



December 21, 2021

Via Electronic Mail

Lopa P. Kolluri
Principal Deputy Assistant Secretary
Office of Housing and the Federal Housing Administration
U.S. Department of Housing and Urban Development
Lopa.Kolluri@hud.gov

RE: COVID-19 Recovery Loss Mitigation Program Implementation Failures

Dear Ms. Kolluri,

I write on behalf of the Attorneys General for California, Delaware, Hawaii,¹ Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, and Washington. In the wake of the unprecedented hardship caused by the COVID-19 pandemic, the Federal Housing Administration (“FHA”) has aided borrowers by implementing payment pauses and forbearance programs to ensure that those most financially impacted by the pandemic can remain in their homes. On July 23, 2021, through Mortgage Letter 2021-18, the FHA revised its COVID-19 Recovery Loss Mitigation Options and established the COVID-19 Recovery Modification to help all eligible borrowers who are unable to afford their pre-pandemic mortgage payments to achieve a 25 percent reduction in their principal and interest payments through refinancing and restructuring their FHA-insured loans. This loan modification option is designed to create a pathway for sustained recovery for families, and the FHA anticipated that it would particularly help low-income households, first-time homeowners, and households of color that have been disproportionately impacted by the pandemic. This program became effective on July 23, 2021 and was required to be implemented no later than by October 21, 2021 by all lenders of FHA-insured loans.

The FHA’s COVID-19 Recovery Modification can only reach its intended goals, however, if it is implemented by lenders. It has come to our attention that a number of mortgage loan servicers employed by FHA-approved lenders are failing to adequately implement COVID-

¹ In addition to the Attorney General’s Office, Hawaii is represented on this matter by its Office of Consumer Protection, an agency which is not part of the state Attorney General’s Office, but which is statutorily authorized to undertake consumer protection functions, including legal representation of the State of Hawaii.

19 relief programs, including the FHA COVID-19 Recovery Modification. Rather, even after the required implementation date of October 21st, mortgage servicers of FHA-insured loans are routinely sending borrowers letters that fail to include the COVID-19 Recovery Modification as an available option, are requiring paperwork and imposing qualifications that are not necessary under the FHA's guidelines, and are instructing borrowers during customer-service phone calls that this option does not exist.

Given the hardships that so many borrowers have faced during the pandemic and the laudable goals of the FHA's COVID-19 Recovery Loss Mitigation Options, we are deeply concerned about these reports. We request that the FHA take immediate action to ensure that all FHA-approved lenders and mortgage servicers servicing FHA-backed loans are fully implementing the FHA's COVID-19 Recovery Loss Mitigation Options, including the COVID-19 Recovery Modification for all qualified borrowers, and providing accurate and up-to-date information for borrowers attempting to access relief programs. Specifically, we request that FHA require FHA-approved lenders to show that their loan servicers are taking affirmative steps to implement all portions of the COVID-19 Recovery Loss Mitigation Options, including affirmatively offering the COVID-19 Recovery Modification to eligible borrowers, ensuring that all written and oral communication to borrowers includes complete information about their options under the COVID-19 Recovery Modification, and adequate training of all customer-service staff to ensure that borrowers are aided in accessing COVID-19 Recovery Modification.

Finally, as the U.S. Treasury Department approves programs to distribute Homeownership Assistance Funds ("HAF") around the nation, it is critical that FHA ensure that servicers engage in the required loss mitigation, both in educating their borrowers and in evaluating them for loan modifications. HAF should be a fund of last resort and should not replace servicers' obligations to evaluate homeowners for all loss mitigation options.

Thank you for your attention to this matter.

Sincerely,



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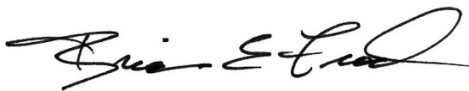
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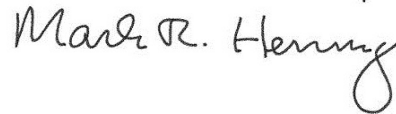
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