



Servicer Loss Mitigation for Major Disasters

Borrowers who live or work in areas impacted by major disasters may face difficulty making their mortgage payments. To expedite emergency services and aid in the reconstruction and rehabilitation of devastated areas, a Presidentially-Declared Major Disaster Area (PDMDA) may be designated. The U.S. Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA) requires servicers to provide a foreclosure moratorium, forbearance, and loss mitigation, as appropriate, to assist borrowers who live or work in a PDMDA.

Moratorium on Foreclosure

FHA-insured mortgages secured by properties located in a PDMDA will be subject to a 90-Day moratorium on foreclosures following the disaster declaration. The moratorium:

- Is effective for a 90-Day period beginning on the date of the disaster declaration for that area;
- Prohibits the initiation of foreclosures and pauses foreclosures already in process;
- Requires that during the term of a moratorium, a borrower affected by a disaster may not be referred to foreclosure; and
- Provides an additional period of time approved by HUD for the servicer to take loss mitigation action or commence foreclosure.

Loss Mitigation Options for Disaster-Affected Borrowers

For borrowers impacted by a PDMDA through October 30, 2024, the servicer must determine the appropriate loss mitigation action:

- If a borrower is already on a COVID-19 Recovery Option, including a COVID Forbearance, before the date of a new PDMDA declaration, the servicer must follow the COVID-19 Recovery Option guidance.
- For all other borrowers in a PDMDA, the servicer must evaluate borrowers in PDMDA for forbearance options, and the COVID-19 Recovery Home Retention Options, regardless of the reason for default.

The COVID-19 Recovery Options are available to all borrowers through October 30, 2024. The COVID-19 Recovery Options are also available to borrowers who were impacted by natural disasters in areas that have not been designated as a PDMDA.

RESOURCES

FEMA provides listings of specific counties and cities affected by disasters, and the corresponding declaration dates, which may be found at: <https://www.fema.gov/disasters>

Handbook 4000.1

FHA's Single Family Housing Policy Handbook 4000.1 contains servicing policy and is available online at:

https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1



The FHA Resource Center is available to assist servicers and housing Counselors with any questions on FHA policy and procedures.

FHA RESOURCE CENTER

Online FAQ: www.hud.gov/answers

Email: answers@hud.gov

Phone: (800) CALL FHA (225-5342)

The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Forbearance Options for Borrowers in PDMDAs

Before utilizing one of FHA's loss mitigation home retention options, the servicer must first evaluate the affected borrower's eligibility for a forbearance plan, which allows for one or more periods of reduced or suspended payments without specific terms of repayment (see *Single Family Housing Policy Handbook* Section III.A.2.n).

If the borrower's mortgaged property or place of employment was located within a PDMDA, the following forbearance plans may be offered:

- **Informal Forbearance** – The servicer may offer an informal forbearance plan, with additional informal forbearance periods if the foreclosure moratorium is extended.
- **Formal Forbearance** – The servicer may offer a formal forbearance plan while the borrower is making home repairs and/or resolving verifiable financial difficulties related to the disaster.
 - The forbearance period must not exceed the estimated time needed to complete home repairs; and
 - The total accumulated mortgage arrearages during the forbearance period must not exceed the equivalent of 12 months PITI.

COVID-19 Recovery Loss Mitigation Options for PDMDA Disaster-Affected Borrowers

For borrowers impacted by a PDMDA through October 30, 2024, the servicer must determine the appropriate COVID-19 Recovery Loss Mitigation Option.

For homes in a PDMDA that are substantially damaged, servicers must follow FHA's PDMDA guidance for Monitoring of Repairs to Substantially Damaged Homes.

Home Retention Options

- **COVID-19 Advance Loan Modification (ALM)** – Provides a permanent change to one or more terms of a borrower's mortgage that achieves a minimum 25 percent reduction to the borrower's monthly principal & interest (P&I) payment.
- **COVID-19 Recovery Standalone Partial Claim** – Allows mortgage payment arrearages to be placed in a zero-interest subordinate lien against the property, which does not have to be repaid until the mortgage terminates.
- **COVID-19 Recovery Modification** – Resolves the outstanding mortgage payment arrearages by adding it to the principal loan balance of the first mortgage, extending the term to 30 or 40 years at the current fixed market interest rate, and targets reducing the borrower's monthly P&I portion of their monthly mortgage payment. The COVID-19 Recovery Modification must include a partial claim if the borrower has partial claim funds available.

Home Disposition Options

Servicers must review borrowers who are unable to resume making the monthly or a modified monthly mortgage payment for the COVID-19 Home Disposition Options.

Suspension of Reporting to Consumer Reporting Agencies

The servicer must suspend reporting delinquencies to consumer reporting agencies for any borrower who is granted disaster-related mortgage payment relief, and is otherwise performing as agreed, unless such reporting is required for a modification.

Waiver of Late Charges

The servicer must waive late charges for the period during which the borrower is on a forbearance plan or is performing on a loss mitigation option.