



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

Date: **XXXX, 2024**

Mortgagee Letter **2024-XX**

To: All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All Eligible Submission Sources for Condominium Project Approvals  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All HUD-Certified Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject** Modernization of Engagement with Borrowers in Default

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**Purpose** This Mortgagee Letter (ML) modernizes requirements for a Loss Mitigation Consultation with Borrowers in Default.

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**Effective Date** The provisions of this ML are effective on January 1, 2025.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

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**Affected Programs** The provisions of this ML apply to all FHA-insured Title II Single Family forward mortgage programs.

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**Background** HUD recognizes that substantial advancements have been made in communication technology, remote communication options have increased, and consumer preferences have shifted to favor greater flexibility and more options for engagement. HUD has reviewed options to leverage these changes to better assist delinquent Borrowers, including delinquent Borrowers with disabilities.

On August 2, 2024, HUD published a final rule in the Federal Register (FR), Modernization of Engagement with Mortgagors in Default [Docket No. FR-6353-P-01] to modernize 24 CFR § 203.604. The final rule modernizes FHA's requirements for meeting with delinquent Borrowers by allowing Mortgagees to utilize electronic and other remote communication methods, including telephone calls and video calling services, to meet with Borrowers in Default. This rule also expands the meeting requirement to all Borrowers in Default, including those who do not reside in the mortgaged Property and Borrowers with a mortgaged Property that is more than 200 miles from the Mortgagee or its branch office. While HUD's revisions to 24 CFR § 203.604 update the acceptable methods that Mortgagees may use to arrange and meet with Borrowers in Default, the purpose of the meeting remains the same. This meeting, known as a Loss Mitigation Consultation, is the Borrower's opportunity to meet with trained Mortgagee employees who can provide information about FHA's loss mitigation options and assist the Borrower in bringing the FHA-insured Mortgage current and avoiding foreclosure. By expanding the meeting requirement to all Borrowers in Default, more Borrowers will have this opportunity to discuss their hardship and financial circumstances, learn about FHA's loss mitigation options, and resolve the delinquency.

This ML aligns HUD's policy with the published regulatory changes and provides further guidance on how to arrange, conduct, and follow up on the Loss Mitigation Consultation to improve Borrower engagement and meeting participation while maintaining consumer protections. These updates will allow Mortgagees to use a wider variety of communication options to schedule and meet at the Borrower's convenience. This increased flexibility will particularly assist delinquent Borrowers with disabilities, including Borrowers who are immunocompromised, and Borrowers whose work or family obligations may otherwise prevent them from participating in an in-person meeting.

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**Summary of  
Changes**

**This ML:**

- updates Prohibited Fees and Charges (III.A.1.f.ii(B));
- updates Collection Communication Timeline – Standard (III.A.2.h.iii(B));
- updates Communication Methods (III.A.2.h.iv);
- replaces Face-to-Face Interviews with Loss Mitigation Consultation (III.A.2.h.xii);
- renames Section 247 Assignments (III.A.3.c.ii) and updates Standard (III.A.3.c.ii(A));
- updates Insured Mortgages on Indian Land (Section 248 Mortgages) (III.A.3.d); and
- updates Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages (IV.A.2.b.i(C)).

**FHA Single  
Family Housing  
Policy  
Handbook  
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

**Servicing Fees and Charges – Standard (III.A.1.f.ii)**

**(B) Prohibited Fees and Charges**

**Servicing and  
Loss Mitigation**

The Mortgagee must not charge the Borrower for the following services:

- costs of telephone calls, certified mail, **arranging and conducting in-person or virtual meetings with the Borrower, and** other activities that are normally considered a part of a prudent Mortgagee’s servicing activity;
- preparing and providing evidence of Payoff, Reconveyance, or termination of the Mortgage;
- providing information essential to the Payoff;
- recording the Payoff of the Mortgage in states where recordation is the responsibility of the Mortgagee;
- fees for services performed by attorneys or trustees who are salaried members of the Mortgagee’s staff; or
- Mortgagee’s use of an independent contractor, such as **services related to the Loss Mitigation Consultation or** a tax service to furnish tax data and information necessary to pay property taxes or make the payments on behalf of the Mortgagee.

**Collection Communication Timeline (III.A.2.h.iii)**

**(B) Standard**

The Mortgagee must perform in a timely manner the servicing actions set forth in the following Collection Communication Timeline.

<b>Day</b>	<b>Mortgagee Action</b>
1	Payment due date; no action required until the Mortgage becomes Delinquent.
10	The Mortgagee must begin attempts to contact Borrowers with a Delinquent Mortgage at risk of Early Payment Default or Re-Default in accordance with <a href="#">Specialized Collection Techniques for Early Payment Defaults and Re-Defaults</a> (III.A.2.h.v).
25	The Mortgagee must begin attempts to contact Borrowers with a Delinquent Mortgage in accordance with <a href="#">Contact Efforts for Delinquent Borrowers</a> (III.A.2.h.vi).
30	The Mortgagee must <a href="#">report the delinquency to HUD</a> (III.A.2.h.vii) via SFDMS.

32	<p>The Mortgagee must send the following:</p> <ul style="list-style-type: none"> <li>• <a href="#">Notice of Homeownership Counseling Availability</a> (III.A.2.h.ix(A)(1));</li> <li>• <a href="#">Servicemembers Civil Relief Act (SCRA) Notice Disclosure</a> (III.A.2.h.ix(A)(2)) (form <a href="#">HUD-92070</a>);</li> <li>• <a href="#">Delinquency Notice Cover Letter</a> (III.A.2.h.x(A)(1)); and</li> <li>• <i>Save Your Home: Tips to Avoid Foreclosure</i> (form <a href="#">HUD-2008-5-FHA</a>).</li> </ul>
45	<p>The Mortgagee should begin analysis to identify appropriate loss mitigation options, if any.</p> <p>If unable to reach the Borrower(s), the Mortgagee must perform an <a href="#">Occupancy Inspection</a> (III.A.2.h.xi).</p>
61	<p>The Mortgagee must <b>conduct or make a Reasonable Effort to arrange the <a href="#">Loss Mitigation Consultation</a></b> with the Borrower no later than this date.</p>
90	<p>The Mortgagee must <a href="#">report the appropriate Default Reason Code</a> (III.A.2.h.xiii) for the Default in SFDMS.</p> <p>The Mortgagee must have evaluated all loss mitigation options to determine whether any are appropriate. The Mortgagee must reevaluate <b>the Borrower</b> for loss mitigation each month thereafter.</p>

**Early Default Intervention (III.A.2.h)**

**iv. Communication Methods**

**(A) Selecting Best Method of Communication**

The Mortgagee must use the method or methods of communication most likely to receive a response from each Borrower and consider the Borrower’s expressed preference for using certain methods of communication.

The Mortgagee must effectively communicate with persons with hearing, visual, and other communications-related disabilities, including the use of auxiliary aids and services in accessible formats, and must take reasonable steps to provide meaningful access to persons with Limited English Proficiency (LEP), such as providing oral interpretation and/or written translation of vital documents.

**(B) Electronic Methods of Communication**

The Mortgagee may use any acceptable electronic communications or telephone contact attempts to establish contact with the Borrower.

Acceptable methods of electronic communication that Mortgagees may use to contact the Borrower include:

- telephone, Voice over Internet Protocol (VoIP), or other technology that allows voice calls;
- interactive virtual communication methods;
- email;
- secure web portals (such as online account management tools accessible by Borrowers); and
- other reliable communication methods through which the Mortgagee has been able to effectively communicate with Borrowers in the past.

The Mortgagee must ensure that their electronic signature technology complies with all requirements of the Electronic Signatures in Global and National Commerce (ESIGN) Act, 15 U.S.C. § 7001 et seq. The Mortgagee must include within the electronic communication the Mortgagee's email address, telephone number, and/or website address.

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### Early Default Intervention (III.A.2.h)

#### xii. Loss Mitigation Consultation

##### (A) Definitions

The Loss Mitigation Consultation is a meeting that provides a delinquent Borrower the opportunity to meet with the Mortgagee to discuss their hardship, financial circumstances, and the loss mitigation options available, and, when possible, to be evaluated for these options.

A Verifiable Attempt is a solicitation that provides evidence of delivery or attempted delivery and includes the information needed for a Borrower to arrange a Loss Mitigation Consultation with the Mortgagee.

A Reasonable Effort consists of, at a minimum, two Verifiable Attempts to arrange the Loss Mitigation Consultation using different methods.

##### (B) Standard

The Mortgagee must conduct one Loss Mitigation Consultation with the delinquent Borrower for each Default episode. The Mortgagee may use the following acceptable methods to conduct the Loss Mitigation Consultation:

- in person;
- telephone, VoIP, or other technology that allows voice calls;
- interactive virtual communication methods;
- video conference technology platforms; and

- teleconference, virtual meeting, or a video conference hosted at a local Mortgagee branch, housing counselor's office, or alternate location.

The Mortgagee is not required to conduct a Loss Mitigation Consultation if:

- the Borrower has communicated that they will not cooperate in a Loss Mitigation Consultation;
- Reasonable Efforts to arrange a Loss Mitigation Consultation prior to the first legal action to initiate foreclosure were unsuccessful; or
- the Borrower is on a repayment plan that provides specific terms to bring the Mortgage current and is meeting the terms of the plan. TPP and forbearances do not meet this requirement.

### **(1) When to Conduct the Loss Mitigation Consultation**

The Mortgagee must conduct, or make a Reasonable Effort to arrange, the Loss Mitigation Consultation:

- before three full monthly installments are due and unpaid on the Mortgage (61 Days Delinquent); or
- no later than 30 Days after the date the Borrower fails to make a payment on a repayment plan that provides specific terms to bring the Mortgage current.

If the initial Reasonable Effort to arrange the Loss Mitigation Consultation with the Borrower was unsuccessful, the Mortgagee must make one additional Reasonable Effort to arrange and conduct the Loss Mitigation Consultation:

- at least 30 Days prior to the first legal action to initiate foreclosure; or
- at least 30 Days prior to requesting assignment for Mortgages insured on Hawaiian Home Lands.

### **(2) Reasonable Effort to Arrange the Loss Mitigation Consultation**

The Mortgagee must make a Reasonable Effort to arrange the Loss Mitigation Consultation with the Borrower using, at minimum, two different methods as described in [Communication Methods](#) that provide a date or timestamp of delivery or attempted delivery. Telephone attempts that do not result in direct contact with the Borrower do not meet this requirement.

Mortgagees must not include attempts to arrange the Loss Mitigation Consultation in any other communication applicable to mortgage servicing, unless required by law.

The Mortgagee must ensure all Verifiable Attempts provide the following, at minimum:

- the purpose of the Loss Mitigation Consultation;
- at least three available times of the day when the meeting can be held, including at least one evening option, and instructions that describe how to schedule the Loss Mitigation Consultation;
- at least two available methods the Mortgagee is offering to conduct the Loss Mitigation Consultation and instructions that describe how to select the Borrower's preferred method;
- if applicable, a list of information or documentation the Mortgagee needs to evaluate the Borrower for loss mitigation;
- contact information for the Mortgagee's loss mitigation and/or customer assistance personnel to include, at minimum, a toll-free telephone number;
- information about the availability of language access services offered by the Mortgagee for Borrowers with LEP (this information must be provided, at a minimum, in Spanish and must include an advisement to seek translation or other language assistance);
- information on how to locate a [HUD-approved Housing Counselor online](#) or by calling HUD's interactive voice system at (800) 569-4287 or (202) 708-1455 for Text Telephone (TTY); and
- notice that the Borrower may invite a housing counselor or other third party to the Loss Mitigation Consultation.

### **(3) Conducting the Loss Mitigation Consultation**

The Mortgagee must ensure that employees who conduct the Loss Mitigation Consultation are trained in FHA loss mitigation in accordance with the requirements in [Staffing](#) (I.A.6.i) and have the authority to evaluate and offer any loss mitigation option to eligible Borrowers, when possible.

Mortgagees are not permitted to use any form of artificial intelligence, machine learning technology, or chatbots to conduct Loss Mitigation Consultations.

During the Loss Mitigation Consultation, the Mortgagee must:

- discuss the Borrower's hardship;

- explain the loss mitigation options available;
- evaluate the Borrower for these options, when possible; or
- if applicable, request the information or documentation needed to complete the loss mitigation analysis; and
- advise the Borrower that a notice will be provided in writing within 5 Days of the Loss Mitigation Consultation regarding next steps.

#### **(4) Notice to Borrower Upon Completion of the Loss Mitigation Consultation**

The Mortgagee must provide the following to the Borrower in writing no later than 5 Days from the date the Loss Mitigation Consultation is conducted:

- the date the Loss Mitigation Consultation was conducted;
- the loss mitigation option(s) discussed or offered to the Borrower;
- if applicable, a list of information or documentation the Mortgagee needs to complete the loss mitigation analysis;
- a reminder that, if the Borrower's financial situation changes at any point, the Borrower should contact the Mortgagee;
- contact information for the Mortgagee's loss mitigation and/or customer assistance personnel to include, at minimum, a toll-free telephone number; and
- information on how to locate a [HUD-approved Housing Counselor online](#) or by calling HUD's interactive voice system at (800) 569-4287 or (202) 708-1455 for TTY.

#### **(C) Required Documentation**

Mortgagees must document the following in the servicing file, as applicable:

- the dates and methods used to make a Reasonable Effort to arrange the Loss Mitigation Consultation;
  - the date the Loss Mitigation Consultation was conducted or the reason a Loss Mitigation Consultation was not conducted or required;
  - the method of communication used to conduct the Loss Mitigation Consultation, if applicable; and
  - a copy of the notice sent to the Borrower upon the completion of the Loss Mitigation Consultation, if applicable.
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**Section 247 Assignments (III.A.3.c.ii)**

**(A) Standard**

The Mortgagee may assign the Delinquent insured Mortgage and Note to HUD if all of the following conditions are met:

- the Mortgage has been in Default for 180 Days or more;
- when the Mortgage is 90 Days Delinquent, the Mortgagee has notified DHHL of the Default in writing;
- the Mortgagee has conducted or made a Reasonable Effort to arrange the Loss Mitigation Consultation; and
- the Mortgagee has evaluated the Borrower for loss mitigation in accordance with HUD guidance.

The Mortgagee must not foreclose on or approve a Pre-Foreclosure Sale (PFS) or Deed-in-Lieu (DIL) transaction on Section 247 Mortgages; the only disposition option available to the Mortgagee is assignment.

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**Programs and Products (III.A.3)**

**d. Insured Mortgages on Indian Land (Section 248 Mortgages)**

**i. Face-to-Face Interviews**

The Mortgagee must have a face-to-face interview with the Borrower or make a reasonable effort to arrange a face-to-face interview no later than the 61<sup>st</sup> Day of delinquency.

**(A) Face-to-Face Meetings Not Required**

The Mortgagee is not required to conduct a face-to-face interview if:

- the Borrower has clearly indicated that they will not cooperate with a face-to-face meeting; or
- the Borrower's payment is current due to an agreed-upon repayment plan or Forbearance Plan.

**(B) Arranging a Face-to-Face Interview**

**(1) Standard**

To arrange the face-to-face interview, the Mortgagee must:

- make at least one telephone call to the Borrower;
- send one letter certified by the U.S. Postal Service as having been dispatched; and

- make one trip to visit the Borrower at the mortgaged Property.

The Mortgagee must provide the following in each attempt to arrange the face-to-face interview:

- the availability of face-to-face interviews; and
- how to schedule the interview.

## (2) Required Documentation

The Mortgagee must document in its servicing file all attempts in contacting the Borrower to arrange a face-to-face interview, information about the interview, and any decisions or follow-up needed as a result of the interview.

### ii. Information Provided to the Borrower

#### (A) Standard

The Mortgagee must inform the Borrower of the following:

- that information regarding the status and payment history of the Borrower's Mortgage may be made available to credit bureaus and prospective creditors;
- other available mortgage assistance, if any; and
- contact information for the FHA Resource Center (1-800-CALLFHA (1-800-225-5342) and [answers@hud.gov](mailto:answers@hud.gov)) and that the FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities.

#### (B) Required Documentation

The Mortgagee must note in its servicing file when and how the Borrower was informed of the information above.

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**FHA Single  
Family Housing  
Policy  
Handbook  
4000.1**

**Hawaiian Home Lands Mortgages (Section 247 Mortgages) Claims  
(IV.A.2.b.i)**

#### **(C) Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages**

**Claims and  
Disposition**

The Mortgagee may only file a claim after:

- the Mortgagee has notified the Department of Hawaiian Home Lands (DHHL) of the Borrower's Default by letter by the 90<sup>th</sup> Day of Delinquency;
- the Borrower's Default has remained uncured for 180 Days; and

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- the Mortgagee has met all regulatory program requirements, including the **Loss Mitigation Consultation** and required loss mitigation evaluation.

The Mortgagee must submit form HUD-27011 to HUD via EDI or FHA Catalyst. For EDI submissions, the Mortgagee must submit Parts A and B simultaneously. For FHA Catalyst submissions, the Mortgagee must submit Parts A, B, C, D, and E. The Mortgagee must retain copies of all Parts of the form HUD-27011 in the Claim Review File.

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**Paperwork  
Reduction Act**

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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**Signature**

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Julia R. Gordon  
Assistant Secretary for Housing -  
FHA Commissioner

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