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HUD's disaster relief changes will allow for faster relief, but more flexibility is still needed

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Boston, MA As Hurricane Dorian bears down on the U.S., advocates at the National Consumer Law Center (NCLC) applaud U.S. Department of Housing and Urban Development (HUD) for improving programs available to HUD-insured homeowners after a natural disaster. While HUD should still add more flexibility to its program, the changes will provide needed relief for homeowners.

"HUD's new rule reduces barriers to assistance for distressed homeowners after a natural disaster," said Alys Cohen, staff attorney at the National Consumer Law Center. "By making these changes permanent, HUD has recognized the need for disaster options to be available whenever FHA homeowners face a serious need. While the changes help homeowners who manage to fully recover their income, HUD must add more flexibility to help those who haven't fully recovered."

In response to the devastating natural disasters of 2017, HUD created a new program that sought to quickly address payment defaults by affected homeowners. Unfortunately, in creating the program, HUD failed to streamline eligibility requirements and it imposed unnecessary criteria for relief. It also failed to make the program permanent. In comments and in an opinion piece in Government Executive NCLC urged HUD to remove unnecessary barriers

The updates HUD released last Thursday through Mortgagee Letter 2019-14, address many of these barriers to homeowner relief. The rules remove duplicative requirements for evaluating homeowner financial information. HUD's changes also give homeowners who fall behind as a result of disasters but who recover financially the ability to restart their former mortgage payments after completing three-month trial modification plans. The new rules also make HUD's 2017 disaster options permanent. HUD is seeking comments on the rule within thirty days after the issuance of the Mortgagee Letter 2019-14.

Despite the improvements, HUD should make further changes. While the new rule helps homeowners who can afford their former payments, borrowers who are still struggling and cannot resume their former payments do not benefit. Those homeowners can access HUD's standard relief options, but HUD continues to have unnecessary documentation requirements in its standard program. "HUD's 2016 changes to FHA's standard loss mitigation system added unnecessary barriers," Cohen said. "It should use the flexibility of the current changes to improve options for all homeowners who have faced hardship, such as a reduction of income. HUD also should clarify that FHA borrowers who are still displaced from their permanent residence due to ongoing repairs from a disaster can access relief and should ensure that the many homeowners who are still struggling from past disasters continue to have access to reasonable and necessary assistance."

For more information and resources for those affected by a natural disaster, please visit NCLC's Disaster Relief & Consumer Protection project.