



HOMEOWNERSHIP COUNSELING

FIL-43-2002
May 2, 2002

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Homeownership Counseling Notification Requirements*

The Federal Deposit Insurance Corporation (FDIC) is advising you that the VA/FHA Appropriations Act, signed into law on November 26, 2001, reinstates a requirement for creditors to notify delinquent mortgage borrowers of the availability of homeownership counseling. This requirement, contained in Section 106(c) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(c)(5)), expired on September 30, 2000. With the recent reinstatement, you may need to reestablish procedures to ensure compliance with the following requirements:

- Any creditor servicing loans secured by one-family residential property must notify an eligible homeowner who fails to pay any amount by the due date of the availability of homeownership counseling.
- The notice must advise the homeowner of the availability of any homeownership counseling offered by the creditor and provide either:
 - a list of the Housing and Urban Development (HUD)-approved nonprofit homeownership counseling organizations or
 - the HUD toll-free telephone number (1-800-569-4287) through which the homeowner can obtain a list of HUD-approved nonprofit organizations serving the homeowner's residential area.
- The notice must be mailed or delivered to the homeowner within 45 days of the payment due date; however, notification is not required if the homeowner pays the overdue amount before the expiration of the 45-day period.

A homeowner is eligible for counseling under this provision if:

- the loan is secured by the homeowner's principal residence;
- the home loan is not assisted by the Farmers Home Administration; and
- the homeowner is, or is expected to be, unable to make payments, correct a home loan delinquency within a reasonable time, or resume full home loan payments due to a reduction in the homeowner's income because of:
 - an involuntary loss of, or reduction in, the homeowner's employment, the homeowner's self-employment, or income from the pursuit of the homeowner's occupation or

- any similar loss or reduction experienced by any person who contributes to the homeowner's income.

Please ensure that your Compliance Officer receives this information.

For more information, please contact Eric L. Kooistra, Review Examiner in the Division of Compliance and Consumer Affairs, on (202) 942-3339.

Stephen M. Cross
Director

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200)