



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: June 25, 2021

Mortgagee Letter 2021-15

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 Extension of the Foreclosure and Eviction Moratorium in Connection with the Presidentially-Declared COVID-19 National Emergency, Further Expansion of the COVID-19 Forbearance and the COVID-19 Home Equity Conversion Mortgage (HECM) Extensions, and Establishment of the COVID-19 Advance Loan Modification (COVID-19 ALM)

Purpose The purpose of this Mortgagee Letter (ML) is to inform Mortgagees of an extension to the foreclosure and eviction moratorium originally issued in ML 2020-04 and most recently extended in ML 2021-05 for Borrowers with FHA-insured Single Family mortgages for an additional period through July 31, 2021.

This ML also further extends the start dates of the initial COVID-19 Forbearance and HECM Extension as well as to provide additional COVID-19 Forbearance and HECM Extension for certain Borrowers.

Additionally, this ML establishes the COVID-19 ALM and an associated Default Status Code.

Effective Date The extension of the moratorium announced in this ML is effective immediately upon the expiration of the moratorium announced in ML 2021-05 for all FHA-insured mortgages except for FHA-insured mortgages secured by vacant or abandoned properties.

Mortgagee Letter 2021-15, Continued

The expansion of the COVID-19 Forbearance in Section III.A.2.o.iii. Forbearance for Borrowers Affected by the COVID-19 National Emergency (COVID-19 Forbearance) of Handbook 4000.1 is effective immediately.

The COVID-19 ALM may be implemented immediately but must be implemented no later than 60 days from the publication date of this Mortgagee Letter.

The expansion of the COVID-19 Home Equity Conversion Mortgage (HECM) Extensions is 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.

Affected Topics

This ML updates the portions of ML 2021-05 related to the extension of the Foreclosure and Eviction Moratorium.

This ML extends the date by which Mortgagees must approve the initial COVID-19 Forbearance in Section III.A.2.o. Presidentially-Declared COVID-19 National Emergency of FHA Single Family Housing Policy Handbook (Handbook 4000.1).

This ML establishes the COVID-19 ALM, which will be incorporated into Section III.A.2.o. Presidentially-Declared COVID-19 National Emergency and subsequent sections will be renumbered accordingly.

This ML will also extend deadlines for HECMs as established in ML 2020-06 and extended by MLs 2020-34 and 2021-05 related to:

- 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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Background HUD continues to review FHA’s policies to ensure Mortgagees and Borrowers are provided with appropriate options to mitigate the financial impacts of the COVID-19 pandemic while managing risk to the Mutual Mortgage Insurance Fund. On April 1, 2020, HUD published ML 2020-06, which established the Forbearance for Borrowers Affected by the COVID-19 National Emergency (COVID-19 Forbearance), the COVID-19 National Emergency Standalone Partial Claim, and an Extension Period for HECMs Affected by the COVID-19 National Emergency. On July 8, 2020, HUD published ML 2020-22, establishing FHA’s suite of COVID-19 Loss Mitigation Options, which were further expanded on February 16, 2021, through ML 2021-05.

To assist with the response to COVID-19 and the ongoing economic recovery, and in concert with its mission of sustaining homeownership, HUD is further extending its foreclosure and eviction moratorium as well as the associated deadline for first legal action and Reasonable Diligence Time Frame. This also extends policy originally published in ML 2021-05. To address the financial impacts of the pandemic, HUD initially imposed a moratorium beginning on March 18, 2020, when HUD published ML 2020-04. HUD further extended the moratorium six times to prevent individuals and families from being displaced during this critical period. To support the improved economic outlook and the overall progress towards recovery from the COVID-19 pandemic, HUD is issuing an additional extension to the moratorium for all FHA-insured mortgages and maintains the exception for those secured by legally vacant or abandoned properties.

HUD has extended the deadlines for approval of an initial COVID-19 Forbearance and the HECM Extensions multiple times, most recently to June 30, 2021 through ML 2021-05. Due to the continued impacts of the COVID-19 pandemic on Borrowers across the country, which have disproportionately fallen on disadvantaged communities, HUD recognizes a further need to extend these deadlines to September 30, 2021, to provide Borrowers who have not yet requested a COVID-19 Forbearance or HECM Extension with six months of relief if needed. HUD is also providing one additional three-month COVID-19 Forbearance and HECM Extension for certain Borrowers upon request.

Additionally, through this ML, HUD is establishing the COVID-19 ALM, which will offer eligible Borrowers a reduction to the Principal and Interest portion of their monthly mortgage payment. Under this option, Mortgagees will provide Borrowers with loan modification documents that will significantly reduce the Borrower’s monthly payment without the need for Borrowers to contact their Mortgagee. However, HUD encourages Mortgagees to continue to attempt to engage Borrowers and to assist them in understanding the options available to them. HUD believes this Loss Mitigation Option will quickly provide significant payment relief to many Borrowers and enable

Mortgagee Letter 2021-15, Continued

Mortgagees to efficiently assist Borrowers in recovering from the impacts of the pandemic.

The American Rescue Plan Act of 2021 established the Homeowner Assistance Fund (HAF) 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. Mortgagees are encouraged to inform borrowers suffering financial distress of these resources.

Summary of Changes

HUD is extending the Foreclosure and Eviction Moratorium in connection with COVID-19 to July 31, 2021.

HUD is making the following changes to section III.A.2.o. Presidentially-Declared COVID-19 National Emergency of Handbook 4000.1:

- extending the COVID-19 Forbearance start date;
- expanding the COVID-19 Forbearance for certain Borrowers;
- adding the COVID-19 ALM; and
- adding a new Default Status Code for the COVID-19 ALM.

HUD is making the following changes to HECM Servicing:

- extending the HECM Extension start date; and
 - expanding the HECM Extensions for certain Borrowers.
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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 July 31, 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 July 31, 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.

**Single Family
Housing
Policy
Handbook
4000.1**

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

Presidentially-Declared COVID-19 National Emergency (III.A.2.o)

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

iii. Forbearance for Borrowers Affected by the COVID-19 National Emergency (COVID-19 Forbearance) [Mortgagees must approve the initial COVID-19 Forbearance no later than **September 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 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 Mortgagee must waive all Late Charges, fees, and penalties, if any, as long as the Borrower is on a COVID-19 Forbearance.

The term of the initial and any additional COVID-19 Forbearance period may be shortened at the Borrower's request.

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

COVID-19 Forbearance Period, Based on Date of Initial COVID-19 Forbearance

Initial Forbearance Date	Initial Forbearance Period	Additional Forbearance Period	Forbearance Extensions	Maximum Forbearance Period
March 1, 2020 – June 30, 2020	Up to 6 months	Up to 6 months	Up to 6 months (in 3 month increments)	Up to 18 months
July 1, 2020 – Sept. 30, 2020	Up to 6 months	Up to 6 months	Up to 3 months	Up to 15 months
Oct. 1, 2020 – June 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months
July 1, 2021 – Sept. 30, 2021	Up to 6 months	0	0	Up to 6 months

(A) Initial COVID-19 Forbearance Requested on or before June 30, 2020

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. After 12 months of COVID-19 Forbearance, if needed, the Borrower may request, and the Mortgagee must approve, up to two additional three-month COVID-19 Forbearance extension periods. Each three-month extension must be requested individually. Neither of the two additional three-month extension periods may extend beyond December 31, 2021. The maximum COVID-19 Forbearance period for these borrowers is 18 months.

(B) Initial COVID-19 Forbearance Requested between July 1, 2020 and September 30, 2020

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. After 12 months of COVID-19 Forbearance, if needed, the Borrower may request, and the Mortgagee must approve, one additional three-month COVID-19 Forbearance extension period. The additional three-month extension period must not extend beyond December 31, 2021. The maximum COVID-19 Forbearance period for these borrowers is 15 months.

(C) Initial COVID-19 Forbearance Requested between October 1, 2020 and June 30, 2021

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. The COVID-19 Forbearance must not extend beyond June 30, 2022. The maximum COVID-19 Forbearance period for these borrowers is 12 months.

(D) COVID-19 Forbearance Requested between July 1, 2021 and September 30, 2021

The maximum COVID-19 Forbearance period for these borrowers is six months. This COVID-19 Forbearance period must not extend beyond March 31, 2022.

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 Advance Loan Modification

The Mortgagee must review eligible Borrowers for a COVID-19 Advance Loan Modification (COVID-19 ALM).

(1) Definition

A 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 that does not require Borrower contact.

The COVID-19 ALM is not incentivized.

(2) Eligibility

The Property may be owner-occupied or non-owner occupied.

The Borrower must be 90 or more Days Delinquent.

A 30 year loan modification at the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate rounded to the nearest one-eighth of 1 percent (0.125 percent) will achieve a minimum 25 percent reduction in the Borrower's monthly P&I.

(3) Standard

The Mortgagee must review eligible Borrowers for the COVID-19 ALM as follows:

- The Mortgagee must review all Borrowers on a COVID-19 forbearance for a COVID-19 ALM within 30 days of the expiration of the Forbearance.
- No later than August 24, 2021, the Mortgagee must review the following Borrowers for a COVID-19 ALM where the Mortgagee has not yet sent out the final documents to the Borrower to complete a Loss Mitigation Option as of June 25, 2021:
 - Borrowers who have exited or requested to exit their COVID-19 Forbearance;
 - Borrowers whose COVID-19 Forbearance has expired or will expire by August 24, 2021; or
 - Borrowers who were not on a COVID-19 Forbearance.

If the Borrower is eligible, the Mortgagee must:

- prepare and send out the loan modification documents to the Borrower; and
- provide a cover letter that includes:
 - an explanation of terms including the modified Mortgage Payment amount;
 - the date the next payment is due;
 - a statement that no lump sum payment is required;
 - a statement that if the Borrower does not accept this offer, this does not keep them from obtaining another loss mitigation option to bring their mortgage current;
 - a statement that the Borrower must sign and return the loan modification documents within 30 Days of receipt of the documents; and
 - information for the Borrower to contact the Servicer, if needed.

The Mortgagee does not have to contact the Borrower prior to reviewing the Borrower for the COVID-19 ALM or sending out the modification documents.

Borrowers who do not qualify for the COVID-19 ALM must be evaluated for the other COVID-19 Loss Mitigation Options.

(4) Terms

The Mortgagee must ensure that:

- the COVID-19 ALM achieves a minimum 25 percent P&I monthly payment reduction;
- the modified Mortgage is a fixed rate Mortgage;
- the interest rate of the modified Mortgage is the PMMS Rate rounded to the nearest one-eighth of 1 percent (0.125 percent);
- the term for the modified Mortgage is 360 months;
- the COVID-19 ALM only capitalizes arrearages, which refers to any amounts needed to bring the Borrower current and includes:
 - unpaid accrued interest;
 - Mortgagee advances for escrow items;
 - projected escrow shortage amount;
 - related legal fees and foreclosure and bankruptcy costs not higher than the foreclosure-related fees and costs HUD has identified as customary and reasonable; and
 - Mortgagees may include an additional month in the total outstanding debt to be resolved to allow time for the Borrower to return the executed Mortgage modification documents before the modified Mortgage Payment begins;
- the COVID-19 ALM fully reinstates the Mortgage; and
- 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.

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

(5) Reporting to HUD

The Mortgagee must report the use of the COVID-19 ALM in SFDMS using Default Reason Code 055 and Default Status Code 3A – Advance Modification Started.

If the Borrower does not return the executed documents within 30 days, the Mortgagee must report Default Status Code AQ – Option Failure.

The Mortgagee must report the characteristics of the non-incentivized COVID-19 ALM including the rate and term in FHAC within 60 Days of the executed COVID-19 ALM.

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.

Mortgagees must report the correct Status Code in SFDMS 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 3A – Advance Modification Started**
- 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-FHAHAMP) 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
- Status Code 41 – FHA-HAMP Modification/Partial Claim Started for the COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim Reduced Documentation
- Status Code 15 – Pre-foreclosure Acceptance Plan Available for the COVID19 PFS
- Status Code 44 – Deed-in-Lieu Started for the COVID-19 DIL

Mortgagee Letter 2021-15, Continued

- 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 3A, 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.

Update to the Effective Date for HECMs in ML 2020-06

Mortgagees must approve the initial COVID-19 HECM Extension no later than **September 30, 2021**.

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

Extensions for Home Equity Conversion Mortgages (HECM) Affected by COVID-19

COVID-19 Extensions for HECMs

The following applies to all HECMs.

Initial Extension Start Date	Initial Extension Period	Additional Extension Period	Additional Extensions	Maximum Extension Period
March 1, 2020 – June 30, 2020	Up to 6 months	Up to 6 months	Up to 6 months (in 3 month increments)	Up to 18 months
July 1, 2020 – Sept. 30, 2020	Up to 6 months	Up to 6 months	Up to 3 months	Up to 15 months
Oct. 1, 2020 – June 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months
July 1, 2021 – Sept. 30, 2021	Up to 6 months	0	0	Up to 6 months

No Extension period may extend beyond June 30, 2022.

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

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

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. Additional Extensions to this initial Extension period may be available to the Borrower as follows:

Initial Extension Requested on or before June 30, 2020

The Borrower can request, and the Mortgagee must approve, an Extension period of up to six months. At the conclusion of the first 12-month Extension period, if needed, the Borrower may request, and the Mortgagee must approve, two additional three-month Extension periods. Each three-month Extension must be requested individually. Neither of the two additional three-month Extension periods may extend beyond December 31, 2021. The maximum Extension period for these borrowers is 18 months.

Initial Extension Requested between July 1, 2020 and September 30, 2020

The Borrower can request, and the Mortgagee must approve, an additional Extension period of up to six months. At the conclusion of the first 12-month Extension period, if needed, the Borrower may request, and the Mortgagee must approve, one additional three-month Extension period. The additional three-month Extension period must not extend beyond December 31, 2021. The maximum Extension period for these borrowers is 15 months.

Initial Extension Requested between October 1, 2020 and June 30, 2021

The Borrower can request, and the Mortgagee must approve, an additional Extension period of up to six months. The maximum Extension period for these borrowers is 12 months.

Extension Requested between July 1, 2021 and September 30, 2021

The maximum Extension period for these borrowers is six months. This Extension period must not extend beyond March 31, 2022.

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. Additional Extensions to this initial Extension period may be available to the Borrower or Mortgagee as follows:

Initial Extension Requested on or before June 30, 2020

The Borrower may request, or the Mortgagee may take, an additional Extension period of up to six months. At the conclusion of the first 12-month Extension period, if needed, two additional three-month Extension periods can be taken. 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. The maximum Extension period for these Borrowers or Mortgagees is 18 months.

Initial Extension Requested between July 1, 2020 and September 30, 2020

The Borrower may request, or the Mortgagee may take, an additional Extension period of up to six months. At the conclusion of the first 12-month Extension period, if needed, one additional three-month Extension period can be taken. If a Borrower requests the additional three-month Extension period, the Mortgagee must approve them. The additional three-month Extension period may not extend beyond December 31, 2021. The maximum Extension period for these Borrowers or Mortgagees is 15 months.

Initial Extension Requested between October 1, 2020 and June 30, 2021

The Borrower may request, or the Mortgagee may take, an additional Extension period of up to six months. The maximum Extension period for these Borrowers or Mortgagees is 12 months.

Mortgagee Letter 2021-15, Continued

Extension Requested between July 1, 2021 and September 30, 2021

The maximum Extension period for these Borrowers or Mortgagees is six months. This Extension period must not extend beyond March 31, 2022.

**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; 2502-0610; and 2502-0611. 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 Mortgagee Letter 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 Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Lopa P. Kolluri
Principal Deputy Assistant Secretary
Office of Housing – Federal Housing Administration