



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

ASSISTANT SECRETARY FOR HOUSING –
FEDERAL HOUSING COMMISSIONER

Date: June 4, 2020

Mortgagee Letter 2020-16

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 Endorsement of Mortgages under Forbearance for Borrowers Affected by the Presidentially-Declared COVID-19 National Emergency consistent with the Coronavirus Aid, Relief, and Economic Security (CARES) Act

Purpose The purpose of this Mortgagee Letter (ML) is to inform Mortgagees of endorsement processes for mortgages where a borrower has been granted a forbearance related to the Presidentially-Declared COVID-19 National Emergency prior to the loan being endorsed for FHA insurance.

Effective Date The provisions of this ML are effective for endorsements submitted on or after June 15, 2020.

Mortgagees may utilize the guidance in the ML for eligible pending endorsements through November 30, 2020.

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.

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Affected Programs

This guidance applies to all FHA Title II Single Family forward mortgage programs, except for non FHA-to-FHA cash out refinances.

For mortgages being submitted for insurance endorsement in accordance with this ML, the policy updates supersede the requirements in HUD Single Family Housing Policy Handbook 4000.1 where they conflict. These updates are temporary and will not be incorporated into Handbook 4000.1.

Background

Mortgages that have been placed into forbearance prior to endorsement are ineligible for endorsement by HUD. In order to provide ongoing liquidity to the mortgage industry, HUD is providing Mortgagees the ability to endorse mortgages that have closed in accordance with FHA requirements and where the borrower is subsequently affected by a financial hardship due, directly or indirectly, to COVID-19. COVID-19 has had wide ranging impacts on many borrowers, including a combination of wage reductions, job losses or interruptions, and the inability to work for a variety of reasons—such as a lack of telework options or lack of child care—on top of potential impacts of contracting COVID-19. Such hardships may have subsequently resulted in forbearance of mortgage payments prior to insurance endorsement consistent with the CARES Act. Issuance of this ML is intended to balance the need to provide assurances to Mortgagees of the ability to continue to offer FHA-insured financing while also managing credit risk. Therefore, HUD is providing the ability to allow endorsement for such mortgages subject to acceptance of partial indemnification. HUD will continue to monitor the impacts to the market as well as the impacts to the Mutual Mortgage Insurance Fund and may adjust the level of partial indemnification for future indemnification contracts accordingly.

Summary of Changes

Changes include:

- Eligibility for FHA insurance endorsement for a mortgage involving a borrower who has experienced a financial hardship as a result of COVID-19, subject to execution of a two-year partial indemnification agreement.
 - Modified Mortgagee's certification on form HUD 92900-A with respect to Mortgagee's knowledge of changes in a borrower's employment status and ability to make mortgage payments as a result of COVID-19.
 - Servicing requirements for mortgages subject to forbearance at the time of endorsement.
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Mortgagee Letter 2020-16, Continued

HUD Post Closing and Endorsement Requirements

A Mortgagee may submit an eligible mortgage involving a borrower experiencing a financial hardship due, directly or indirectly, to COVID-19 who has requested or has been granted a forbearance agreement as a result of COVID-19 for insurance endorsement if:

- the borrower has requested forbearance, or the mortgage is subject to a forbearance agreement for one or more payments due to relief provided to borrowers impacted by COVID-19;
- at the time the forbearance was initiated the mortgage was current;
- at the time of the mortgage closing the mortgage satisfied all requirements for FHA insurance; and
- the Mortgagee executes a [two-year partial indemnification agreement](#).

Additionally, forbearance provided to borrowers experiencing a financial hardship due, directly or indirectly, to COVID-19 is not considered the provision of funds by a Mortgagee to bring and/or keep the mortgage current or to provide the appearance of an acceptable payment history.

Temporary Certification Amendment to Form HUD 92900-A

For mortgages submitted for endorsement pursuant to this ML, Mortgagees may provide a modified statement to the Mortgagee's Certification on form HUD 92900-A. Where a Mortgagee is made aware of a change in a borrower's employment status due to COVID-19 after the closing of the mortgage, the Mortgagee may provide a separate addendum to the Mortgagee's Certification stating that "the executed Mortgagee's Certification excludes certification of knowledge of the borrower's employment status as provided in the Form HUD 92900-A, page 4, paragraph (a)."

Endorsement Processing

Where a Mortgagee seeks to obtain insurance endorsement of a mortgage involving a borrower experiencing a financial hardship due, directly or indirectly, to COVID-19 in accordance with the requirements in this ML, the Mortgagee must execute a [two-year partial indemnification agreement](#).

FHA Connection (FHAC) is being modified to identify mortgages endorsed under the requirements in this ML. Where a Mortgagee seeks to obtain insurance endorsement for a loan granted forbearance in accordance with the requirements in this ML, the Mortgagee must indicate that the mortgage is subject to forbearance in FHAC by selecting the "forbearance" tab under the drop down for the "Current Payments" field.

Applications for insurance where the mortgage is subject to forbearance as indicated in FHAC will be issued a Severe Case warning.

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Endorsement Processing (Continued)

Mortgagees with Lender Insurance (LI) authority must submit the executed [two-year partial indemnification agreement](#) to the jurisdictional Homeownership Center in accordance with the Severe Case Warnings requirements in Handbook 4000.1, section II.A.7.d.vii, as amended by ML 2020-07, *FHA Catalyst: Case Binder Module – Single Family Forward and Home Equity Conversion Mortgage (HECM) Electronic Endorsement Submission*.

Mortgagees without LI authority must submit the executed [two-year partial indemnification agreement](#) with the case binder in accordance with the requirements in Handbook 4000.1, section II.A.7.iii, as amended by ML 2020-07.

Servicing Compliance with ML 2020-06

Mortgagees must ensure that upon insurance endorsement, any previously provided forbearance complies with, or is converted to comply with, FHA's requirements in Handbook 4000.1, section III.A.3.d *Presidentially-Declared COVID-19 National Emergency* established in ML 2020-06, *FHA's Loss Mitigation Options for Single Family Borrowers Affected by the Presidentialy-Declared COVID-19 National Emergency in Accordance with the CARES Act*.

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 2502-0059. 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 ML 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 ML, please visit www.hud.gov/answers.

Signature

Len Wolfson
Assistant Secretary for Housing –
Federal Housing Commissioner (Acting)