

April 30, 2020

Brian Montgomery  
Assistant Secretary for Housing – Federal Housing Commissioner  
Department of Housing and Urban Development  
451 7th St S.W.  
Washington, D.C. 20410

RE: Comments to Mortgagee Letter 2020-06

Dear Assistant Secretary Montgomery:

The undersigned 39 consumer, community and civil-rights organizations write to comment on HUD's response to the COVID-19 epidemic and on its implementation of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act through Mortgagee Letter 2020-06. We support HUD's adoption of a flexible policy for borrower access to forbearance and for prioritizing partial claims for borrowers who have recovered from a COVID-19-related hardship. We urge HUD to take the following additional steps to protect homeowners facing a COVID-19 hardship:

- **Clarify the length and other terms of the CARES Act forbearance.** HUD should clarify that borrowers who face COVID-19 hardships are eligible to receive up to twelve months of forbearance, if needed, even if this requires more than two forbearance periods. This appears to be the intent of the CARES Act and to be GSE policy. Additionally, where a borrower receives an initial forbearance of 90 days rather than six months, the term should automatically be extended for an additional 90 days unless the borrower explicitly declines such an extension.
- **Expand availability of the partial claim.** By allowing borrowers to restart current payments without the need to immediately address past due amounts, HUD's partial claim policy promotes stability and makes repayment more affordable. HUD should require servicers to notify borrowers about the partial claim option and other FHA loss mitigation options when the forbearance is first provided and again at least thirty days before the forbearance ends. Further, HUD should expand partial claim eligibility from 30 days to those who were 60 or 90 days past due as of March 1, 2020.
- **Make the Disaster Loan Modification or a similar protocol available for borrowers who can resume current payments but are not eligible for partial claims.** HUD should keep the COVID-19 Standalone Partial Claim as the first option for providing a permanent resolution, but the Disaster Loan Modification program should be in place for borrowers who can afford their mortgage payment but have reached their statutory limit for partial claims. Making such an option available would mirror the availability of similar modifications for GSE borrowers.
- **Remove unnecessary expense and hardship documentation requirements for FHA loan modifications.** Borrowers with a COVID-19-related hardship but who cannot fully

recover income will need to rely on FHA's standard loss mitigation waterfall for relief. Unfortunately, borrowers have faced significant barriers to loss mitigation since the release of Mortgagee Letter 2016-14. HUD can clarify servicer requirements and streamline the loss mitigation process by clarifying that the IRS collection standards can be used for expense calculations and that a hardship statement can be used.

- **Clarify seasoning and trial plan rules in connection with the COVID-19-pandemic.** Given the broad scope of the current national emergency, we recommend that HUD modify several of its loan modification rules for homeowners accessing needed COVID-19 relief. Under HUD Handbook 4000.1, a loan is eligible for an FHA-HAMP loan modification only if the borrower has made four payments on the loan and the loan is 12 months old. HUD should waive these requirements as they will prevent many new homeowners with no control over the pandemic from accessing modifications. Moreover, HUD should waive the rule that homeowners cannot receive FHA-HAMP for a 24-month period after previously receiving it and should extend forbearance eligibility to borrowers in trial plans who face a COVID-19 related hardship. Homeowners with no control over the COVID-19 pandemic should not be penalized due to a previous hardship.

We appreciate your work on this important national issue and the opportunity to comment on it.

Sincerely,

Americans for Financial Reform Education Fund  
The National Consumer Law Center (on behalf of its low-income clients)  
Advocates for Basic Legal Equality (Ohio)  
Atlanta Legal Aid Society, Inc.  
CAMBA Legal Services, Inc. (New York)  
Center for Community Progress  
Center for Responsible Lending  
Community Legal Services of Philadelphia  
Connecticut Fair Housing Center  
Consumer Action  
Consumer Federation of America  
Consumer Rights Unit, Greater Boston Legal Services  
Empire Justice Center (New York)  
Financial Protection Law Center (North Carolina)  
Housing Help Inc. (New York)  
Jacksonville Area Legal Aid, Inc.  
Kentucky Equal Justice Center  
La Fuerza Unida, Inc. (New York)  
Legal Aid Society of Southwest Ohio, LLC  
Legal Aid Society of the District of Columbia  
Legal Services NYC  
Legal Services of New Jersey  
Michigan Poverty Law Program  
Mobilization for Justice, Inc. (New York)

Mountain State Justice (West Virginia)  
NAACP  
National Association of Consumer Advocates  
National Fair Housing Alliance  
National Housing Law Project  
National Housing Resource Center  
New Mexico Legal Aid, Inc.  
North Carolina Justice Center  
Northwest Justice Project (Washington)  
Northwest Side Housing Center (Illinois)  
Ohio Poverty Law Center  
Prosperity Now  
Public Counsel (California)  
The Leadership Conference on Civil and Human Rights  
Vermont Legal Aid, Inc.