

September 13, 2001

Mr. Andrew D. Woodward  
President  
Mortgage Bankers Association of America  
1919 Pennsylvania Avenue, NW  
Washington, DC 20006-3438

Dear Mr. Woodward:

September 11, 2001, was a tragic day for our nation. It is difficult to comprehend the deep personal losses that so many American families face in the wake of this terrible tragedy. And to the extent that members of the Mortgage Banking Community have been personally touched by these events, your families are in my thoughts and prayers. As we all look for ways to help, I am issuing guidance to lenders to provide relief to families affected by the horrific events.

The Department of Housing and Urban Development is directing all FHA-approved lenders to provide relief to affected borrowers with an FHA-insured mortgage on their residence. (Enclosed is a copy of HUD's Mortgagee Letter 2001-21.) Affected borrowers are those individuals who were passengers or crew on the four hijacked airliners (American Airlines 11 and 77, United Airlines 93 and 175), individuals employed on September 11, 2001, in or near the World Trade Center, or in the Pentagon, and individuals whose financial viability was affected by the terrible events of this day.

Specifically, HUD has declared a 90-day moratorium on the foreclosure of any FHA-insured single-family mortgage in which an affected borrower, as defined in the paragraph above, is an **owner-occupant** of the property securing the mortgage. This moratorium applies to the initiation of foreclosure and to foreclosures already in process. Also, the Department strongly recommends that mortgagees waive all late charges for affected borrowers, and suspend the reporting of delinquencies of affected borrowers to credit bureaus, beginning with the September 2001 installment. During and after the foreclosure moratorium, lenders should consider all applicable FHA loss mitigation options for affected borrowers, and give the borrowers the benefit of the doubt, especially when evaluating the borrower's documentation of lost income or increased expenses.

Further, in order to assist surviving co-mortgagors of deceased affected borrowers, HUD is allowing lenders to proceed with Streamline Refinancing without a requirement to credit-qualify the surviving co-mortgagors. Also, the Department will endorse mortgages that are delinquent, if at least one of the mortgagors is an affected borrower, and the delinquency was related to the terrorist attacks.

This extraordinary period requires all of us to go the extra mile and a little beyond. It is apparent that the families of the affected borrowers are going through an overwhelming experience. Adding the potential loss of a home, the foundation of many American families, to that stress can be averted with the help of compassionate mortgage lenders. Therefore, I urge you to ask all members of the MBAA, including those whose portfolios are not insured by FHA, to provide this relief to affected homeowners as well. I would like these families to know that America's housing finance industry stands behind them.

Sincerely,

Mel Martinez

Enclosure

## MORTGAGEE LETTER 01-21

**TO: ALL APPROVED MORTGAGEES**

**ATTENTION: Servicing Managers**

**SUBJECT: Relief Options for Borrowers Affected by the Events of September 11, 2001**

On September 11, 2001, terrorists hijacked four commercial airliners. Two of the airliners struck the Twin Towers of the World Trade Center in New York City, destroying them and several surrounding buildings. A third airliner struck the Pentagon in Arlington, Virginia, damaging it severely. The fourth airliner crashed in Shanksville, Pennsylvania, killing all aboard. The World Trade Center and the Pentagon employ large numbers of people, many of whom may have FHA-insured mortgages. This Mortgagee Letter is to advise you of actions taken by the Department, and actions mortgagees must take, to provide relief to affected borrowers with an FHA-insured mortgage on their residence. Affected borrowers are those individuals who were passengers or crew on the four hijacked airliners (American Airlines 11 and 77, United Airlines 93 and 175), individuals employed on September 11, 2001, in or near the World Trade Center, or in the Pentagon, and individuals whose financial viability was affected by the aforesaid events of this day.

**Moratorium on Foreclosures.** A moratorium on foreclosure of any FHA-insured single-family mortgage in which an affected borrower, as defined in the paragraph above, is an **owner-occupant** of the property securing the mortgage, is in effect for a 90-day period from the date of this Mortgagee Letter. This moratorium applies to the initiation of foreclosure and to foreclosures already in process.

**Servicing Actions.** The Department strongly recommends that mortgagees waive all late charges for affected borrowers beginning with the September 2001 installment. Also, HUD strongly recommends that mortgagees suspend the reporting of delinquencies of affected borrowers to credit bureaus, beginning with the September 2001 installment.

**Loss Mitigation Options.** Subsequent to the foreclosure moratorium, lenders should consider all applicable loss mitigation options for affected borrowers, including pre-foreclosure sales and deeds in lieu of foreclosure if the homeowner is not in a position to “cure” the mortgage delinquency. Lenders should refer to Mortgagee Letter 00-05 (January 19, 2000), Loss Mitigation Program - Comprehensive Clarification of Policy

and Notice of Procedural Changes, for guidance on the use of the options for foreclosure avoidance in the Department's Loss Mitigation Program and incentive payments associated with some options. When considering borrowers affected by the events of September 11, 2001, for loss mitigation, mortgagees must give the borrowers the benefit of the doubt, especially when evaluating the borrower's documentation of lost income or increased expenses.

This Mortgagee Letter extends the maximum pre-foreclosure sales period on affected properties an additional two months, and reduces the minimum ratio of appraised property value to outstanding mortgage indebtedness to fifty-eight (58) percent, without requiring the lender to seek a variance approval from the Department's National Servicing Center. In the case of this Mortgagee Letter, "affected properties" are those owned by affected borrowers as defined in the first paragraph.

**Streamline Refinancing.** It is not necessary to credit-qualify surviving co-mortgagors of affected borrowers for streamline refinancing. Lenders should refer to HUD Handbook 4155.1, REV-4, Change 1, Paragraph 1-12 for additional guidance on this matter.

**Endorsement of Delinquent Mortgages.** The Department's Homeownership Centers may, on a case-by-case basis, endorse mortgages that are delinquent, if at least one of the mortgagors is an affected borrower as defined in the first paragraph of this Mortgagee Letter, and the delinquency was related to the terrorist attacks. As a rule, this policy applies to cases where the homeowner became delinquent on the mortgage payments on or after September 11, 2001, because of temporary disruptions in employment or an increase in expenses.

Mortgagees must take the appropriate steps to effect these policies immediately. Please direct any questions to the Department's National Servicing Center in Oklahoma City, at (888) 297-8685 (this is a toll-free number).

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Mel Martinez