



September 5, 2023

The Honorable Julia R. Gordon
Assistant Secretary for Housing/Federal Housing Commissioner
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Via Electronic Submission

RE: Proposed Rule, Modernization of Engagement with Mortgages in Default
Docket No. FR-6353-P-01; RIN 2502-AJ66

Dear Commissioner Gordon,

The National Council of State Housing Agencies (NCSHA)¹ appreciates the opportunity to comment on behalf of our state Housing Finance Agency (HFA) members on the Department of Housing and Urban Development's (the Department) Proposed Rule (the Proposed Rule), "Modernization of Engagement with Mortgagors in Default."

We commend the Department's efforts to update its face-to-face requirements and enable FHA's mortgagees to better meet the communication needs of defaulted homeowners by offering engagement options that are potentially more convenient to a mortgagor than a face-to-face meeting might be.

We support the Department's proposed rule, as expanding the current face-to-face meeting requirement to include a broader range of communication methods for contacting mortgagors, such as phone interviews, emails, video calling services and other communication technologies, should increase the likelihood that a mortgagee will be able to engage a defaulted mortgagor in a discussion about home retention options. This in turn should increase the likelihood of a successful loss mitigation effort and hopefully, the retention of that mortgagor's home.

¹ NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

In the Proposed Rule, the Department also seeks comment on what should constitute a “reasonable effort” and a “verifiable attempt.” We urge the Department to be as expansive as possible when it defines each of these terms. Any record of an action taken to reach a defaulted mortgagor that is noted in the mortgagee’s business records should constitute a “verifiable attempt.” This should include any notes made by the mortgagee’s representative to the mortgagor file, for example, notes about attempts to call the mortgagor and copies of emails or letter communications sent to the defaulted mortgagor. Additionally, any communication that offers the homeowner(s) the opportunity to either meet in person or connect with the mortgagee via the to-be-defined-by-HUD acceptable electronic means should be considered to be evidence that a mortgagee made a “reasonable effort” to contact the homeowner.

We look forward to reviewing the Mortgagee Letter the Department will issue to implement the final rule. We also look forward to the Department concomitantly updating form HUD-2008-5-FHA “Save Your Home: Tips to Avoid Foreclosure” to include the expanded modes of communication.

Thank you for this opportunity to provide comments on the Department’s Proposed Rule, especially as Federal Housing Administration (FHA)-insured loans play a significant role in helping state HFAs serve first-time and other lower income homebuyers. In 2021, FHA backed 61 percent of state HFA program loans, more than did any other federal agency. Furthermore, sixteen state HFAs service their state HFA’s program loans and have a keen interest in ensuring that defaulted homeowners have every opportunity to have a successful home retention outcome. The expansion of defaulted mortgagor meeting options should support such desirable outcomes.

NCSHA welcomes the opportunity to discuss our comments further and answer any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long, sweeping horizontal stroke extending to the right.

Garth Rieman

Director of Housing Advocacy and Strategic Initiatives