

FHA Establishes New, Streamlined COVID-19 Recovery Loss Mitigation Options

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2021-18, COVID-19 Recovery Loss Mitigation Options](#). This ML reinforces FHA's commitment to helping homeowners who have been financially impacted by the COVID-19 pandemic to remain in their homes with new, streamlined loss mitigation options. Read today's [Press Release](#).

This ML amends FHA's COVID-19 Loss Mitigation policies for borrowers with FHA-insured forward mortgages, as found in Section III.A.2.o., *Presidentially-Declared COVID-19 National Emergency*, of the *Single Family Housing Policy Handbook* 4000.1 ([Handbook 4000.1](#)). It establishes the COVID-19 Recovery Loss Mitigation Options (COVID-19 Recovery Options) waterfall that streamlines and revises FHA's previous options for struggling homeowners, reduces documentation requirements, and provides greater payment reduction options for **eligible** homeowners with FHA-insured Single Family Title II forward mortgages.

The simple two-step waterfall options intended for properties that are occupied as the homeowner's primary residence are:

1. **COVID-19 Recovery Standalone Partial Claim:** for homeowners who **can** resume making their current monthly 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 that is repaid when the mortgage terminates, usually when the homeowner refinances or sells the home.
2. **COVID-19 Recovery Modification:** for homeowners who **cannot** resume making their current monthly mortgage payments, the COVID-19 Recovery Modification extends the term of the mortgage to 360 months at a fixed 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 homeowner has Partial Claim funds available.

For properties that are not occupied by the owner, mortgage servicers must offer **eligible** homeowners FHA's COVID-19 Recovery Non-Occupant Loan Modification, which extends the term of the mortgage to 360 months, or less if requested by the homeowner, at a fixed interest rate.

Mortgage servicers may begin offering the new COVID-19 Recovery Options as soon as operationally feasible; however, they must begin using the new options for **eligible** homeowners within 90 days of the date of this ML. Today's ML does not impact previously announced effective dates for the COVID-19 Advance Loan Modification (COVID-19 ALM) in [ML 2021-15](#), dated June 25, 2021.

In addition, mortgage servicers must re-review homeowners for the new COVID-19 Recovery Options in circumstances where an existing home retention option has not been completed, where the homeowner was previously ineligible for a COVID-19 home retention option, or if the homeowner has re-defaulted after a COVID-19 home retention option.

FHA remains committed to helping homeowners with FHA-insured forward mortgages who are struggling financially due to the COVID-19 pandemic by continually assessing its policy guidance and making changes where possible. The new, streamlined COVID-19 Recovery

Options announced today are another example of the measures FHA is taking to provide homeowners with needed relief. FHA strongly encourages its mortgage servicing partners and other stakeholders to thoroughly review this policy document.