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## Loan Servicing Measures that Address Delinquencies Caused by COVID-19

In our response to the unprecedented effects of the COVID-19 coronavirus during the last year and a half, USDA had imposed foreclosure and eviction moratoriums for all loans in the Single Family Housing Guaranteed Loan Program (SFHGLP). The foreclosure moratorium expired on July 31, 2021, while moratorium on evictions expires on September 30, 2021.

Through the moratorium period, lenders servicing USDA loans have been unable to take foreclosure and eviction actions with homeowners affected by the global pandemic. For countless borrowers with USDA-backed loans, this relief comes as a blessing. Losing their home is one less life-altering issue about which to worry. To benefit from the relief, borrowers simply had to attest that they have been unable to make their mortgage payments due to a hardship caused by the Coronavirus. This may have been due to a loss of a job because of lay-offs, or high medical bills, or sadly, a spouse not surviving the virus itself, all of which would reduce the income used to repay the loan. Loans secured by vacant or abandoned properties did not qualify for this relief.

While lenders have been able to re-start foreclosure activities since 8/1/21, 2021, and foreclosure-related evictions may resume after 9/30/21, Servicers are strongly encouraged to evaluate borrowers for USDA [COVID-19 Special Relief Measures](#) before commencing foreclosure actions.

This is extremely important for Borrowers who have the ability and willingness to keep their homes. And even if borrowers lack the ability to meet their pre-pandemic mortgage payments or they are unable to catch up on missed payments, these relief measures may help many meet their goal of resolving their delinquency and rescuing their American Dream of becoming a successful homeowner.

To help meet this goal, normal, pre-pandemic loan-servicing options should be evaluated first (specific requirements apply). Examples include:

- Informal Repayment Agreement to catch-up on payments in three months or less,
- Special Forbearance, which temporarily reduces or suspends payments, then gradually increases payments to resolve the delinquency,
- Loan Modification, which is a permanent change in the terms of a loan that results in a payment the borrower can afford and allows the loan to be brought current (lowered interest, capitalized delinquency followed by a loan re-amortization, extended maturity date of the loan up to 360 months, etc.). Some options, such as Special Forbearance and Loan Modification may be combined to further assist borrowers.

If the borrower is unable to meet qualifications for the above options, pre-pandemic Special Servicing Options may be utilized to resolve the delinquency (again, specific requirements apply). Examples include:

- Extending loan term up to 480 months,
- Completing a Mortgage Recovery Advance (max is 30% of unpaid principal balance). Servicer files claim with USDA within 60 days. Borrower repays USDA this amount when the property title is transferred, the loan is paid off or when the loan matures, whichever happens first.

In addition to the above options, HB-1-3555, Chapter 18 is being revised to include Special Relief Measures specific to the effects of the COVID-19 pandemic.

For Borrowers who do not meet the requirements for the above options, the special measures described below should be evaluated. To qualify, borrowers must: have been no greater than 120 days past due on 3/1/20 (or the loan was closed after that date), occupy, as their residence, the property securing the guaranteed loan, and have requested and received an initial forbearance prior to 9/30/21 due to a COVID-19 related hardship. These options include:

- The Servicer should establish a target payment that includes up to a 20% payment reduction from the current P&I payment. Once this has been established, the following should be used incrementally to get as close the target payment as possible:
  - Interest Rate Reduction – the servicer should use the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) rate as a (minimum/maximum) for 30-year fixed-rate mortgages,
  - Term Extension – in 1-month increments up to 480 months,
  - Mortgage Recovery Advance – If the targeted payment still cannot be achieved using the above, Servicers may use an MRA in addition to the rate reduction and term extension to achieve the monthly target payment. The MRA must meet all other requirements as explained in HB-1-3555, Chapter 18, Attachment 18-A, Section 5, K.

Different loan servicing options require different qualification criteria. See the Handbook for specifics.

“The servicing options offered by USDA are aggressive. The Agency is glad to do its part in assisting rural homeowners who have been hit the hardest by the effects of the pandemic”, says Richard Kane, Deputy Director with USDA’s Loan Servicing Branch.

For more information, please see the related GovDelivery announcement [here](#).

Questions regarding program policy and this guidance may be directed to the National Office Division at [sfhgplServicing@usda.gov](mailto:sfhgplServicing@usda.gov) or (202) 720-1452.

Thank you for your support of the Single-Family Housing Guaranteed Loan Program!