

February 20, 2018

Special Relief Measures for Natural Disasters

In response to recent natural disaster events, the 3555 Handbook, Chapter 18 Section 4: Assistance in Natural Disasters will be amended to add Special Relief Measures. Servicers may use Special Relief Measures immediately to respond to borrowers who are reaching the end of their forbearance periods. We anticipate publication of the handbook changes on May 1, 2018.

18.11 Special Relief Measures

In addition to standard workout options, eligible borrowers may be offered the following special relief measures to assist borrowers without the standard financial evaluation required subject to the following conditions:

- The loan was current or less than thirty (30) days past due as of the date of the applicable Presidentially Declared Disaster (PDD);
- The servicer receives verification the hardship (employment and/or property) has been resolved;
- Total modified mortgage principal and interest payment is less than or equal to the payment prior to modification.

Special Relief Measures shall be considered in the following order:

- Term Extension: If the servicer determines the borrower is capable of maintaining the current contractual payment including any escrow shortage created by advancements during the forbearance period (can be spread over 60 months), the loan term may be extended an equal number of months to the term of the forbearance provided. Any interest accrued during the forbearance period should be waived and the servicer may re-amortize the loan if necessary to meet any investor restrictions.
- Capitalization of Delinquency and Term Extension: If the servicer determines the borrower is capable of maintaining the current contractual payment, but cannot manage the additional escrow repayment amount, the servicer may offer a Cap and Extend Modification under the following terms:
 1. Capitalize the accumulated arrearages and eligible unreimbursed servicer advances, fees and costs into the modified mortgage balance;
 2. Extend term up to 360 months;
 3. Reduce rate down to no greater than 50 basis points greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed-rate conforming mortgages (US Average), rounded to the nearest one-eighth of one percentage (0.125%), as of the date a plan is offered to the borrower;
 4. The borrower's post modified PITI payment must be equal to or less than their payment prior to the disaster.

- **Mortgage Recovery Advance**: If the servicer is unable to offer the borrower either of the first two options the servicer may utilize a mortgage recovery advance to settle the borrower delinquency and return the borrower to a current status. The mortgage recovery advance is limited to an amount no greater than what is necessary to resolve any accumulated interest and unreimbursed servicer advances made during the forbearance and must meet all other requirements as explained in paragraph 6.R. of the Loss Mitigation Guide found in Attachment 18-A of this Chapter.

Questions regarding this announcement may be directed to the National Office Division at (202) 720-1452.

Thank you for your support of the Single Family Housing Guaranteed Loan Program!

USDA LINC Training and Resource Library: <https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

Help Resources

Policy Questions

Customer Service Center

Phone: 866-550-5887

Single Family Housing Guaranteed Loan Division

Phone: 202-720-1452

USDA ITS Service Desk Support Center

For e-Authentication assistance

Email: eAuthHelpDesk@ftc.usda.gov

Phone: 800-457-3642, option 1 (USDA e-Authentication Issues)

Rural Development Help Desk

For GUS system, outage or functionality assistance

Email: RD.HD@STL.USDA.GOV

Phone: 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)
