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Regulations Division  
Office of General Counsel  
Department of Housing and Urban Development  
451 7th Street, SW  
Room 10276  
Washington, DC 20410-0500

RE: Modernization of Engagement With Mortgagors in Default; Docket No. FR-6353-P-01

To Whom It May Concern:

The Credit Union National Association (CUNA) represents America's credit unions and their more than 135 million members. On behalf of our members, we are writing in response to the Department of Housing and Urban Development's (HUD) notice of proposed rulemaking on Modernization of Engagement With Mortgagors in Default.<sup>1</sup>

## Background

HUD has proposed to revise its regulations regarding contact with the mortgagor in default. The existing regulation generally requires mortgagees of single-family mortgages insured by the Federal Housing Administration (FHA) to "have a face-to-face interview with the mortgagor, or make a reasonable effort to arrange such a meeting, before three full monthly installments due on the mortgage are unpaid."<sup>2</sup> The current regulation exempts mortgagees from having to satisfy the face-to-face meeting requirement if, the mortgagor does not live in the property, the property is not within 200 miles of a branch or office of the mortgagee or its servicer, the mortgagor is uncooperative, the mortgagor is current on a repayment plan that will cure a default, or the mortgagee's reasonable efforts at arranging a face-to-face meeting are unsuccessful.<sup>3</sup>

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<sup>1</sup> 88 Fed. Reg. 49392 (July 31, 2023).

<sup>2</sup> 24 C.F.R. § 203.604(b). For mortgages insured under section 248 of the National Housing Act—certain mortgages covering a 1- to 4- family residence on Indian land—the existing regulation includes more prescriptive requirements about what constitutes a reasonable effort to arrange a face-to-face meeting and additional communication content requirements. 24 C.F.R. § 203.604(e)(1) & (2).

<sup>3</sup> 24 C.F.R. § 203.604(c)(1)-(5).

The proposed rule will allow mortgagees to use technology to facilitate meetings with mortgagors in default. Under the proposal, the face-to-face requirement would be eliminated for all FHA-insured mortgages except for those mortgages on Indian lands insured by section 248 of the National Housing Act. Mortgagees could continue to meet with mortgagors face-to-face, but they could also choose to have meetings using “other communication methods as determined by the Secretary, including electronic or other remote communication methods such as telephone or video calls.”<sup>4</sup> Because mortgagees could use other communication methods to reach out to mortgagors, the proposed rule also seeks to eliminate two of the general exemptions to the meeting requirement: the exemption for mortgagors who do not live in the mortgaged property and the exemption for properties that are not within 200 miles of a branch or office of the mortgagee or its servicer.<sup>5</sup> The face-to-face meeting requirements for section 248 loans, however, would remain largely the same.<sup>6</sup>

### **Credit Unions Support the Proposed Rule**

CUNA applauds HUD for proposing these changes and supports them. These proposed changes are supported by data and will reduce the regulatory burden in reaching out to mortgagors in default.<sup>7</sup> Moreover, the proposed changes reflect consumer preferences in how consumers use technology for their banking services in a post-pandemic world.<sup>8</sup>

Credit unions have indicated that they may be able to service their FHA-insured mortgage loans more efficiently because they do not have to worry about how to address the burdensome face-to-face meeting requirements and can use technology to meet with mortgagors from their central servicing headquarters. Credit unions also believe that the proposed changes will provide for greater efficiency in the loss mitigation process, permitting credit unions to provide more timely information to members in default.

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<sup>4</sup> 88 Fed. Reg. at 49394.

<sup>5</sup> 88 Fed. Reg. at 49395.

<sup>6</sup> 88 Fed. Reg. at 49395-96.

<sup>7</sup> See 88 Fed. Reg. at 49393 (explaining the results of a study conducted by the Mortgage Bankers Association on the burdensome costs of the face-to-face requirement relative to mortgagor’s participation in the process).

<sup>8</sup> See 88 Fed. Reg. at 49393-94 (discussing 2021 publication by Forbes of ICE Mortgage Technology survey about how consumers use technology in mortgage lending and Federal Reserve Bank of New York research emphasizing consumer preferences for using technology to interact with mortgage lenders).

## Conclusion

Thank you for this opportunity to provide input on the notice of proposed rulemaking about Modernization of Engagement With Mortgagors in Default. If you have questions or if we can be of any assistance, please do not hesitate to contact me at (202) 603-1985 or [dpark@cuna.coop](mailto:dpark@cuna.coop).

Sincerely,

A handwritten signature in blue ink that reads "David Park". The signature is written in a cursive, flowing style.

David Park  
Senior Director of Advocacy & Counsel