



**TO: All FHA-Approved Mortgagees and Servicers
All Other Stakeholders in FHA Transactions**

NEWS AND UPDATES

Revised Loss Mitigation Options and Final 30-day Disaster Foreclosure Moratorium Extension for Puerto Rico and the U.S. Virgin Islands

Today, the Federal Housing Administration (FHA) announced the publication of Mortgagee Letter (ML) [2018-05](#), which revises the order of loss mitigation options for borrowers with FHA-insured mortgages whose property and/or place of employment is in the Presidentially-Declared Major Disaster Areas (PDMDAs) of Puerto Rico Hurricane Maria (DR-4339) or U.S. Virgin Islands Hurricane Maria (DR-4340).

This ML changes existing policy by allowing mortgagees to evaluate borrowers in the affected areas for the Disaster Standalone Partial Claim before the disaster loan modification. FHA believes this change will enable more borrowers impacted by those specific disasters to get into a permanent loss mitigation solution and keep their mortgage in good standing.

Additionally, the ML provides a final 30-day foreclosure moratorium for certain FHA-insured mortgages in affected counties in Puerto Rico and the U.S. Virgin Islands that are still recovering from the devastation caused by Hurricane Maria. This moratorium will provide additional time for mortgagees to evaluate borrowers for the Disaster Standalone Partial Claim and other loss mitigation solutions in the waterfall.

Servicers are reminded of their obligation under HUD Regulation 24 CFR § 203.501 to evaluate borrowers for the full range of loss mitigation options permitted under FHA policy. FHA will continue to monitor servicers for compliance with this regulation.

Borrowers Considered for Disaster Standalone Partial Claim Before Disaster Loan Modification

The new policy announced under the ML permitting servicers to evaluate borrowers for a Disaster Standalone Partial Claim before a disaster loan modification provides for the following:

- (1) allows borrowers to maintain their pre-disaster monthly principal and interest payment;
- (2) retains their current interest rate and term of the FHA-insured mortgage;
- (3) provides for the repayment of arrearages with a subordinate mortgage lien that is not repaid until the maturity of the FHA-insured mortgage, the sale of the property, or the payoff or non-FHA refinancing of the FHA-insured mortgage; and
- (4) expands the borrower eligibility criteria for the Disaster Standalone Partial Claim first announced in [ML 2018-01](#), dated February 22, 2018.

This guidance applies to all FHA Title II forward mortgages for those disaster-affected borrowers whose property and/or place of employment is in the following PDMDAs:

- Puerto Rico – Hurricane Maria (DR-4339); and
- U.S. Virgin Islands – Hurricane Maria (DR-4340).

FHA-approved mortgagees may immediately begin implementing the revised guidance in [2018-05](#); however, they must implement these policies no later than September 15, 2018. Additionally, the provisions in this ML may no longer be offered to borrowers on or after the MLs' May 1, 2019, Sunset Date.

30-Day Foreclosure Moratorium

The ML also provides a 30-day foreclosure moratorium for certain FHA-insured mortgages secured by properties located in PDMDAs in Puerto Rico and the U.S. Virgin Islands that the Federal Emergency Management Agency (FEMA) has identified as "affected counties" resulting from Hurricane Maria.

This 30-day foreclosure moratorium is effective immediately and applies to the initiation of foreclosures and foreclosures already in process.

Mortgagees should carefully read ML [2018-05](#) for eligibility and other requirements. Also, refer to today's [Press Release](#) for additional information.

Quick Links

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- View Mortgagee Letter 2018-05 and other Mortgagee Letters at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee

Resources

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- E-mail the FHA Resource Center at answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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