



DEED-IN-LIEU OF FORECLOSURE OPTION

The Deed-in-Lieu of Foreclosure allows a mortgagor in default, who does not qualify for any other HUD Loss Mitigation option, to sign the house back over to the mortgage company. Ref: Mortgage letter 2000-05 and 2002-13.

FACTS

- Mortgagee can pay, not to exceed \$2,000 compensation, to the mortgagor.
- The \$2,000 compensation is not paid to mortgagor until they have vacated the property.
- Mortgagor(s) compensation must be applied to any junior lien(s) placed on the mortgage property.
- Mortgagor must agree to “written” agreement of property conditions.
- Mortgagees may determine that a “current” mortgagor is eligible for the Deed-in-Lieu of foreclosure option.
- **Under no circumstance** should the mortgagor be encouraged to default on their mortgage for the purpose of qualifying for this option.
- Deed-in-Lieu must be completed or foreclosure initiated within six (6) months of the date of default, unless the mortgagee qualified for an extension of time by first trying a different loss mitigation option or an extension of time was approved by HUD prior to the expiration of the time requirement.
- If the Deed-in-Lieu follows a failed special forbearance agreement or the preforeclosure sale program, then the Deed-in-Lieu must be completed or foreclosure initiated within 90 days of the failure.

ELIGIBILITY

- The property must be owner-occupied, no “walk-a ways” or investment properties. Exceptions: when it is verifiable that the need to vacate was related to the cause of default (job loss, transfer, divorce, death), and the subject property was not purchased as a rental investment, or used as a rental for more than 12 months.
- The mortgagor must be 31 days delinquent or more at the time of the Deed-in-Lieu Warranty Special Deed is executed.
- The mortgagor must provide documentation of a reduction in income or an increase in living expense, and documentation, which verifies the borrowers need to vacate the property.
- Mortgagee will develop a written Deed-in-Lieu of Foreclosure Agreement, which is to be signed by both the mortgagor and mortgagee, which contain all of the conditions under which the Deed will be accepted.

DEED-IN-LIEU AGREEMENT

- Mortgagor(s) does not own any other FHA-insured mortgages and/or or mortgage held by HUD.
- Agreed upon transfer date of property to mortgagee within the Agreement.
- Notification to the mortgagor that there may be income tax consequences as a result of the Deed-in-Lieu of Foreclosure.
- Acknowledgment that mortgagor(s) who complies with all of the requirements of the Agreement shall not be pursued for deficiency judgments.
- Mortgagor is to provide a statement describing the general physical condition in which the property will be conveyed.
- Mortgagor will convey property vacant and free of personal property unless HUD has approved an occupied conveyance.
- Itemization of the keys, built-in fixtures and equipment to be delivered to the mortgagee on or before the transfer date.
- Mortgagor(s) agreement to provide evidence that certain utilities, assessments, and homeowner's association dues are paid in full to the transfer date unless otherwise agreed to by the parties.
- The dollar amount of consideration payable to and/or on behalf of the mortgagor is not to exceed \$2,000.

If you have any question you may contact NSC at:

National Servicing Center

<http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>

E-mail: hsg-lossmit@hud.gov

1-888-297-8685

Frequently Asked Questions:

<http://www.hud.gov/offices/hsg/sfh/nsc/faqsctc.cfm>