

FHA INFO #18-03
January 24, 2018



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

NEWS AND UPDATES

In this Announcement:

- FHA Issues Disaster-Related Policy Waiver for Early Payment Default Loan-Level File Review Requirements
- FHA Issues Temporary Disaster-Related Policy Waiver for Limited 203(k) for Properties in Puerto Rico
- FHA Borrowers Affected by Disasters and FHA's Forbearance Agreement

See below for details.

FHA Issues Disaster-Related Policy Waiver for Early Payment Default Loan-Level File Review Requirements

Today, the Federal Housing Administration (FHA) issued a [waiver](#) of its policy regarding early payment default (EPD) review requirements found in the *Single Family Housing Policy Handbook* 4000.1 (SF Handbook), Sections V.A.3.a.i.(C) and V.A.3.a.iv.(B)(2). This waiver applies to FHA-insured mortgages located in Presidentially-Declared Major Disaster Areas (PDMDAs) affected by Hurricane Harvey in Louisiana and Texas; Hurricane Irma in Florida, Georgia, Puerto Rico, South Carolina, and the Virgin Islands; Hurricane Maria in Puerto Rico and the Virgin Islands; and the wildfires in California.

- As a result of the disasters associated with the wildfires and Hurricanes Harvey, Irma, and Maria, FHA anticipates an increase in EPDs—FHA-insured mortgages that become 60 days delinquent within the first six payments—in the listed PDMDAs. FHA believes EPDs on loans closed prior to the disaster are most likely a result of unforeseen circumstances associated with these disasters, such as loss of employment and/or income, property damage and repairs, forced relocation, and other contributing factors.
- Current policy requires that mortgagees select all EPDs for review on a monthly basis and perform a loan file compliance review to ensure compliance with FHA Single Family origination and underwriting requirements. Given the likelihood of an increase in EPDs in these disaster

areas, solely as a result of these disasters, FHA is waiving the requirement that all of these EPDs be selected and reviewed.

- The current policy is being waived for FHA-insured mortgages in the listed PDMDAs that:
 - have a mortgage Closing Date before the start date for the respective Incident Period as determined by the Federal Emergency Management Agency (FEMA);
 - meet the definition of an early payment default (SF Handbook, Section V.A.3.a.iv.(B)(1)); and
 - became early payment defaults between September 1, 2017, and February 28, 2018.

If in compliance with the waiver requirements above, mortgagees do not need to include EPDs in the origination and underwriting loan file compliance review activities found in Section V.A.3.c of the SF Handbook for FHA-insured mortgages in the listed PDMDAs.

- Mortgagees must continue to meet the loan file selection requirements in Section V.A.3.a.i.(A) Pre-Closing Reviews; (B) Post-Closing Reviews; and (D) Servicing Reviews, of the SF Handbook.

FHA Issues Temporary Disaster-Related Policy Waiver for Limited 203(k) for Properties in Puerto Rico

Today, the Federal Housing Administration (FHA) issued a temporary [waiver](#) of its Limited 203(k) program policy regarding the time period in which borrowers may be prevented from occupying the property as a result of repairs in determining whether a repair is considered “major.” The temporary waiver applies to Limited 203(k) mortgages **closed on or before** June 30, 2018, secured by properties in the Commonwealth of Puerto Rico.

- FHA’s Limited 203(k) program may be used to finance minor remodeling and non-structural repairs up to \$35,000. Included in the *Single Family Housing Policy Handbook* 4000.1 (SF Handbook) is a list of eligible improvements (Section II.A.8.a.vii.(A)(1)) and a list of ineligible improvements (Section II.A.8.a.vii.(B)).
- Under ineligible improvements, policy states that “major” rehabilitation or remodeling is not allowed. FHA defines “major” rehabilitation or remodeling, in part, as a repair that prevents the borrower from occupying the property for more than 15 days.
- Due to the large number of properties damaged by Hurricane Maria in the Commonwealth of Puerto Rico, FHA is temporarily waiving its 15-day rehabilitation period as it relates to its definition of a “major” repair.
- The temporary waiver will allow for the use of FHA’s Limited 203(k) program for financing of minor repairs in which the borrower is prevented from occupying the property for more than 15 days. However, FHA is not waiving the requirement that a borrower occupy the property within 60 days.

FHA Borrowers Affected by Disasters and FHA’s Forbearance Agreement

The Federal Housing Administration (FHA) supports homeowners with FHA-insured mortgage loans whose properties are impacted by a natural disaster. Specifically, upon the declaration of a Presidentially-Declared Major Disaster Area (PDMDA), an automatic 90-day foreclosure moratorium

becomes effective to provide relief for FHA borrowers. FHA would like to remind mortgagees that at the end of the moratorium, mortgagees may evaluate affected borrowers for forbearance relief.

As stated in the *Single Family Policy Handbook* 4000.1 (SF Handbook), mortgagees may offer forbearance relief to borrowers who:

- have a mortgaged property located within a PDMDA; and/or
- have a place of employment located in a PDMDA.

Subject to the restrictions in Section III.A.3.c.iv.(C) of the SF Handbook, if a borrower meets one or both of the above-referenced requirements, mortgagees may offer the borrower an FHA Forbearance Agreement provided, in part, that the agreement's cumulative arrearage amount is no more than 12 months of missed monthly mortgage payments (including Principal, Interest, Taxes, and Insurance).

[Quick Links](#)

- Waivers for Early Payment Default Review for PDMDAs and Limited 203(k) for Puerto Rico can be viewed at: https://www.hud.gov/program_offices/administration/hudclips/waivers/
- Access the SF Handbook online or via a portable document format from the HUD Client Information Policy System Handbook's web page at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb
- View the status of Incident Periods on the FEMA Disasters' web page at: <https://www.fema.gov/disasters>
- Access the FHA Resource Center at: https://www.hud.gov/program_offices/housing/sfh/fhresourcectr