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Loss Mitigation for Imminent Default

What is it?

Effective immediately, *The Helping Families Save Their Home Act of 2009* has expanded Federal Housing Authority's (FHA) loss mitigation to assist FHA borrowers that are at imminent risk of default. FHA borrowers that are current or less than 30 days past due on their mortgage can now receive loss mitigation counseling if they are experiencing financial hardship that would prevent them from making their next mortgage payment. Previously, FHA borrowers were not eligible for loss mitigation assistance until they had missed payments on their mortgage

What are the benefits?

Current research indicates that the benefits of both early foreclosure intervention and housing counseling guidance cannot be overstated. Distressed homeowners who receive housing counseling are substantially more likely to avoid foreclosure and consequently have lower monthly mortgage payments than borrowers who navigate the system themselves.

Who is Eligible?

The FHA borrower must be facing imminent default and experiencing hardship that may include but is not limited to one or more of the following:

- A reduction in or loss of income, e.g., unemployment, reduced job hours and/or pay, or a decrease in self-employment business earnings
- A change in the household financial circumstances, e.g., death in family, serious or chronic illness, permanent, or short-term disability.

Loss Mitigation Options

The Forbearance Agreement and the FHA-Home Affordable Modification Program (FHA-HAMP) are the two options available to FHA borrowers' facing imminent default:

- The forbearance agreement is a agreement by the Servicer to postpone, reduce, or suspend payment(s) due on a loan for a limited and specific time period
- In order for the borrower to qualify for a modification under FHA-HAMP, the borrower must first successfully complete a four-month trail modification period.

For More information on the complete detail of Loss Mitigation for Imminent Default (Mortgagee Letter 2010-04), please visit the U.S. Department of Housing and Urban Development's website at:
http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-04ml.pdf

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