVID-19 Home Disposition Options are available to Owner-Occupant and Non-Occupant Borrowers.

(A) COVID-19 Pre-Foreclosure Sale

A COVID-19 Pre-Foreclosure Sale (COVID-19 PFS) option is available for Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to COVID-19.

To evaluate Borrowers for the COVID-19 PFS option, Mortgagees must follow the [Streamlined PFS requirements](#) (III.A.2.1.ii), except as noted below.

(1) Eligibility

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following requirements for a COVID-19 PFS.

For a Borrower to qualify for a COVID-19 PFS, the Mortgagee must ensure that:

- the Borrower indicates a financial hardship affecting their ability to sustain the Mortgage;
- the Borrower does not qualify for any COVID-19 Home Retention Options; and
- the Borrower and Mortgage must meet all PFS eligibility requirements except the Mortgagee is not required to review the Borrower for [Borrower Eligibility](#) (III.A.2.1.ii(B)(3)).

(2) Terms

The Mortgagee must ensure the COVID-19 PFS meets all other Streamlined PFS program requirements outlined in [Pre-Foreclosure Sales](#) (III.A.2.1.ii), with the following exceptions:

- Under [PFS Outreach Requirements](#) (III.A.2.1.ii(C)), Mortgagees may utilize any available means of communication to provide the Borrower with form HUD-90035.
- Mortgagee [PFS Incentive](#) (III.A.2.1.ii(P)) does not apply to COVID-19 PFS.

(B) COVID-19 Deed-in-Lieu of Foreclosure

A COVID-19 Deed-in-Lieu (DIL) of Foreclosure (COVID-19 DIL) is a COVID-19 Home Disposition Option in which a Borrower voluntarily offers the deed as collateral Property to HUD in exchange for a release from all obligations under the Mortgage.

A COVID-19 DIL option is available for Borrowers who are experiencing a hardship affecting their ability to sustain the Mortgage due to the COVID-19 pandemic, and who were unable to complete a COVID-19 PFS transaction at the expiration of the PFS marketing period.

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage meet the following eligibility and program requirements. To evaluate Borrowers for the COVID-19 DIL, Mortgagees must follow the Streamlined DIL requirements outlined in [Deed in Lieu of Foreclosure](#) (III.A.2.1.iii), except as noted below.

(1) Eligibility

The Mortgagee must ensure that the Borrower and the FHA-insured Mortgage:

- meet the requirements for COVID-19 PFS transactions;
- was unable to complete a COVID-19 PFS transaction by the expiration of the PFS marketing period; and
- meet all Streamlined DIL eligibility requirements except:
 - the Borrower Eligibility [Streamlined DIL Standards](#) (III.A.2.1.iii(B)(2)(a)(ii)), which are not required for the COVID-19 DIL; and
 - Mortgagees are not required to submit a request for National Servicing Center (NSC) approval via Extensions and Variances Automated Requests System (EVARS) for approval to offer a COVID-19 DIL Option to a Borrower who owns more than one FHA-insured Property as outlined in [DIL Exceptions for Borrowers with More than One FHA-Insured Mortgage](#) (III.A.2.1.iii.(B)(2)(d)).

(2) Terms

The Mortgagee must ensure the COVID-19 DIL meets all other Streamlined DIL program requirements outlined in [Deed-in-Lieu of Foreclosure](#) (III.A.2.1.iii), with the following exceptions:

- Mortgagee [DIL Compensation](#) (III.A.2.1.iii(H)) does not apply to COVID-19 DIL.
- [Extensions for Foreclosure Time Frames](#) (III.A.2.1.iii(I)): if the DIL follows a failed COVID-19 PFS, it must be

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completed or foreclosure must be initiated within 90 Days of the termination or expiration of the PFS ATP Agreement (form HUD-90045).

vi. Single Family Default Reporting Requirements for Borrowers Affected by the COVID-19 National Emergency in Loss Mitigation

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

(A) Default Reason Code Reporting

Mortgagees must use Default Reason Code 055 – Related to National Emergency Declaration to report that the delinquency is a result of impacts of the COVID-19 pandemic. Default Reason Code 055 must be reported for all Borrowers utilizing COVID-19 Loss Mitigation Options, regardless of prior delinquency status and participation on a COVID-19 Forbearance or other forbearance related to the COVID-19 pandemic.

(B) Default Status Code Reporting

Mortgagees must report the Default Status Codes detailed below for all FHA-insured Mortgages utilizing the COVID-19 Loss Mitigation Options.

If the Mortgage is newly defaulted, Mortgagees must report Status Code 42 – Delinquent prior to reporting any other Status Codes.

The Mortgagee must report Status Code 53 – Combination Partial Claim/Modification Started (Non-FHA-HAMP) if the Mortgagee has approved the Borrower for this Loss Mitigation Option.

Mortgagees should report the correct Status Code as follows:

- Status Code 06 – Formal Forbearance Plan for the COVID-19 Forbearance
- Status Code 10 – Partial Claim Started for the COVID-19 Standalone Partial Claim
- Status Code 28 – Modification Started with an Occupancy Status Code 1 (Occupied by Borrower) for the COVID-19 Owner-Occupant Loan Modification
- Status Code 53 - Combination Partial Claim/Modification Started (Non-FHA-HAMP) for the COVID-19 Combination Partial Claim and Loan Modification
- Status Code 28 – Modification Started with the applicable Occupancy Status Code that indicates the type of non-borrower occupancy for the COVID-19 Non-Occupant Loan Modification

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- Status Code 41 – FHA-HAMP Modification/Partial Claim Started for the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim Reduced Documentation Option
- Status Code 15 – Pre-foreclosure Acceptance Plan Available for the COVID-19 PFS
- Status Code 44 – Deed-in-Lieu Started for the COVID-19 DIL
- Status Code AH – Streamlined Financials Received and In Review should be reported prior to Status Codes 41, 15, and 44 as appropriate

No TPP is required for the COVID-19 Loss Mitigation Options. Therefore, Mortgagees are not required to report Status Code 08 – Trial Payment Plan prior to reporting Status Codes 10, 28, or 53.

Status Code 39 – FHA-HAMP Trial Payment Plan is also not required to be reported prior to Status Code 41 – FHA-HAMP Modification/Partial Claim Started.

vii. Extension of First Legal Deadline Date

Deadlines for the first legal action and Reasonable Diligence Time Frame are extended to **180** Days from the date of expiration of the foreclosure and eviction moratorium for FHA-insured Single Family Mortgages, except for FHA-insured Mortgages secured by vacant or abandoned Properties.

viii. Required Financial Evaluation for other Loss Mitigation Options **[Text was deleted in this section.]**

The Mortgagee must evaluate any Borrower who is not eligible for a COVID-19 Home Retention or Disposition Option for HUD's standard [Loss Mitigation Home Retention Options](#) (III.A.2.k) and [Home Disposition Options](#) (III.A.2.l).

ix. Terms of the Mortgage are Unaffected

Nothing in this section confers any right to a Borrower to any loss mitigation or any other action by HUD or the Mortgagee. Further, nothing in this section 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 this section. Where a Mortgagee chooses to enforce its contractual rights after expiration of the COVID-19 Forbearance, the standard time frames to initiate foreclosure and reasonable diligence in prosecuting foreclosure following expiration of a foreclosure moratorium will apply.

x. Reporting to Consumer Reporting Agencies of Borrowers Impacted by COVID-19 National Emergency

Any Borrower who is granted a COVID-19 Forbearance 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 Borrower's financial situations and any flexibilities a Servicer may have under the FCRA when taking any negative credit reporting actions.

xi. Exclusion of COVID-19 from FHA's Presidentially-Declared Major Disaster Areas (PMDMA)

For Borrowers impacted by the COVID-19 National Emergency and whose mortgaged Property is located in a COVID-19 PDMDA, the policy in this section 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.

For Mortgagees that have begun using FHA's [PMDMA Loss Mitigation Options](#) (III.A.3.c), they must convert to the COVID-19 Loss Mitigation Options listed in this section.

xii. Borrowers Impacted by COVID-19 and a PDMDA

For Borrowers impacted by a PDMDA during the COVID-19 pandemic:

- For Borrowers who are already on a COVID-19 Loss Mitigation Option, including a COVID-19 Forbearance, before the date of a new PDMDA Disaster Declaration, the Mortgagee must continue to follow the COVID-19 Loss Mitigation guidance.
- For all other Borrowers, the Mortgagee must evaluate the Borrower for all Loss Mitigation Options available to them, including any PDMDA or COVID-19 Loss Mitigation Options, based on their reason for hardship.

For any buildings in a PDMDA that are Substantially Damaged, Mortgagees must follow the PDMDA guidance in [Monitoring of Repairs to Substantially Damaged Homes](#) (III.A.3.c.iii). This requirement applies to all Properties covered by a non-COVID-19 PDMDA during the COVID-19 pandemic, including those already under a COVID-19 Loss Mitigation Option, such as COVID-19 Forbearance.

Extension
Period for
HECMs
Affected by the
Presidentially
Declared
COVID-19
National
Emergency

**Extension Period for Home Equity Conversion Mortgages (HECM)
Affected by COVID-19**

For HECMs that are Not in a Due and Payable Status

Upon request of the Borrower, the Mortgagee must delay submitting a request to call a loan due and payable. The initial extension period may be up to six months. If needed, an additional period of up to six months may be approved by HUD.

For Borrowers who requested their initial extension period on or before June 30, 2020, the Borrower may request, and the Mortgagee must approve, up to two additional three-month extension periods. The Borrower must request each three-month extension individually. Neither of the two additional three-month extension periods may extend beyond December 31, 2021.

No extension period may extend beyond June 30, 2022.

The term of either the initial or any extended extension period may be shortened at the Borrower's request. The Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the HECM is in an extension period.

Mortgagees must notify HUD of any additional extension periods by submitting an extension request into Home Equity Reverse Mortgage Information Technology (HERMIT).

For HECMs that are in a Due and Payable Status

For loans that have become automatically due and payable, entered into a deferral period (including deadlines necessary for loans to enter a deferral period), or became due and payable with HUD approval, the Borrower may request, or the Mortgagee may take, an automatic extension for any deadline relating to foreclosure and claim submission for a period of up to six months. If needed, an additional period of up to six months may be approved by HUD.

For HECMs that entered an initial extension period on or before June 30, 2020, the Borrower may request, or the Mortgagee may take, two additional three-month extension periods. If a Borrower requests the additional three-month extension periods, the Mortgagee must approve them. The Borrower must request each three month extension individually. Neither of the two additional three-month extension periods may extend beyond December 31, 2021.

No extension period may extend beyond June 30, 2022.

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The term of either the initial or any extended extension period may be shortened at the Borrower's request. The Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the HECM is in an extension period.

Mortgagees must notify HUD of any additional extensions by submitting an extension request into HERMIT.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0595; 2502-0600; and 2502-0610. In accordance with the Paperwork Reduction Act, 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.

Questions

Any questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this ML, please visit www.hud.gov/answers.

Signature

Susan A. Betts
Deputy Assistant Secretary for
Finance and Budget