

June 4, 2020

HUD Issues Procedures for Endorsement of Mortgages in a COVID-19 Forbearance

by the Mortgage Banking Group

On June 4, 2020, the U.S. Department of Housing and Urban Development (HUD) issued [Mortgagee Letter 2020-16](#) to address the endorsement for FHA insurance of mortgage loans in a COVID-19 forbearance. The provisions in the Mortgagee Letter are effective for endorsements submitted on or after June 15, 2020 through November 20, 2020. The provisions apply to all FHA Title II single-family forward mortgage programs, except for non-FHA to FHA cash-out refinance loans.

The Mortgagee Letter provides that a lender may submit an eligible mortgage involving a borrower experiencing a financial hardship due, directly or indirectly, to COVID-19 who has requested or has been granted a forbearance agreement as a result of COVID-19 for insurance endorsement if:

- The borrower has requested forbearance, or the mortgage is subject to a forbearance agreement for one or more payments due to relief provided to borrowers impacted by COVID-19;
- At the time the forbearance was initiated the mortgage was current;
- At the time of the mortgage closing the mortgage satisfied all requirements for FHA insurance; and
- The lender executes a two-year partial indemnification [agreement](#).

Instructions regarding the completion of the indemnification agreement may be found [here](#). Lenders will be required to execute the indemnification agreement in connection with seeking the endorsement of a loan. Details on the submission of the agreement are set forth in the Mortgagee Letter.

FHA Connection (FHAC) is being modified to identify mortgages endorsed under the requirements of the Mortgagee Letter. Applications for insurance where the mortgage is subject to forbearance as indicated in FHAC will be issued a Severe Case warning.

For the required certification on form HUD 92900-A, if the lender is aware of a change in the borrower's employment status due to COVID-19 after the closing of the loan, the lender may provide a separate addendum to the certification stating that "the executed Mortgagee's Certification excludes certification of knowledge of the borrower's employment status as provided in the Form HUD 92900-A, page 4, paragraph (a)."

Upon insurance endorsement, lenders must ensure that any previously provided forbearance complies with, or is converted to comply with, FHA requirements for a COVID-19 forbearance.

HUD welcomes feedback on the Mortgagee Letter from interested parties for 30 calendar days from June 4, 2020.