Final Transcript

HUD: FHA Updates for Housing Counselors External

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SPEAKERS

Virginia Holman
David Berenbaum
Matt Martin
Rob Weber
Tammy Dunn

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by. Welcome to the FHA Updates for Housing Counselors External conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. Instructions will be given at that time. [Operator instructions]. As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Virginia Holman. Please go ahead.

Virginia Good afternoon and thank you for joining this very important webinar where we're going to discuss the new FHA COVID-19 loss mitigation updates. Before we actually get started with the conference, I'd like to go over some logistics.

As the operator said, we are recording the audio. The playback number along with the PowerPoint and a transcript are going to be posted on HUD Exchange in the webinar archives, and that usually takes about a week.

I did send out the handout this morning to those who had registered. You may not have all gotten it, but we have discovered that there seems to be some technical problems with opening it up. That's also why it's not available on our control panel. When we get that technical problem solved, we will send everyone a copy of the PowerPoint, and again, it will be posted on the archives.

Depending on the timing, we may open it up for questions, and if we do the operator will give you instructions at that time, but we do want your questions, so there are other ways to ask. Again, on the control panel on the right hand side of your screen, there's a box that's labeled questions. Just type your question in, and we have staff monitoring those questions.

We will try to answer as many as we can, and we will try to get you the answers later if we're unable to.

You can also, after the webinar is over, send your questions and comments to housing.counseling@HUD.gov with the topic in the subject line so we can get it to the right person. That doesn't need to be just on this webinar. It can be on any topic.

If you've logged into the webinar, you'll receive a certificate of training from GoToWebinar in about 48 hours. You need to print it out and save it for your records.

As I said, we will also be posting the webinar materials on the webinar archives which you're able to search by date or by topic. We post all of OHC's webinars there. There's also a function where if you watch the webinar through the archives on HUD Exchange, you are able to get credit that goes into your web Exchange account, and you would just select the webinar and click on Get Credit for this Training.

We do have the Training Digest that's published weekly, and it tells you all of the training that's coming up both by OHC, by our five training grantees, and by other training partners. Many of the classes have scholarships, so get used to looking at that list on a weekly basis so you don't miss anything important.

At this point, let me turn the webinar over to David Berenbaum, the deputy assistant secretary for the Office of Housing Counseling.

David Thank you very much. To everyone, thank you for joining us today. My name is David Berenbaum, and I'm the deputy assistant secretary for Housing Counseling at the United States Department of Housing and Urban Development.

The financial impacts of the COVID-19 pandemic continue to affect the housing stability of the nation's individuals and families. During this unprecedented national emergency, HUD-approved housing counseling agencies and you as our counselors continue to play a critical role. You're helping struggling homeowners understand their options for immediate relief from the worries of foreclosure and eviction. You're working with clients to obtain a forbearance clause in their mortgage payments.

As housing counselors you're also on the front lines with explaining to so many the available options for reestablishing sustainable homeownership post forbearance.

COVID-19 is an historic challenge, but HUD-approved housing counseling agencies continue to prove time and time again that they are both up to the challenge and an integral part of reaching those who are most in need of assistance.

To help you address this challenge, I am very pleased that we've been able to offer HUD-approved outreach materials which were recently announced. This social media or ADSL campaign is available on the HUD Exchange.

Over 10 million homeowners are behind on mortgage payments, and one in five renters are behind in rent payments. In response, HUD, the VA, USDA, and FHFA have renewed efforts to continue their mortgage relief programs.

Today's webinar will specifically highlight HUD's extended and expanded relief programs. Additional training is coming in the next couple of weeks to provide updates on other mortgage relief programs. Registration will be in the weekly Training Digest email that Ginger mentioned earlier.

The Office of Housing counseling has launched a social media campaign with the hope that you will be able to reach borrowers who are unaware of their forbearance options. We want to be sure to reach every consumer in the FHA loan portfolio so that they are aware and knowledgeable of their options, and we view you as very vital partners in that effort.

Let's go on to the agenda. This is going to be a deep dive, folks. Today's agenda includes a comprehensive review of, in fact, the mortgagee letter and the summary of changes, the moratorium on foreclosures and evictions regarding also the extension of deadlines. We'll discuss loss mitigation for borrowers affected by the COVID-19 national emergency, we'll discuss the forbearance options, we'll discuss home retention and disposition options, and as well, particularly we'll discuss required housing counseling notifications.

It's critical that FHA lenders work with us as partners in the housing counseling community to ensure sustainable homeownership.

Last, we'll also cover in more detail the outreach materials that we just released and I mentioned. Other resources will be covered, and then we'll move on to Q&A.

It's my pleasure now to introduce our presenters. Matt Martin, who is the director of HUD's National Servicing Center and an expert in the field and has been quite busy doing these presentations to industry as well as other stakeholders over the past week and a half, will kick us off.

Rob Weber, who is a housing program specialist with the Office of Housing Counseling will then continue to cover quite a bit of territory relevant to the role of housing counseling.

Then, facilitating our Q&A, I hope we have time for it, will be Jane Sherida [ph] and Tammy Dunn, also housing program specialists with the Office of Housing Counseling.

Before I hand it over to Matt, let me say thank you for all that you're doing to support the nation's housing needs during this challenging time, and let's get started. Matt.

Matt Thank you, David. I appreciate the opportunity the Office of Housing Counseling has given me to present today, and I'll give you some information on the recent policy that we put out for the COVID-19. Today we're going to talk about key changes to HUD's loss mitigation policy for borrowers affected by COVID-19.

We put out a recent mortgagee letter, ML 2021-05. In that mortgagee letter, it extended the foreclosure and eviction moratorium to June 30, 2021 and the deadline for the first legal action and reasonable diligence timeframes to 180 days after moratorium expires. We extended the starting dates for COVID-19 forbearance and the HECM extension period to June 30, 2021 also.

For borrowers that started a forbearance COVID-19 program expiring June 30, 2021, if they need it, they have up to two additional three-month COVID forbearance periods of HECM extension periods if they ask for it, and if they need the extension periods allowing borrowers affected by COVID-19 regardless of the delinquency status for participation on a COVID-19 forbearance to utilize FHA's COVID-19 loss mitigation options.

So, I think that's one big key is that we have allowed all borrowers in for the forbearance. All they have to do is call their lender and say that they were affected by COVID, and the lender has to give them a forbearance. So, very important to understand as you deal with the borrowers.

We did remove the restriction on borrowers receiving more than one COVID-19 home retention option. We know that there is a possibility that borrowers may come out of forbearance, resolve it with one option, and then maybe be affected again by actually getting the virus, having a family member who gets it, employment is affected, something like that. So, we were able to open that up which I think is huge from that aspect.

Next slide. Again, the policies in the mortgagee letter are effective immediately.

Moratoriums and foreclosures and evictions. Again, we extended on single-family mortgages excluding vacant and abandoned properties. We extended the moratorium on foreclosures through June 30th of 2021. This moratorium applies to the initiation of foreclosure and to the foreclosures in process, so the servicers on properties that are not vacant and abandoned have to abide by that moratorium.

Evections of persons from properties securing FHA single-family mortgages are also suspended through June 30th of 2021. The key here is that people that are leally occupying a property, so we're not talking about squatters, things like that. We're talking about people that are tenants, things like that, have the eviction protection through June 30th of 2021. Mortgagees may take action to evict occupants that are believed to be vacant or abandoned properties.

The deadline for the first legal action in a reasonable, diligent timeframe for lenders are extended to 180 days from the June 30, 2021 date of the expiration of the moratorium for single-family mortgages, except again, for the properties that are secured by vacant or abandoned properties.

Next slide. Alright, so the COVID-19 forbearance provides borrowers who experienced an adverse impact on their ability to make on-time mortgage payments due to the COVID-19 virus for the forbearance period. All they have to do is request it from their lender. They don't have to provide any information. They don't have to provide any documentation.

They simply call up the lender and say they have been affected by COVID-19, and they need a forbearance. The lender has to do that.

So, it's very important to understand that lenders can't make the decision whether they do or don't. They have to if a borrower calls up to request a forbearance. The forbearance is periods of reduced or suspended payments without specific terms of repayment.

Next slide. So, the following COVID-19 home retention options provide options to reinstate the mortgage for borrowers who are able to resume monthly or modified mortgage payments after their forbearance. So, it's important to understand that HUD does not require a lump sum payment or balloon payments at the end of the forbearance. If a servicer or lender tries to tell you that, that's incorrect.

Once the borrower exits the forbearance, they have to be reviewed for certain loss mitigation action. So, owner-occupant borrowers are eligible for the COVID-19 standalone partial claim which is an advance from the insurance fund. It's a subordinate lien that's put on the property, carries no interest, and the borrower has to repay that when they sell the property or pay off the FHA-insured first mortgage.

If the borrower decides that they cannot resume their regular monthly payment, then they go to the next option which would be the owner-occupant loan modification. It's a rate and term modification and extends the term back to 360 months and reduces the rate and market rate. So, if that would cause the borrower's payment to increase on the modification, the next step is a combination of a partial claim and loan modification.

There could be borrowers that previously have had a default episode and used some of their maximum 30% of the unpaid principal balance partial claim allocation, so in this situation, they may need to use the amount of partial claim that they have left, and we've put the rest of the delinquency in a loan modification.

If they need further payment reduction, then they go to the FHA combination loan modification and partial claim with reduced documentation. This option may include principal deferment and does require income documentation. We have cut the documentation down substantially from what we normally require. Basically, it's only a copy of the paystub to prove your income whether it be a W2, whether it be a P&L, it could be tax returns for self-employed, but there's streamlined documentation. They may ask for a bank statement, but pretty much, that’s it.

In this situation, they’ll go through the HAMP waterfall, and reduce the payment to an affordable level which I believe is a 31% DTI. So, again, part of the partial claim may be used for principal deferment to reduce that principal balance to get them to an affordable payment.

One new thing that we haven’t had in the loss mitigation previously or not offered to borrowers is eligibility to be reviewed for a non-occupant loan modification. The loan modification is, again, a rated term modification which extends the term out to 360 and puts the rate at market rate.

So, this could be a situation where there’s a landlord who has a vacant property. The tenant had to leave because of COVID. The tenant was affected by COVID and is unable to pay. It could be that they have a second home that they rent out part of the time, a vacation home and due to COVID, they haven’t been able to rent that out. So, again, a new one that we have not had in the past is the rate and term loan modification for non-occupant borrowers.

Next slide, please. If you go down the waterfall, and for some reason the borrower just can't qualify for a retention option, let's say they just haven't been able to regain employment, their forbearance is up, whatever the situation, maybe they were reemployed but they're underemployed now, they just can't afford the property, we allow for a graceful exit and avoiding foreclosure by doing either a short sale or pre-foreclosure. Those two options do have some relocation assistance to the borrower to help them exit from the property and have money for relocation.

Next slide. As I mentioned earlier, upon borrower request, the lender must offer an initial COVID forbearance to any borrower that experiences an adverse impact on their ability to make on-time mortgage payments due to COVID-19 regardless of default status. It's very important, again, to understand that it's not the lender's decision whether they have to do it or not. It is mandated that they do have to offer a COVID forbearance to the borrowers when they call up and request that.

Next slide. So, owner-occupant borrowers must be reviewed for a COVID-19 standalone partial claim. The owner-occupant loan mod, the combination partial claim and loan mod, or the COVID FHA HAMP combination loan and mod partial claim with reduced documentation, and again, non-occupant borrowers must be reviewed for the COVID-19 non-occupant rate and term loan modification.

Again, I think very important to understand that eligible borrowers may receive more than one COVID-19 home retention option. In the past, when there was a disaster, we only allowed one loss mitigation action per disaster. Most of those disasters were property-related, so once a property was repaired, then it was assumed that the borrower had recovered and would be able to keep a loan current after that.

In this COVID situation it's so much different than that. That's why we have made that change which I think will help a lot more borrowers in case a situation comes around where they are affected more than once.

For borrowers who are on a COVID-19 forbearance or other forbearance related to the COVID-19 pandemic, the lender must review all borrowers who are on a COVID-19 forbearance or other forbearance related to COVID-19 for COVID-19 loss mitigation retention options and home disposition options after the expiration of the borrower's forbearance period.

They must complete a loss mitigation option for those borrowers no later than 120 days from the earlier of the date of the completion or expiration of the forbearance. So, we did extend that. Previously in loss mitigation we required a 90-day period, but we knew that there would be a large volume of borrowers coming off forbearance, so we gave some additional time to get the borrowers reviewed and get the loss mitigation retention options completed.

If the borrower's forbearance was completed or expired on or prior to February 16, 2021, the lender has 120 days from February 16th to complete the loss mitigation option. For home disposition options, if that's the path that was taken, then a signed approval to participate agreement for a short sale or a signed [indiscernible] agreement will meet this requirement.

For borrowers who are not on a COVID-19 forbearance or other programs related to the COVID-19 pandemic, the lender must review all borrowers who did not participate in the COVID-19 forbearance or other forbearance related to the COVID-19 pandemic for loss mitigation, home retention options, and home disposition options when the borrower is 90 days or more delinquent, and the borrower affirms that they have been negatively impacted by COVID-19.

This expansion of eligibility for the COVID-19 loss mitigation option for those borrowers is temporary and will continue until HUD issues a further notice.

Remember, if you will, when we first came out with mortgagee letters when this coronavirus started, we had said borrowers that were due for a March 1, 2020 or less than 30 days, and with this Mortgagee Letter 2021-05, we expanded the population to allow everybody in regardless of the delinquency, so that was a huge lift for us and the borrowers.

The lenders must complete a loss mitigation option to the borrowers no later than 120 days from the date of the borrower's request for loss mitigation assistance.

So, in review, if the borrower has experienced financial hardship, and again, negative affects their ability to make their payments, and they make a request for a COVID-19 forbearance, the lender has to offer that. No decision on the lender except they have to offer that. So, very important to understand that.

The COVID-19 forbearance, again, allows for one or more periods of reduced or suspended payments without specific terms or repayment. We do not require that there is a lump sum payment at the end of the forbearance. There should not be any lender that says that.

After the forbearance is over, then they are reviewed for loss mitigation retention options to resolve the delinquency. All FHA-insured borrowers are eligible for COVID-19 forbearance regardless of the delinquency status of the mortgage.

Again, the lender may utilize any available methods for communicating with the borrower regarding a COVID-19 forbearance. The borrower can call, they can write, they can email, they can text, whatever, they can fax, teleconference, use a website to make a request for COVID forbearance.

Really, any way there is.

If a lender sends out a general communication advising that a COVID-19 forbearance is available, the borrower can reply to that communication requesting a forbearance via many different facets, email, phone call, carrier pigeon, whatever, including the communication made available to the borrower by the mortgagee. Again, very simple. Borrower just has to take the initiative to request it any way, communicate with the lender, and they are eligible for the COVID-19 forbearance.

So, mortgagees must approve the initial COVID forbearance no later than June 30, 2021. The initial forbearance period can be up to six months. Again, if it's needed, an additional COVID forbearance for up to and additional six months may be requested by the borrower and must be approved by the mortgagee.

So, again, very important to understand that at the end of six months of that initial forbearance, if the borrower thinks they need additional time, all they have to do is call the lender and make that request, and the lender has no choice but to give that additional six months.

For borrowers who requested their initial COVID forbearance on or before June 30th of 2020, if needed, the borrower may request, and again the lender must approve, up to two additional three-month COVID forbearance periods after twelve months of COVID-19 forbearance.

So, after a borrower has completed the twelve months, if they need additional time, as long as their initial COVID forbearance was on or before June 30th, they are eligible up to two three-month extensions. They have to request those two individual extensions for each three months, and neither of these two additional three-month COVID-19 forbearance periods may extend beyond December 31st of 2021, and no COVID forbearance period may extend beyond June 30th of 2022.

The term of any initial or additional forbearance may be shortened at the borrower's request. So, again, if I'm a borrower and I'm on my first six months, and then I call up and request my second six months, and then let's say that whatever my situation was that caused me to need the forbearance was resolved, maybe I went back to work, maybe I recovered from the virus, maybe the person I was caring for that had the virus, a family member and I couldn't work, has cleared up, and I'm able to get back on track, then the borrower may call in and say I'm ready to go. I want to be reviewed for a retention option. The lender must do that.

The lender must waive all late charges, fees, and penalties if any as long as the borrower is on a COVID-19 forbearance plan.

The first item or option in the COVID-19 waterfall is the COVID-19 standalone partial claim. So, for any owner-occupancy borrower who is eligible for COVID-19 loss mitigation option, the first step in the waterfall is the COVID-19 standalone partial claim.

All the borrower has to do after they exit the forbearance is indicate that they have the ability to resume making their previous mortgage payments, and the property is owner-occupied. Mortgagee Letter 2021-05 updates the borrower eligibility requirements, and we removed the requirement that the mortgage was current or less than 30 days past due as of March 1st. So, it opens it up for all of the borrowers that initially didn't meet that 3/1 date.

The COVID-19 partial claim should fully reinstate the loan. All the late fees and charges and penalties are waived except the mortgagees are not required to waive late charges, fees, and penalties if any accumulated prior to March 1st.

It could be a situation that a borrower who was previously delinquent prior to that March 1st date, let's say that they had been in a foreclosure action, and the moratorium put that on hold, but they did have some foreclosure costs and fees out there. The lender is not required to waive those. The borrower would still be responsible for those, and anything after that March 1st date while they're on a forbearance would have to be waived.

The COVID-19 standalone partial claim would include arrearages which would consist of the principal interest, taxes, and [indiscernible] for the full mortgage payment that the partial claim advance would be for to bring the loan current. As always, our statutory allocation for the partial claim cannot exceed 30% of the value of the all or partial claims for an FHA-insured mortgage, so that's 30% of the unpaid principal balance.

So, for instance, if a borrower may have had a previous default episode prior to COVID, they may use part of their partial claim allocation, let's say they use 15%. They would only be eligible for an additional 15% to help with COVID, and that's where you would use that combo partial claim where you do the amount that you had left for your partial claim amount and then put the rest of your arrearage in a loan modification.

So, again, Mortgagee Letter 2021-05 updates the terms of the COVID-19 standalone partial claim removing the restriction on borrowers receiving more than one COVID-19 home retention option.

Alright, owner-occupant loan modification. For eligible owner-occupant borrowers who don’t qualify for the COVID-19 standalone partial claim, again, the borrower would just simply say for whatever reason I’m not able to resume making my monthly payment that I previously had. The lender would then review the borrower for COVID-19 owner-occupant loan mod which modifies the rate and term and extends the term back to 360 months and reduces the rate to the market rate.

Again, if the borrower indicates they have the ability to make that modified payment, and it could be another reason that they would not qualify for the COVID-19 standalone partial claim is they have already used all of their 30%. If they’ve used all their 30% allocation in a previous default episode, then they would have to go to the loan modification.

They simply have to advise the lender that they have the ability to make the payment, the property is owner-occupied, and again, we've removed the March 1st date or less than 30 days.

So, the lender must modify the mortgage, again insuring that all late charges, fees, and penalties are waived except the mortgagee is not required to waive late charges, fees, and penalties if any accumulated prior to March 1, 2020. They must only capitalize into the owner-occupant loan mod arrearages for the unpaid accrued interest, and mortgagees may ask for escrowed items and any escrow shortages that may be available outstanding out there that the lender is able to capitalize those into the unpaid principal balance for the loan modification also.

The COVID-19 owner-occupant loan mod must fully reinstate the loan. It must be a fixed rate, and again, extend to 360, and take the rate down to market rate.

HUD does define what the market rate should be. If you look at our mortgagee letter, it makes that definition I think it's 0.125 over the Freddie

Mac Index, weekly index, but it’s explained in the mortgagee letter that you can see for that definition.

Again, they extend that to back to 360 for the term. If the borrower were to say that hey, I don’t want to extend the term., I want to stay where I’m at, and I can make that payment, then the borrower has the ability to request that it not be extended back to 360.

The borrower’s principal interest may not increase under the COVID-19 owner-occupant loan mod, unless as I previously mentioned, the borrower has exhausted previously the 30% maximum statutory value of the partial claim. The modification of the mortgage must remain a first lien position and must remain legally enforceable. Again, we remove the restriction on borrowers receiving more than one COVID-19 home retention option.

The third one in the waterfall is the owner-occupant for borrowers who don’t meet the eligibility and term required for the standalone partial claim or the owner-occupant loan mod. They have to review the borrower for the combination partial claim and loan modification.

So, this would be a situation where the borrower has not exceeded the 30% statutory maximum value of all the partial claims, as I mentioned before. The borrower indicates they have the ability to make the modified mortgage payments. Again, the property is owner-occupied.

Next slide, please. Again, all late fees, charges, and penalties are waived except those that were accumulated prior to March 1st. The lender may only capitalize into the modified mortgage of the COVID-19 combo arrearages for unpaid interest, mortgagee advances for escrowed items, and any escrow shortages that fall below the target balance.

The lender must determine the maximum partial claim amount available that does not exceed 30%, so again, this would be a situation where a borrower has—let's say they had a partial claim allocation. Originally the 30% was $50,000. In a previous default episode they used $25,000. Now they have $25,000 available to use toward the arrearages. That won't be enough to cure the arrearages, so the lender applies the $25,000, and then takes the rest of the arrearage and puts it into the loan modification to bring them up current.

Again, the COVID-19 combo must fully reinstate the mortgage. It must take the mortgage to a fixed rate. The interest rate has to be no greater than the market rate defined by HUD, extended back to 360 unless the borrower requests that be a less term. The borrower's P&I mortgage payment may increase, and the FHA-insured modification must remain in a first lien position and be legally enforceable. Again, the borrower can receive more than one loss mitigation option.

We've come down to the final retention option in the waterfall. So, this one, I'm sure everybody's familiar with. It's the FHA HAMP that we normally have. It's just with some more reduced documentation. The borrowers may provide income documentation to be reviewed for an affordable monthly payment under a COVID-19 FHA HAMP combination loan mod and partial claim with reduced documentation. This option may also include principal deferment.

So, again, the property has to be owner-occupied, as we mentioned before. The borrower cannot have exhausted the 30% statutory maximum with a partial claim allocation. The borrower is not eligible for any of the other home retention options. The borrower is not eligible for the standalone partial claim because they're unable to resume their existing monthly mortgage payment. They're not eligible for the COVID-19 combo and partial claim and loan mod because the borrower indicates they're unable to make the modified monthly mortgage payment under the COVID-19 partial claim and loan mod.

So, I think one of the keys that you'll see from all this in those first three options is it's up to the borrower if they decide they cannot make the payment, they move to the next option. The lender can't mandatorily make them take a certain option. The borrower has the ability to say they can't make that payment and they need to go to the next option. The lender presents that and what the payment would be, and so forth as they move down.

The last option which is this combo with reduced documentation allows the borrower to go through the FHA HAMP waterfall calculation and come down to an affordable payment.

In most cases, the payment reduction is 15% to 20%. The DTI they tried to solve for is 31%, and money out of the partial claim that they used they use for principal deferment if needed to get the borrower's payment down to the 31% DTI, and the rest of the partial claim is used to take care of the arrearage to bring the loan current. Then, the loan is modified to extend the rate down to market rate and the term out to 360.

Again, we did remove the eligibility requirements that said that the loan was less than 30 days past due as of March 1, 2020.

So, with the reduced documentation, again, the mortgagee must review the borrower for an affordable payment using FHA HAMP calculations in step five of the waterfall. The lender cannot take the borrower down past what we say is an affordable payment in that waterfall, and I believe that's calculated at the 31% DTI. So, they only use enough partial claim deferment to take that borrower to that target payment.

Again, no portion of the partial claim may be used to bring the modified payment below the targeted payment on the FHA HAMP calculation in step five of that waterfall.

As I mentioned previously, it is reduced documentation, so we have streamlined this quite a bit. So, all that the borrower is required to provide is the most recent paystub for wage income reflecting year-to-date or the most recent bank statement reflecting deposits of income amounts, so that could be pension, Social Security, things like that. Other documentation, monthly statements of Social Security benefits, pension benefits, just something that shows a reflection of the income.

There's no expense documentation required at all. It's simply a documentation of income so they can help to solve for that target payment when they do the payment calculation in the loss mitigation waterfall.

Again, all late charges, fees, and penalties must be waived except those that were accumulated prior to March 1, 2020. They can only capitalize into the modified mortgages arrearages for unpaid accrued interest, mortgage advances for escrow items, and any escrow shortages. Again, we do have a 30% maximum statutory value for partial claims, 30% of the unpaid principal balance is what's allowed to be used for partial claims.

Next slide. The COVID-19 combo loan mod with principal deferment must fully reinstate the loan. The modified mortgage must be at a fixed rate. They have to take it to market rate. The term is extended back to 360. The borrower's monthly payment may increase, and again, the modified mortgage must remain in first lien position and be legally enforceable.

One thing, if there is a partial claim out there from a previous delinquency, HUD will subordinate that partial claim to allow the borrower to do a modification and complete the loss mitigation action. They just need to contact our secretary-held loan servicing contracting NOVAD, and the lender can do that. The borrower can do that, and they can get the modification. They can get that previous partial claim subordinated to allow the modification to go forward.

So, to allow adequate time to complete the COVID-19 FHA HAMP combination, the loan mod partial claim, obtain all the signatures, the mortgagee may include an additional month of the total outstanding debt to be resolved. We do that because of mail time, things like that, so we don't want the borrower to have to make a payment right away. It always helps if they've just come forbearance and are getting reestablished, resolving their delinquency to have that 30-day buffer in there to be able to start their payments.

The mortgagee must not provide the borrower with any cash from a COVID-19 combo and partial claim with reduced documentation.

The non-owner-occupant loan mod. So, again, as I mentioned previously, the first time we've ever done this, but we knew that we do have a bucket of borrowers that have originally started out as owner-occupants and moved on to a better house or a bigger house and kept their previous house as a rental. So, we needed to offer them something to show we were able to offer a loan modification and rate term modification for the non-owner-occupant borrowers or landlords.

So, again, all the borrower has to do is indicate they have the ability to make the modified mortgage payment, the property is owner-occupied, the property can be used as a rental property, secondary residence, or vacation home, any of those categories would work. Again, we opened it up to anyone regardless. They don't have to be 30 days past due as of March 1st or less then 30 days.

Again, the lender has to waive all the late charges except those that were accumulated prior to March 1st. They can only capitalize into the non-occupant loan modification arrearages for unpaid interest, advances for escrowed items, and the escrow shortage amounts. The COVID-19 non-occupant loan mod must fully reinstate the loan and take the loan to a fixed rate.

Again, the interest rate can’t be any greater than how HUD defines the market rate. The term goes back to 360 unless the borrower requests a shorter time period. The borrower’s total monthly mortgage payment may increase, and again, the lender must ensure that the FHA-insured mortgage remains in a first lien position and is legally enforceable. Again, we removed the requirement that the borrower can only receive one COVID-19 home retention option.

We do ask for a little bit of documentation from the non-occupant borrower/landlord. We ask for a copy of the rental agreement for each rental unit if applicable. It may not be applicable if the rental unit is vacant. Just a written statement from the borrower stating that they’re the landlord of the property, and the renter is impacted directly or indirectly by the COVID-19 pandemic and is unable to make rent payments, or the property has been vacated, or the property is used as a secondary residence or vacation home, and they’re unable to rent the property, so they need help with that, too.

So, very simple, a very small amount of documentation that they need to provide to the lender to get this.

Home disposition options. So, if a borrower goes through the home retention waterfall, and for whatever reason they are unable to qualify for a home retention option, they can't make the payment, they're maybe not still unemployed or underemployed, whatever the situation may be, we do allow for a short sale or pre-foreclosure sale where the borrower can offer their property at fair market value, and even if the sale price is less than the amount owed, and under certain situations if the borrower cooperates during the short sale, they do have the availability for a relocation incentive if they completely complete a successful short sale on the property.

If the property doesn't sell any short sale, then after the expiration of that approximate 120-day period, then the lender would need to deem a foreclosure where the borrower would go ahead and deed the property back to the lender for satisfaction of the mortgage, and the borrower is eligible to receive a relocation expense allocation of approximately I think it's around $2,000 if they did everything that they agreed to in the [indiscernible] agreement, remove all the personal property, things like that, broom swept the property, then they're eligible assuming there's no other liens on the property, they’re eligible to receive that incentive to help with relocation.

COVID-19 home disposition options are available for non-owner-occupant borrowers. Again, we removed the requirement of 30 days past due, less then 30 days past due as of March 1, 2020.

If the borrower goes through the complete waterfall, they aren’t eligible for any COVID-19 loan retention options or disposition options, then they should go through our standard waterfall which is a more documentation requirement, and they can go through that standard home retention and home disposition waterfall which is listed in our handbook 4000.1 which lists those options and the standard waterfall option.

Any borrower who’s granted a COVID-19 forbearance and is otherwise performing as agreed is not considered to be delinquent for the purposes of credit reporting.

Mortgagees must provide delinquent borrowers with notice prescribing the availability of housing counseling offered by HUD-approved housing counseling agencies. Mortgagees are currently required to prepare such a notice that provides information required by FHA that informs the delinquent borrowers of the availability of housing counseling services provided by HUD.

It's provided in accessible formats and languages when such borrower communications have been requested by persons with disabilities or persons with limited English proficiency. It provides instructions for locating a HUD-approved housing counseling agency in the borrower's area. It describes housing counseling and potential benefits of engaging in housing counseling.

I think that I may be done here, so I'll let Rob take it over.

Rob Thank you, Matt, for those updates. Really crucial, important information for housing counselors. So important that they're informed about these changes and how they affect their clients, so very timely information. Thank you for being on the webinar today.

We want to announce to everybody, let everyone know that the Office of Housing Counseling is sharing that we have outreach materials that we've created to increase outreach efforts for HUD-approved housing counseling agencies to market this information on the internet and especially on social media platforms, so we're providing you with a link to these outreach materials that are on the HUD Exchange so you and your agency can access those materials. While it's not required, we hope that you do use them, and we encourage that you do.

Next slide, please. Here's an example of one of the graphics that we developed. Since the type might be kind of small here on your screen, it says, "You worked hard for your home. Now takes the steps to keep it. If you're struggling with your mortgage payments because of COVID-19, we can help. We're HUD-approved housing counseling agencies with counselors available who can explain the options and help you obtain the assistance you need to keep your home."

As you can see, we left a blank space on the graphic. We did that because we're hoping that you can customize it, you can add your own agency logo, your agency's contact information, and really use it as your own on your own website or your own social media account.

Next slide, please. Just a couple other example of the materials that we have. We have them in different sizes. Currently we have them in

English and Spanish versions, and additional languages are going to be added soon. As housing counselors you all know from experience that open communication between servicer and borrower can be challenging at times, and that's one of the most effective ways for opening those communication channels is when a borrower is engaged with a housing counselor.

So, as Matt mentioned, services are required to refer borrowers to housing counselors, it's also really important that our housing counselors and the agencies are also doing outreach directly to homeowners from the housing counseling agency.

That's kind of in the spirit of why we wanted to develop these materials for your use is so that since marketing right now is so important that we're doing it online because of the pandemic and so many housing counselors we know are working remotely right now, and in-person services are suspended for the time being that online outreach is really important.

That's kind of the goal behind these, and we hope that you'll use them, and feel free to also give us feedback on them, if you liked them, if you used them, if you have any suggestions.

Next slide, please. Just want to highlight some additional resources. The FHA Resource Center has a knowledge base that contains frequently asked questions that can be really useful when it comes to the updates to these loss mitigation options. If you have any questions that aren't answered in the FAQ, you can also email them. There's an 800-number. The 800-number is most often used when there are case-specific questions, so definitely take advantage of that.

We also want to highlight another useful resource for borrowers and for housing counselors. The National Housing Resource Center developed a pair of directories on their site back in November in response to the pandemic. The purpose of the directories is to improve communication between servicers and borrowers and counselors, and the directories have phone numbers, online portals for 34 different mortgage servicers, and these directories are updated regularly.

One directory is for borrowers, but there's also a second directory that only housing counselors have access to. It's password-protected. You do have to be a member of the National Housing Resource Center in order to gain access to that, so that's something your agency might want to look into,

Having a direct phone number to the mortgage servicer, when you call that number, the servicer is going to know right away that they're speaking with a professional housing counselor, and the communication channels won't get bogged down and overwhelmed with users because you'll have your own dedicated phone line to call the servicer.

Just a few other resources before we wrap up. Recommend taking a look at HUD.gov's COVID-19 resources page. This has information about COVID-19 and housing across all of HUD's programs, so a really useful website there, and also want you to check out if you haven't already the HUD Exchange has a dedicated page for COVID-19 emergency information for housing counselors. We regularly are adding updates and guidance related to COVID-19 and how that impacts housing counseling agencies.

There's a CARES Act and other COVID-19 funding chart which will be helpful for housing counselors to identify, locate the housing assistance that your clients need, rent relief programs, mortgage relief programs in your community, and this is also where you're going to find those outreach materials that your agencies can use online.

We've provided a link to the latest mortgagee letter that Matt went into detail about, and if you want to look at the actual document yourself, you have access to it there, and of course, the links to the FHA's Resource Center and the National Housing Resource Center.

I think now we can move on. We only have a few more minutes left, but if there's any questions that we can answer for you, we'd be happy to.

Tammy Rob, this is Tammy. We have a lot of questions in the queue and the chat.

Rob Oh, good.

Tammy Yes, there's a bunch. Matt, I'm going to start with ones sent earlier.

Rob Tammy, since we're limited on time, maybe we can do a couple of questions, and then we can look at the rest of the questions and try to answer those via email and send those out later. Would that be an option?

Tammy Yes, we can do that. The first one is, and this is for you, Matt. "What if the homeowner was delinquent before March 2020? Can they still qualify for COVID-related partial claim, and this is a borrower who's been adversely affected by COVID."

Matt As I mentioned in the presentation, we changed that in Mortgagee Letter 2021 to allow all borrowers in regardless of the delinquency status. Originally, I think it was in 2020-06 we had March 1st or less than 30 days delinquent, but we changed that in Mortgagee Letter 2021 as I mentioned in the presentation, and all borrowers regardless of their delinquency status are eligible for COVID forbearance and the COVID-19 waterfall.

They just have to state that they were affected by COVID-19 to their servicer, and they would go COVID forbearance to COVID loss mitigation and home retention options.

Tammy Thank you. "Can a homeowner use employment as income?"

Matt So, that's what the forbearance is for because really it's difficult to exit a forbearance and use unemployment income for the home retention option because the home retention options are meant to resolve the delinquency with continuous income, so it's not necessarily—unemployment income has limits. It's not long term in most cases, so it's probably not something that would be used for home retention options to resolve a delinquency.

Tammy Thank you. "For standalone partial payment, and the borrower tells the lender they are able to resume the payment, is this a no-documentation request, or does the full workout package have to be sent in?"

Matt As I mentioned in the presentation, in the mortgagee letter it says that all the borrower has to say is that I recovered and I can resume making my mortgage payment. That's the only criteria that's required. No other documentation for the standalone partial claim.

Tammy One more. "Can the borrower modify both his primary residence and second home?"

Matt In certain circumstances you're allowed more than one FHA-insured loan, so the only thing that you could do with a second home would be the non-owner-occupied loan modification if they say they're affected by COVID.

Tammy Okay, I think that we have reached our 2:00 limit, so I will turn it over for closeout.

Rob Thanks, Tammy, and thanks to our guest speaker, Matt Martin from HUD National Servicing Center. We really appreciate you lending your time and your expertise to share all these important updates that impact homeowners.

Thank you for all those who attended the webinar, and thank you for your hard work, your dedication to helping those that have been impacted by the pandemic. Be safe and have a great day.

Moderator Thank you. Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T TeleConference service. You may now disconnect.