

COVID-19 Loss Mitigation Options for Homeowners

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COVID-19 LOSS MITIGATION OPTIONS FOR FHA HOMEOWNERS

The Federal Housing Administration (FHA) has expanded the COVID-19 Recovery Options for all borrowers in default or imminent default, including non-occupant borrowers, regardless of the reason for default. If you are experiencing a financial hardship impacting your ability to make on-time mortgage payments, contact your mortgage servicer as soon as possible to discuss your options.

If you have an FHA-insured mortgage, the following options may be available to you.

Forbearance for Borrowers

Mortgage forbearance is when you have worked with your mortgage servicer to temporarily pause or reduce your monthly mortgage payments. Special Forbearance (SFB)-Unemployment is available when one or more of the borrowers have become unemployed and this loss of employment has negatively affected your ability to continue to make your monthly mortgage payment. After the completion or expiration of the forbearance period your servicer will review the COVID-19 Recovery Options available to you to resolve the outstanding amounts of the reduced or suspended payments.

COVID-19 Recovery Loss Mitigation Options

The COVID-19 Recovery Loss Mitigation Options provide borrowers with options to bring their Mortgage current and may reduce the P&I portion of their monthly mortgage payment to reduce the risk of re-default and assist in the broader COVID-19 recovery. FHA offers COVID-19 Recovery Options to borrowers who are 61 days or more delinquent through April 30, 2025. Non-Borrowers who acquired title through an exempted transfer are not eligible for the COVID-19 Recovery Options and must be evaluated for [FHA's Standard Loss Mitigation Options](#).

COVID-19 Advance Loan Modification (ALM): The COVID-19 ALM is a permanent change in 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 and does not require borrower contact. Servicers will proactively mail the modified mortgage documents to borrowers who can achieve the required payment reduction. If the borrower chooses to accept the COVID-19 ALM they will only need to sign and return the mortgage modification documents sent to them by their mortgage servicer.

COVID-19 Recovery Home Retention Options:

- **COVID-19 Recovery Standalone Partial Claim:** For borrowers who can resume making their current mortgage payments, the COVID-19 Recovery Standalone Partial Claim allows mortgage payment arrearages to be placed in a zero interest subordinate lien against the property. The Partial Claim amount does not require payment until the last mortgage payment is made, the loan is refinanced, or the property is sold, whichever occurs first.
- **COVID-19 Recovery Modification:** For borrowers who cannot resume making their current monthly mortgage payments, the 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 principal and interest portion of their monthly mortgage payment. The COVID-19 Recovery Modification must include a Partial Claim if the borrower has Partial Claim funds available.
- **Payment Supplement:** For borrowers who cannot achieve a payment reduction through a COVID-19 Recovery Modification, the Payment Supplement utilizes Partial Claim funds to resolve the outstanding mortgage payment arrearages and provides a monthly principal reduction payment. This option temporarily reduces the borrower's monthly mortgage payment for a period of three years. The Payment Supplement may be available to borrowers beginning May 1, 2024, but must be available to all eligible borrowers no later than January 1, 2025. Borrowers may inquire about the availability of the Payment Supplement with their mortgage Servicer.

COVID-19 Home Disposition Options: Borrowers that do not qualify for a COVID-19 Recovery Home Retention Option or indicate they are unable to resume making the monthly or modified monthly mortgage payment must be reviewed for the following COVID-19 Home Disposition Options:

- **COVID-19 Pre-Foreclosure Sale (PFS):** If the borrower does not qualify for any of the COVID-19 Home Retention Options and the property sales value is not enough to pay the loan in full, the servicer may be able to accept less than the full amount owed by approving eligible borrowers for a Pre-Foreclosure Sale, also known as a short sale.
- **COVID-19 Deed-in-Lieu (DIL) of Foreclosure:** If the borrower is unable to complete a COVID-19 PFS transaction at the expiration of the PFS marketing period, they may be able to voluntarily offer to deed ("give back") the property to HUD in exchange for a release from all obligations under the Mortgage.

COVID-19 Loss Mitigation for Home Equity Conversion Mortgage (HECM) Borrowers

COVID-19 HECM Property Charge Repayment Plan: The COVID-19 HECM Property Charge Repayment Plan allows servicers to offer eligible homeowners up to five years (60 months) to repay property charges advanced by the servicer. This additional time to repay delinquent property charges will increase the likelihood that affected borrowers can cure property charge delinquencies and avoid foreclosure.

- Allows the COVID-19 HECM Repayment Plan regardless of whether the borrower has been unsuccessful on a prior repayment plan and whether the borrower owes more than \$5,000 in property charge advances; and
- Only requires a verbal attestation from the borrower that they have been impacted by COVID-19.
- This option is also available to borrowers who have applied for Homeowner Assistance Fund (HAF) assistance if the HAF funds combined with the borrower's ability to repay will satisfy the servicer's advances for the delinquent property charges.
- COVID-19 HECM Property Charge Repayment Plans must be initiated one year following the expiration of the COVID-19 National Emergency.

Homeowner Assistance Funds

The American Rescue Plan Act of 2021 established the Homeowner Assistance Fund (HAF) in the U.S. Department of the Treasury in order to provide financial assistance to eligible homeowners who have suffered financial hardships during the COVID-19 National Emergency.

Qualified expenses may include mortgage payment assistance, mortgage reinstatement, utilities, insurance, and other housing-related costs.

If permissible by your state's HAF program, HAF Funds may be used in combination with FHA's COVID-19 Loss Mitigation Options for single family forward mortgages and may also be utilized to reduce the balance or pay off the borrowers outstanding loss mitigation Partial Claims, including for borrowers whose mortgage payments are now current.

HAF may also be used in combination with the COVID-19 HECM Property Charge Repayment Plan. FHA also permits the application of HAF to pay for delinquent property tax and homeowners insurance charges on defaulted HECMs.

More information about HAF can be found at: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/homeowner-assistance-fund>

HAF information by state can be found at: <https://www.ncsha.org/homeowner-assistance-fund/>

HUD's FAQs on HAF in connection with FHA Loss Mitigation can be found at: <https://www.hud.gov/answers> by selecting the HUD NSC Servicing link on the left side, and then selecting Treasury Homeowner Assistance Fund (HAF) Program.

CONTACT FHA

FHA staff are available to help answer your questions and assist you to better understand your options as an FHA borrower under these loss mitigation programs. There are several ways you can contact FHA for more information, including:

- Call the FHA Resource Center at 1-800-CALL FHA **(800-225-5342)**
- [The Online FHA Resource Center](#)
- [Email the FHA Resource Center](#)
- Persons with hearing or speech impairments may access this number via the [Telecommunications Relay Services](#) or by dialing 7-1-1.