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HUD Announces Relief Options for Single Family Homeowners with FHA-Insured Mortgages

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The U.S. Department of Housing and Urban Development (HUD) has recently announced a tailored set of mortgage payment relief options for single family homeowners with Federal Housing Administration (FHA) insured mortgages. HUD's announcement is part of the implementation of mortgage relief provisions recently passed into law by the CARES Act [which we have previously written about](#).

FHA-insured mortgages are designed for low-to-moderate-income borrowers. They typically require lower minimum down payments and credit scores from borrowers and are popular with first time homebuyers who might be particularly susceptible to the financial instability caused by the coronavirus (COVID-19) pandemic.

If you are a homeowner with an FHA-insured single family home mortgage, and you're having difficulty making your monthly mortgage payments due to the COVID-19 national emergency, you should immediately contact your mortgage servicer. Your mortgage servicer is the entity to which you make your monthly mortgage payments, usually a bank. The FHA has already told mortgage servicers that they must offer you [mortgage relief options laid out in the CARES Act](#). Typically, you will be granted a forbearance of 6 months with the ability to extend that for another 6 months if needed. The forbearance will defer or lower your monthly mortgage payments for that period of time. Before calling your mortgage loan servicer, make sure that you know your rights. An attorney can be of assistance in advising you of these rights. For example, you do not have to be current on your mortgage payments in order to qualify for this relief, and your lender cannot charge you late fees during the forbearance period. You will also need to be able to explain your current financial hardship and how it relates to the ongoing state of emergency caused by the coronavirus pandemic.

If you are a servicer of FHA-insured single family home mortgages, you should already have received [communications from the FHA instructing you on the types of relief](#) that you must provide your borrowers. In addition to the forbearance discussed above, the FHA is implementing a program called the COVID-19 National Emergency Partial Claim. Servicers



must evaluate borrowers who are granted a forbearance for this program as well. The Partial Claim program allows servicers to advance funds for amounts otherwise due during the forbearance (consisting of principal, interest, taxes, and/or insurance) on behalf of eligible homeowners. Any such advance will be converted into an interest-free subordinate mortgage that the borrower does not have to pay off until the first mortgage is paid off. The FHA has also instructed servicers to delay submitting Due and Payable requests, and to extend any flexibility they have under the Fair Credit Reporting Act. All of these relief options can be complicated and an attorney can be of assistance in reviewing your [obligations under the CARES Act](#) in addition to the recent instructions from FHA.

Interestingly, the recent HUD and FHA announcements are specific to “single family homeowners” with an FHA-insured mortgage, but the relief mandated by the CARES Act includes many other mortgages and property types. Any federally backed mortgage – FHA or otherwise – can receive similar relief, whether it is on a single family or a 2 to 4 unit property, and there is even some relief for owners of properties with 5 or more units. If you have a federally backed mortgage for any type of single or multi-family property, and are facing financial hardship as a result of the coronavirus pandemic, contact your attorney to review your rights. We also expect further legislation on this topic as the impact of the coronavirus pandemic continues to be felt in the national economy.

Finally, it is important that borrowers who are not experiencing financial hardship as a result of the coronavirus outbreak do not contact their servicers regarding these relief options. Like all industries across the country, servicers are experiencing challenges in business operations and servicers will likely be overwhelmed with requests from those truly in need.

Anyone with questions can contact Rich May, P.C. attorneys [Nathaniel Donoghue](#) and [Jeff Loeb](#).

Disclaimer: This summary is provided for educational and informational purposes only and is not legal advice. Any specific questions about these topics should be directed to attorney Nathaniel Donoghue.