



United States Department of Agriculture
Rural Development

TO: USDA Rural Development
Single Family Housing Guaranteed Loan Holders and Servicers

FROM: Russell T. Davis
FR Administrator
Housing and Community Facilities Programs

AUG 31 2006

SUBJECT: Expiration of Foreclosure Moratorium Extensions for Borrowers
Affected by Hurricanes Katrina, Rita and Wilma

1. **PURPOSE:** On June 7, 2006, USDA Rural Development announced the continuation of a foreclosure moratorium on Section 502 Guaranteed Loans located in the Presidentially-declared disaster areas that were impacted by Hurricanes Katrina, Rita and Wilma. This letter will serve as notice of the expiration of the foreclosure moratorium effective August 31, 2006.

Loan holders remain responsible for determining when to initiate a foreclosure, and for terminating a defaulted loan upon obtaining information that indicates that the cause of default is not the result of disaster related property damage or income disruption. Because of the national impact of the hurricanes, holders and servicers should continue to ensure that foreclosure actions are reviewed prior to initiation and sale to ensure that borrowers have not been affected significantly enough by the storms to justify postponement or cancellation. If a determination is made that the property or the borrower has been affected by a hurricane related circumstance, the initiation of foreclosure may be delayed to grant enough time to assess the situation and to evaluate the borrower for a possible loss mitigation alternative.

2. **MORTGAGE RECOVERY ADVANCE PROGRAM:** The Mortgage Recovery Advance Program was created by USDA Rural Development to assist 502 Guaranteed Loan Program borrowers who are in default on their mortgage loans due to impacts from the 2005 hurricanes Katrina, Rita, and Wilma. The program will remain in effect until April 30, 2007. The Mortgage Recovery Advance Program is an excellent loss mitigation alternative to use to assist borrowers who have been impacted by the 2005 hurricanes. Mortgage Recovery Advances are designed to assist borrowers who do not currently have the ability to support their normal monthly mortgage obligation due to a verifiable loss of income, increase in living expenses attributable to the hurricanes, and who have exhausted other home retention loss mitigation options. The advance would be applied directly to the eligible borrower's delinquent mortgage installments in order to bring the loan into a current and performing status.

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Under the Mortgage Recovery Advance program, a loan servicer may advance funds on behalf of a borrower in the amount necessary to reinstate the defaulted loan, and file a request to USDA Rural Development to be reimbursed for the amount of the advance.

All Mortgage Recovery Advances will require Agency approval prior to settlement. For each eligible advance that is executed by a loan servicer, a one-time compensation payment of \$500.00 will be paid by Rural Development to defray expenses associated with the action.

For further information on the Mortgage Recovery Advance program contact:
Stuart Walden, Senior Loan Specialist, Section 502 Guaranteed Loan Program - STOP 0784 (Room 2250), U.S Department of Agriculture, Rural Housing Service, 1400 Independence Ave. SW., Washington, DC 20250-0784. Telephone: (202) 690-4507, Email: stuart.walden@wdc.usda.gov.

3. CONTINUED FORBEARANCE: USDA Rural Development encourages holders and servicers to continue to extend every possible forbearance to all borrowers in distress because of Hurricanes Katrina, Rita and Wilma for properties in Alabama, Florida, Louisiana, Mississippi, and Texas counties eligible to receive individual assistance. Earlier letters (issued August 31, October 6, December 6, 2005, February 27, April 6, and June 7, 2006) provided similar guidance for the borrowers directly affected by the hurricanes, whose homes were severely damaged or destroyed by winds or flooding. The guidance was also extended for those whose workplaces were destroyed or were severely damaged by the hurricanes and flooding.
4. DOCUMENTATION: To facilitate loss mitigation plans and possible future loss claims, holders and servicers should fully document their servicing actions to include the following information prior to submitting to appropriate agency staff for approval:
 - a. Disaster Declaration Year
 - b. Presidential Disaster Declaration
 - c. Disaster County
 - d. Disaster Assistance Type (Individual)
 - e. FEMA Applicant Number (If applicable)
 - f. Loan Loss Due to Disaster (Yes)
 - g. Was Loss Mitigation Offered?
 - h. Date Loss Mitigation Was Offered
 - i. Loss Mitigation Type Offered
 - j. Include All Comments Applicable To The Plan Or Loss Claim Submitted
5. EXPIRATION: This notice expires on August 28, 2007.

Questions regarding the matters outlined in this letter may be addressed to Stuart Walden, USDA Rural Development Single Family Housing Guaranteed Loan Division, at (202) 720-1452.

For additional information on USDA Rural Development hurricane relief measures, please visit the Agency home page: <http://www.rurdev.usda.gov>.