



## FOR IMMEDIATE RELEASE

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### **Statement of Inspector General Rae Oliver Davis on HUD OIG's Oversight of the Office of Single-Family Housing's Loss Mitigation for Federal Housing Administration Loan Servicing.**

WASHINGTON DC— Today, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) issued two audit reports examining the loss mitigation options that loan servicers provided to borrowers with Federal Housing Administration (FHA)-insured loans after their COVID-19 forbearance ended. The first report broadly examined whether servicers of FHA loans provided proper loss mitigation assistance to homeowners exiting COVID-19 forbearance, and the second report examined a specific servicer's compliance with those requirements.

The impact of HUD's COVID-19 loss mitigation program cannot be overstated. When servicers provided borrowers with proper loss mitigation assistance, it helped borrowers make their mortgage payments. However, when servicers failed to provide borrowers with proper loss mitigation assistance, HUD OIG found that this sometimes made the borrower's financial situation worse. [Read about some of the loss mitigation stories.](#)

The COVID-19 pandemic created challenges for mortgage servicing, prompting the FHA to make rapid changes to its requirements and servicers to rapidly adapt their operations and processes to keep pace-- placing significant stress on servicer's loss mitigation activities. HUD OIG reviewed a statistical sample of FHA-insured loans totaling \$41 billion in unpaid principal balance and found that servicers did not provide proper loss mitigation after the COVID-19 forbearance ended to 67% of borrowers. In addition, the audit found that servicers: (1) failed to provide the borrowers with the loss mitigation option for which they were eligible, (2) failed to properly calculate the borrowers' loss mitigation options, or (3) provided loss mitigation options that did not result in the borrowers' loans becoming current.

HUD OIG's audit of a specific servicer found that of 4,288 FHA-insured forward loans totaling \$767 million, the servicer did not provide proper loss mitigation assistance to 83% of borrowers. The servicer's shortcomings included: (1) failing to provide improper loss mitigation; (2) providing proper loss mitigation but making incorrect calculations, failing to restore missed payments, or not completing the loss mitigation process; and (3) failing to follow HUD's guidance.

HUD OIG made several recommendations in both reports to HUD, which include among other things, that the Deputy Assistant Secretary for Single Family Housing work with mortgage servicers to determine reasons for noncompliance and develop mitigation plans. HUD OIG also recommends that

HUD review loans that did not receive appropriate loss mitigation options to ensure that the servicers provide a remedy to impacted borrowers and where appropriate, take administrative action.

“It goes without saying that the COVID-19 pandemic was unprecedented in the ways in which it impacted Americans, including those with FHA-insured loans. HUD’s efforts to address the crisis necessarily evolved over time and mortgage servicers struggled to adapt to those changes. These reports identify the challenges and provide a roadmap to assist HUD in avoiding similar difficulties in the future,” said Inspector General Rae Oliver Davis.

Anyone with knowledge of potential fraud, waste, abuse, misconduct, or mismanagement related to HUD housing should contact the HUD OIG hotline at 1-800-347-3735 or access the electronic form at <https://www.hudoig.gov/hotline>. For media inquiries contact us at [OIGMediaRelations@hudoig.gov](mailto:OIGMediaRelations@hudoig.gov).

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