DEED-IN-LIEU OF FORECLOSURE OPTION

The Deed-in-Lieu of Foreclosure allows a Borrower 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

- Lender can pay, not to exceed $2,000 compensation, to the Borrower.
- The $2,000 compensation is not paid to Borrower until they have vacated the property.
- Borrower's compensation must be applied to any junior lien placed on the mortgage property.
- Borrower must agree to "written" agreement of property conditions.
- Lenders may determine that a "current" Borrower is eligible for the Deed-in-Lieu of Foreclosure Option.
- **Under no circumstance** should the Borrower 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 months of the date of default, unless the Lender 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 Borrower must be 31 days delinquent or more at the time of the Deed-in-Lieu Warranty Special Deed is executed.
- The Borrower 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.
- Lender will develop a written Deed-in-Lieu of Foreclosure Agreement, which is to be signed by both the Borrower and Lender, which contain all of the conditions under which the Deed will be accepted.

DEED-IN-LIEU AGREEMENT

- Borrower does not own any other FHA-insured mortgages and/or or mortgage held by HUD.
- Agreed upon transfer date of property to Lender within the Agreement.
- Notification to the Borrower that there may be income tax consequences as a result of the Deed-in-Lieu of Foreclosure.
- Acknowledgment that Borrower who complies with all of the requirements of the Agreement shall not be pursued for deficiency judgments.
- Borrower is to provide a statement describing the general physical condition in which the property will be conveyed.
- Borrower 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 Lender on or before the transfer date.
- Borrower 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 Borrower is not to exceed $2,000.

If you have any question you may contact NSC at:

National Servicing Center
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housingsfh/nsc/nschome
E-mail: hsg-lossmit@hud.gov
1-877-622-8525

Frequently Asked Questions:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/faqnsctc