

HUD'S NATIONAL SERVICING CENTER



Delinquent Servicing Scoring Model

(Formerly SPS)

Servicer Narrative

FY2012 Quarter 3 Update

OVERVIEW AND OBJECTIVES	4
GUIDE TO THIS NARRATIVE	4
WHO WILL BE SCORED	4
SERVICER VERSUS SUBSERVICER VERSUS HOLDER	5
OPTING OUT	5
SCORING PROCESS	6
PUBLIC AVAILABILITY OF SCORES AND GRADES	6
INCREASED INCENTIVES	6
NOTIFICATION OF SCORES	7
CONTACT INFORMATION	7
ELEMENT: FORECLOSURE PREVENTION	9
DATA SOURCE	9
ELEMENT PURPOSE.....	9
ELEMENT DESCRIPTION	9
BENCHMARKS.....	10
SUGGESTIONS TO INCREASE THE SCORE	10
HOW TO CALCULATE.....	11
ELEMENT: REDEFAULTS	17
DATA SOURCE	17
ELEMENT PURPOSE.....	17
ELEMENT DESCRIPTION	17
BENCHMARKS.....	18
SUGGESTIONS TO INCREASE THE SCORE	18
HOW TO CALCULATE.....	19
ELEMENT: SINGLE FAMILY DEFAULT MONITORING SYSTEM (SFDMS) REPORTING	21
DATA SOURCE	21
ELEMENT PURPOSE.....	21
ELEMENT DESCRIPTION	21
BENCHMARKS.....	21
SUGGESTIONS TO INCREASE THE SCORE	21
PART 1: PULL DEFAULT REPORTING NUMBERS FROM NEIGHBORHOOD WATCH	23
PART 2: PULL THE NUMBER OF DELINQUENT CASES FROM NEIGHBORHOOD WATCH	25
PART 3: CALCULATE THE SCORE	27
ELEMENT: LOSS MITIGATION ENGAGEMENT	28
DATA SOURCE	28
ELEMENT PURPOSE.....	28
ELEMENT DESCRIPTION	28
BENCHMARKS.....	29
SUGGESTIONS TO INCREASE THE SCORE	29
PART 1: CALCULATE THE CLAIMS WORK-OUT RATIO (WO RATIO)	30
PART 2: CALCULATE THE REPORTED ENGAGEMENT RATIO	30
PART 3: CALCULATE THE LOSS MITIGATION ENGAGEMENT SCORE	31
EXTRA CREDIT	33
WHAT QUALIFIES FOR EXTRA CREDIT	33
STAFF ATTENDANCE/COMPLETION REQUIREMENTS	33
HOW TO RECEIVE THE EXTRA CREDIT	33
ADDITIONAL EXTRA CREDIT	34
APPENDIX A: WHERE TO FIND YOUR DATA	35
APPENDIX B: NEIGHBORHOOD WATCH DATA TO DOWNLOAD	36

APPENDIX C: AUTO-EXTENSIONS 37

APPENDIX D: DOWNLOAD A LIST OF YOUR CLAIMS PROCESSED..... 38

APPENDIX E: OPEN DEFAULTS REQUIRING FURTHER SFDMS REPORTING PER NEIGHBORHOOD WATCH..... 40

REVISION HISTORY 45

OVERVIEW AND OBJECTIVES

The National Servicing Center's delinquent servicing scoring model also known as SPS has been created and established in order to accomplish the following:

- Determine servicer compliance with HUD/FHA delinquent servicing guidelines and regulations in the areas of early delinquency intervention, loss mitigation engagement quantity and quality, and Single Family Default Monitoring System (SFDMS) reporting.
- Protect borrowers from servicer non-compliance with HUD/FHA delinquent servicing guidelines and regulations.
- Alert HUD to potential servicer-specific or industry-wide delinquent servicing issues.

This model utilizes four scoring elements in order to quantify this compliance:

- (1) Foreclosure Prevention
- (2) Redefaults
- (3) SFDMS Reporting
- (4) Loss Mitigation Engagement

This narrative details the calculations for all four scoring elements, why and how we are looking at these elements, when and from which sources the data comes, suggestions to increase your scores, how to contact us, and much more.

1

GUIDE TO THIS NARRATIVE

All changes are tracked in the revision history at the end of this document. However, in order to make it easier to determine updated information with each new release (and to help us keep our sanity), the following symbols will appear next to the most recent applicable updates.

1

Level 1 - Brand new section, item or criterion.

2

Level 2 - Major update to existing section, item, or criterion.

3

Level 3 - Small update to the existing section, item or criterion.

WHO WILL BE SCORED

In order to be scored, a mortgage servicer must meet the following criteria:

- 1) Approved to service single family loans.
- 2) Servicer of record for a seriously delinquent portfolio of 5 loans or more as reflected in Neighborhood Watch for the last month in the scoring quarter.

If your company meets these criteria but also meets the following criteria, your company will have the option to opt-out. If your company has this option available, it is noted on the first page of the scoring announcement letter along with your company's score.

- ✓ Servicer of record for a seriously delinquent portfolio of at least 5 loans but less than 25 loans as reflected in Neighborhood Watch for the last month of the scoring quarter.

If a servicer chooses to opt-out, it is not eligible for increased incentives for the following year, and that servicer's scores will not be made available on a public website.

1

SERVICER VERSUS SUBSERVICER VERSUS HOLDER

For the purposes of quantifying delinquent servicing effectiveness, the servicer of record is the entity that is scored. This is the entity interacting with the borrower and making the decisions regarding the delinquency process. If your company has a subservicer relationship/agreement with a company that owns the servicing rights to the loan, HUD still considers your company to be the servicer of record if your company does the following:

- Collects payments from the borrower, and
- Disburses taxes and insurance, and
- Remits MIP. In fact, if your company remits the MIP under your company's HUD Lender ID, your company will be automatically listed as the servicer of record.

If a company performs only the default servicing, default reporting, and/or claim filing, etc., that company should be doing the activity under that servicer of record's ID.

Owning the servicing rights but not doing these activities does not make the company the servicer of record. If all a company has is the servicing rights but does no actual servicing activities, that company may be listed as the holder of record if that company wishes to receive claim payments.

OPTING OUT

A servicer may choose to opt-out as long as that option is available according to the most recent quarterly scoring announcement letter. In order to exercise its option to opt-out, a servicer must

- ✓ Submit the request via email to sfdatarequests@hud.gov no later than October 31. Please enter "SPS Opt-Out" in the subject line and include your company's 5-digit HUD Lender ID.
- ✓ Once your request has been verified, you will receive a confirmation email that your company has opted-out of scoring for the fiscal year.
- ✓ Please be advised that opting out for one fiscal year of scoring does not carry over to the next and will have to be resubmitted, verified, and confirmed.

We will continue to issue scores to all eligible servicers. If your company meets opt-out criteria and has exercised the option to opt-out, the scoring announcement letter is for informational purposes only, which will be stated on the letter.

SCORING PROCESS

Scores will be issued to each eligible servicer via hard copy letter after the conclusion of each fiscal year quarter.

QUARTER 1	OCTOBER, NOVEMBER, & DECEMBER	ANTICIPATED TO BE ISSUED ON OR AROUND FEBRUARY 15
QUARTER 2	JANUARY, FEBRUARY, & MARCH	ANTICIPATED TO BE ISSUED ON OR AROUND MAY 15
QUARTER 3	APRIL, MAY, & JUNE	ANTICIPATED TO BE ISSUED ON OR AROUND AUGUST 15
QUARTER 4	JULY, AUGUST, & SEPTEMBER	ANTICIPATED TO BE ISSUED ON OR AROUND NOVEMBER 15

- Please be advised that our systems take some time to refresh, particularly those involving SFDMS reporting data, and therefore, scores will not be immediately available at the quarter close. You should expect anywhere from about four to six weeks before receiving your scores for the previous quarter.
- Fiscal year end final scores may take a bit longer due to final reviews and approvals.
- Element Scoring Process
 - ✓ Foreclosure Prevention and Redefaults: Case level scores are averaged for a monthly score. Monthly scores are averaged for each quarter. Yearly scores are the average of the four quarters.
 - ✓ SFDMS Reporting and Loss Mitigation Engagement: Ratios for each month are averaged for each quarter. Yearly scores are the average of the four quarters.

PUBLIC AVAILABILITY OF SCORES AND GRADES

Please be advised that all scored servicers including those that have not chosen to opt-out will have their names and scores published on HUD's website at the close of each fiscal year scoring when final announcement letters are sent. No scores will be publicly available until that time.

INCREASED INCENTIVES

In the future, this scoring model may be used as the basis for determining increased incentive payments to servicers; those servicers earning an "A" would be eligible. The discontinuation of TRS incentive payments and the transition to incentive payments tied to this scoring model will be announced via mortgagee letter should this occur. Until such time, the Tier Ranking System (TRS) remains as the official basis for determining increased incentives.

NOTIFICATION OF SCORES

Hard copy announcement letters containing scores and grades for each quarter are sent to the contact identified by your company that we have on file.

- If no contact was ever provided, the letters are sent generically to the president of your company.
- Currently, we are sending out only one hard copy letter per company.

1 We are also pleased to announce expanded distribution of the announcement letters if your company agrees to go paperless.

- Soft copies of the announcement letters will be emailed to up to 10 designees in lieu of a hard copy letter sent through the mail.
- Additionally, there is opportunity for extra credit if you choose this distribution method (see [Extra Credit](#)).
- Please be advised that if you have previously emailed us with questions, comments, or requests, and/or previously requested an email distribution, you will need to submit this to us again formally so we can make sure our records are up to date. We will also log your extra credit at that time.
- See [Contact Information](#) for how to request this.

1 As a servicer of record, you may also request a breakdown of your scores by the holder of record.

- This breakdown will be for foreclosure prevention, redefaults, and the work-out ratio of loss mitigation engagement.
- Reporting and the reported engagement ratio cannot currently be broken out by holder.
- See [Contact Information](#) for how to request this.

CONTACT INFORMATION

If you need to contact us for additional information, please take the following actions. If you want multiple items, you can include them in the same email, but just make sure to reference what you want.

What Do You Need?	Action to Take
Go Paperless!	Email sfdatarequests@hud.gov Subject Line: SPS Go Paperless Include: <ul style="list-style-type: none"> ✓ 5 digit HUD Lender ID ✓ Up to 10 names and email addresses to which you wish to have the quarterly announcement letters delivered as well as other blast updates and other communication regarding scoring.

Update Your Company's Contact Information	<p>Email sfdatarequests@hud.gov</p> <p>Subject Line: SPS Contact</p> <p>Include:</p> <ul style="list-style-type: none"> ✓ Name ✓ Title ✓ Lender Name ✓ 5 digit HUD Lender ID ✓ Address (if different than addressed) ✓ Phone Number
Soft Copy of Your Company's Scoring Announcement Letter	<p>Email sfdatarequests@hud.gov</p> <p>Subject Line: SPS Soft Copy Letter Request</p> <p>Include: 5-digit HUD Lender ID</p>
Soft Copy of Holder of Record's Scores for a Specific Servicer of Record	<p>Email sfdatarequests@hud.gov</p> <p>Subject Line: SPS Holder Scores Request</p> <p>Include: 5-digit HUD Lender ID for the Servicer of Record as well as the specific 5-digit HUD Lender ID(s) for the Holder(s) of Record requested.</p>
Your Company's Data	<p>Email sfdatarequests@hud.gov</p> <p>Subject Line: SPS Data</p> <p>Include: 5-digit HUD Lender ID</p>
Other Questions or Comments	<p>Email sfdatarequests@hud.gov</p> <p>Subject Line: SPS</p> <p>Include: 5-digit HUD Lender ID & your question(s) and/or comment(s).</p>
Reconcile your Portfolio	<p>Go to the website http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/portrecon for instructions on resolution to these issues.</p>
Send a Hard Copy Letter	<p>Hard copy letters can be sent to the Department of Housing and Urban Development, 301 NW 6th Street, Suite 200, Oklahoma City, OK 73102-2807. Please also address any hard copy letter to the attention of NSC Branch 1 SPS to ensure proper processing and include your company's 5-digit HUD Lender ID.</p>

ELEMENT: FORECLOSURE PREVENTION

Data Source

All data comes from SFDMS Reporting. You will need to use your own servicing histories and SFDMS reports to calculate your scores if you are self-monitoring.

Element Purpose

- ❖ 24 CFR 203.606 states that a servicer should not initiate foreclosure until at least three full monthly installments are past due (unless there is a qualifying exception that allows for acceleration of the foreclosure process).
- ❖ 24 CFR 203.355 states that a servicer should initiate foreclosure within 6 months from the date of default (i.e. 8 months from the oldest unpaid installment).

We know not every borrower will respond to collection efforts, not every borrower will qualify for loss mitigation, and not every borrower will be able to reinstate his/her loan, but accelerating the foreclosure process makes it more difficult for the borrower to participate in any loss mitigation and to reinstate the loan.

While we still expect timeframes to be met for filing the first legal, this element is scored on the timeliness of foreclosure initiation and the attempts at intervention prior to the action.

Element Description

Evaluate a servicer's foreclosure initiation timeframes and intervention practices. This is achieved by reviewing all cases in which a new first legal action was reported during a default episode and all of the reported intervention activities that occurred before the first legal within that default episode. Intervention activities are examined since this is the only way a servicer can actively attempt to prevent a foreclosure.

The scoring structure has been designed so that points can be earned in different ways including initiating foreclosure in accordance with CFR, attempting various loss mitigation tools, reporting a borrower as ineligible for loss mitigation, and non-borrower occupancy. However, as the default episode progresses and more time passes until the first legal action is taken, the impact of the non-borrower occupancy in foreclosure prevention becomes less and less, so the possible points that can be earned associated with non-borrower occupancy becomes less and less.

Benchmarks

Grades are assigned based upon a 10 point scale.

Foreclosure Prevention %	Assigned Grade
90% -100+%	A
80% -89%	B
70% -79%	C
60% - 69%	D
Less than 60%	F

Suggestions to Increase the Score

- ✓ Report correctly, including occupancy status codes and oldest unpaid installment dates, particularly if the oldest unpaid installment date was advanced during the month the first legal action was taken.
Make sure to report the actual oldest unpaid installment date as of the first legal action when reporting the default status code 68.
- ✓ Do more loss mitigation and report it.
- ✓ Utilize allowed for auto-extensions and do not initiate foreclosure to meet a non-extended deadline if the borrower is in loss mitigation. See Appendix C for more information on auto-extensions.
- ✓ Report AQs properly to signify the failure of an attempted loss mitigation action.

How to Calculate

- 1) Pull a list of cases that were reported first legal actions (default status code 68) for the first time within a default episode for the current scoring month.

You will also need to determine the occupancy status code reported with the code 68 as well as the number of months delinquent as of the code 68.

Quarter	Scoring Month	First Time in Episode First Legal Filed Default Status Code 68 Reported for Cycle	Also Need Data For
Q1	October	10/31 of current year	<ul style="list-style-type: none"> • Number of months delinquent as of the status code 68 • Occupancy status code reported as of the status code 68
	November	11/30 of current year	
	December	12/31 of current year	
Q2	January	1/31 of current year	
	February	2/28 (2/29) of current year	
	March	3/31 of current year	
Q3	April	4/30 of current year	
	May	5/31 of current year	
	June	6/30 of current year	
Q4	July	7/31 of current year	
	August	8/31 of current year	
	September	9/30 of current year	

Regardless if you report the default status code 68 multiple times in the default episode or if it becomes necessary to restart the foreclosure after an interruption such as bankruptcy or to amend a complaint, only the first 68 reported within a default episode triggers the evaluation for this element.

10/2011	03/01/09	32	68	First Legal Action to Commence Foreclosure
11/2011	03/01/09	33	68	First Legal Action to Commence Foreclosure
12/2011	03/01/09	34	68	First Legal Action to Commence Foreclosure
1/2012	03/01/09	35	68	First Legal Action to Commence Foreclosure
2/2012	03/01/09	36	68	First Legal Action to Commence Foreclosure

Only the first reporting in the episode triggers the evaluation.

The number of months delinquent is based upon the oldest unpaid installment date included in your SFDMS reporting. You can find the number of months delinquent on a case-by-case basis in Neighborhood Watch, under queries, case status.

Reporting Period	OUI Date	# Months Delinquent	Delinquent Status	Delinquent Status Definition
11/2010	11/01/10	1	42	Delinquent
12/2010	12/01/10	1	12	Repayment
1/2011	01/01/11	1	12	Repayment
2/2011	02/01/11	1	12	Repayment
3/2011	04/01/11	0	98	Reinstated After Loss Mitigation Intervent
4/2011	04/01/11	1	42	Delinquent
4/2011	04/01/11	1	12	Repayment
5/2011	04/01/11	2	12	Repayment
6/2011	04/01/11	3	12	Repayment
7/2011	05/01/11	3	12	Repayment
8/2011	05/01/11	4	12	Repayment
9/2011	05/01/11	5	09	Special Forbearance
10/2011	06/01/11	5	09	Special Forbearance
11/2011	06/01/11	6	09	Special Forbearance
12/2011	06/01/11	7	09	Special Forbearance
12/2011	06/01/11	7	AQ	Loss Mitigation Option Failure
1/2012	06/01/11	8	AQ	Loss Mitigation Option Failure
2/2012	06/01/11	9	AO	Ineligible for Loss Mitigation
3/2012	06/01/11	10	68	First Legal Action to Commence Foreclosure

Previous Default Episode – Not Evaluated

Default Episode Evaluated

This event triggered the evaluation. The Months Delinquent is 10.

- 2) Assess points for the number of months delinquent as of the first legal action. This is based on a sliding scale detailed in the table below.
- 3) Assess additional points for non-borrower occupancy if reported with the new first legal action. This is also based on a sliding scale and detailed in the table below.

A non-borrower occupancy is considered to be a reported occupancy status code of

- *Occupied by Renter/Tenant*
- *Known to be Vacant*
- *Adverse Occupant*

Reporting Unable to Determine Occupancy/Unknown is not considered to be non-borrower occupied, since the property may very well be occupied by the borrower.

Months Delinquent at 68	Months Delinquent Points	Non-Borrower Occupied Points
0	0	0
1	20	20
2	40	20
3	60	20
4	65	15
5	70	10
6	75	5
7	78	2
8	80	0
9 and up	80	0

4) Determine which cases had any of following codes reported between the opening of the default episode and the reported first legal action. Multiple reporting of the same code only gets counted one time.

- *Ineligible for Loss Mitigation (AO)*
- *Repayment Plan (12)*
- *Trial Payment Plan (08)*
- *Special Forbearance (09)*
- *Partial Claim Started (10)*
- *Modification Started (28)*
- *Preforeclosure Acceptance Plan Available (15)*
- *Deed-in-Lieu Started (44)*
- *FHA-HAMP Trial Modification Plan (39)*
- *FHA-HAMP Modification Started (41)*

- ✓ Each attempt at loss mitigation up to three attempted actions gets five points each for a total of 15 points possible.
- ✓ A reported Ineligible for Loss Mitigation (AO) also gets five points.

The following table shows total points available based on the number of months delinquent at the time of the reported first legal action.

Months Delinquent at 68	Months Delinquent Points	Non-Borrower Occupied Points	Ineligible for Loss Mitigation Points	Loss Mitigation Actions Points	Total Points Available
0	0	0	5	5 x # of Actions up to 3	20
1	20	20	5	5 x # of Actions up to 3	60
2	40	20	5	5 x # of Actions up to 3	80
3	60	20	5	5 x # of Actions up to 3	100
4	65	15	5	5 x # of Actions up to 3	100
5	70	10	5	5 x # of Actions up to 3	100
6	75	5	5	5 x # of Actions up to 3	100
7	78	2	5	5 x # of Actions up to 3	100
8	80	0	5	5 x # of Actions up to 3	100
9 and up	80	0	5	5 x # of Actions up to 3	100

Based on this schedule of points, the case previously shown above from Neighborhood Watch earns a score of 95%, which is arrived at by 80 installment points + 5 AO points + 10 Loss Mitigation Action points (repayment plan 12 and special forbearance 09).



- 5) If a case is found to be dual tracked, the points will automatically be zero. Dual tracked cases are those that fall into two specific scenarios.

Default Cycle	Scenario 1	Scenario 2
Two Cycles Prior	Loss Mitigation	Loss Mitigation
Once Cycle Prior	Loss Mitigation	Loss Mitigation
Cycle of First Time Episode 68 Reported	First Legal Action to Commence Foreclosure	First Legal Action to Commence Foreclosure AND Loss Mitigation
Next Consecutive Cycle	Loss Mitigation	Any Code

For these purposes, loss mitigation is limited to the following codes:

- Trial Payment Plan (08)
- Special Forbearance (09)
- Partial Claim Started (10)
- Modification Started (28)
- Preforeclosure Acceptance Plan Available (15)
- FHA-HAMP Trial Modification Plan (39)
- FHA-HAMP Modification Started (41)

Repayment plan (12) and both deed-in-Lieu started (44) and completed (47) are not considered to be dual tracked if reported in conjunction with foreclosure initiation as there are no automatic extensions of the first legal deadline for attempting to utilize these tools.

Servicers are urged to request a variance extension of the first legal deadline if it appears that the borrower will be able to resolve the delinquency through either a repayment plan or a deed-in-lieu rather than incur potentially unnecessary foreclosure fees and costs.

Example 1

The first legal action was reported for 5/31/2012 default cycle. However, one cycle prior for the 4/30/2012 default cycle the case was reported as in the preforeclosure program. Two cycles prior for the 3/31/2012 cycle, it was also reported as in the preforeclosure program. For the next consecutive cycle of 6/30/2012, the case was also reported as in the preforeclosure program. This case is considered to be dual tracked.

3/2012	10/01/11	6	15	Preforeclosure Acceptance Plan Available
4/2012	10/01/11	7	15	Preforeclosure Acceptance Plan Available
5/2012	10/01/11	8	68	First Legal Action to Commence Foreclosure
6/2012	10/01/11	9	17	Preforeclosure Sale Completed

Example 2

The first legal action was reported for 5/31/2012 default cycle. However, in that exact same cycle, a modification started was reported. One cycle prior for the 4/30/2012 default cycle the case was reported as having a modification started. Two cycles prior for the 3/31/2012 cycle, it was also reported as having a modification started. This case is considered to be dual tracked.

3/2012	01/01/12	3	28	Modification Started
4/2012	01/01/12	4	28	Modification Started
5/2012	01/01/12	5	28	Modification Started
5/2012	05/01/12	1	68	First Legal Action to Commence Foreclosure

Example 3

The same loss mitigation code does not have to be reported for each of the cycles reviewed. For instance, the first legal action was reported for 4/30/2012 default cycle. However, in that exact same cycle, a modification started was reported. For the two cycles prior, this case was reported as on a trial payment plan. This case is considered to be dual tracked.

2/2012	11/01/11	4	08	Type II Special Forbearance / Trial Payment Plan
3/2012	11/01/11	5	08	Type II Special Forbearance / Trial Payment Plan
4/2012	11/01/11	6	68	First Legal Action to Commence Foreclosure
4/2012	11/01/11	6	28	Modification Started

Example 3

The first legal action was reported for 4/30/2012 default cycle. However, in that exact same cycle, and for the two cycles prior, this case was reported as on a repayment plan. For the cycle after the first legal was reported, this case was reported as having started a trial payment plan. This case is not considered to be dual tracked.

2/2012	11/01/11	4	12	Repayment
3/2012	11/01/11	5	12	Repayment
4/2012	11/01/11	6	12	Repayment
4/2012	11/01/11	6	68	First Legal Action to Commence Foreclosure
5/2012	11/01/11	7	08	Type II Special Forbearance / Trial Payment Plan

6) Scores are calculated on each case by dividing the number of points by a total of 100 possible points.

Scoring for borrower occupied properties:

Months Delinquent at 68	Borrower Occupied	Plus AO	Plus AO & 1 LM	Plus AO & 2 LM	Plus AO & 3 LM
0	0.00%	5.00%	10.00%	15.00%	20.00%
1	20.00%	25.00%	30.00%	35.00%	40.00%
2	40.00%	45.00%	50.00%	55.00%	60.00%
3	60.00%	65.00%	70.00%	75.00%	80.00%
4	65.00%	70.00%	75.00%	80.00%	85.00%
5	70.00%	75.00%	80.00%	85.00%	90.00%
6	75.00%	80.00%	85.00%	90.00%	95.00%
7	78.00%	83.00%	88.00%	93.00%	98.00%
8	80.00%	85.00%	90.00%	95.00%	100.00%

Scoring for non-borrower occupied properties:

Months Delinquent at 68	Non-Borrower Occupied	Plus AO	Plus AO & 1 LM	Plus AO & 2 LM	Plus AO & 3 LM
0	0.00%	5.00%	10.00%	15.00%	20.00%
1	40.00%	45.00%	50.00%	55.00%	60.00%
2	60.00%	65.00%	70.00%	75.00%	80.00%
3	80.00%	85.00%	90.00%	95.00%	100.00%
4	80.00%	85.00%	90.00%	95.00%	100.00%
5	80.00%	85.00%	90.00%	95.00%	100.00%
6	80.00%	85.00%	90.00%	95.00%	100.00%
7	80.00%	85.00%	90.00%	95.00%	100.00%
8	80.00%	85.00%	90.00%	95.00%	100.00%

ELEMENT: REDEFAULTS

Data Source

Loan Modification and Partial Claim (including HAMPs) incentive claims filed and SFDMS Reporting. See Appendix D for information on how to pull the list of claims evaluated from FHA Connection. You will need to use your own servicing histories and SFDMS reports to calculate your scores if you are self-monitoring.

Element Purpose

- ❖ Mortgage Letter 2003-19 states that partial claims may be offered to borrowers that have overcome the cause of the default and have sufficient income to resume monthly mortgage payments. It also states that the partial claim must fully reinstate the loan.
- ❖ Mortgage letter 2000-05 states that modifications may be offered to borrowers who have stabilized surplus income which is sufficient to support the monthly payment under the modified rate and/or term. It also states that the modification must fully reinstate the loan.

When a mortgage modification or partial claim is utilized, there is an expectation that 1) the servicer has appropriately reviewed the borrower's financials and the borrower's continued ability to make his/her mortgage payments, and 2) the tool will fully reinstate the loan.

We know that not every borrower will stay current for six months or longer after the tool is utilized; events beyond the borrower's and/or the servicer's control happen. However, if the case was properly reviewed for the loss mitigation tool prior to its utilization, and if the servicer properly performs early delinquency intervention once a case becomes delinquent again, the impact of these redefaults on a servicer's score should be minimal.

Element Description

Evaluate and score the performance of cases after a mortgage modification or partial claim incentive claim is filed with and processed by HUD. FHA HAMPs are evaluated twice, that is to say individually as modifications and partial claims.

Mortgage modifications and partial claims reinstate the loan, and the incentive claims with HUD are to be filed within 60 days of the execution date of the mortgage modification or of the subordinate lien to HUD. The performance period begins the month after the incentive claim is processed and ends after six months. The number of times a case is reported 90 days or more delinquent is counted for the six month evaluation period.

Benchmarks

Grades are assigned based upon a 10 point scale.

Redeault Average Score	Assigned Grade
90 -100	A
80 -89	B
70 -79	C
60 - 69	D
Less than 60	F

Suggestions to Increase the Score

- ✓ File the incentive claim as close to the actual reported reinstatement as possible. The clock for the evaluation period does not begin until the claim is processed.
- ✓ Make sure the loan is completely reinstated by the loss mitigation tool, and report the reinstatement correctly in SFDMS.
- ✓ Place the borrower on a trial payment plan before implementing the loan modification or partial claim.
- ✓ Perform loan modifications in accordance with Mortgagee Letter 2009-35, specifically in regard to lowering the interest rate. Those loan modifications that are out of compliance generally score 6-7 percentage points lower than those that are in compliance.
- ✓ Once a loan goes delinquent, intervene and do not let the loan get 90 days down again.

How to Calculate

Pull a list of incentive claims based upon the scoring month in the schedule below. Each of these cases starts with 60 points.

Quarter	Scoring Month	Claim Processed From	Claim Processed To	Review Month 1	Review Month 2	Review Month 3	Review Month 4	Review Month 5	Review Month 6
Q1	October	4/1	4/30	5/31	6/30	7/31	8/31	9/30	10/31
	November	5/1	5/31	6/30	7/31	8/31	9/30	10/31	11/30
	December	6/1	6/30	7/31	8/31	9/30	10/31	11/30	12/31
Q2	January	7/1	7/31	8/31	9/30	10/31	11/30	12/31	1/31
	February	8/1	8/31	9/30	10/31	11/30	12/31	1/31	2/28
	March	9/1	9/30	10/31	11/30	12/31	1/31	2/28	3/31
Q3	April	10/1	10/31	11/30	12/31	1/31	2/28	3/31	4/30
	May	11/1	11/30	12/31	1/31	2/28	3/31	4/30	5/31
	June	12/1	12/31	1/31	2/28	3/31	4/30	5/31	6/30
Q4	July	1/1	1/31	2/28	3/31	4/30	5/31	6/30	7/31
	August	2/1	2/28	3/31	4/30	5/31	6/30	7/31	8/31
	September	3/1	3/31	4/30	5/31	6/30	7/31	8/31	9/30

- 1) For each incentive claim processed, determine the number of times the case becomes 90 days delinquent or more in the following 6 months (again, refer to the schedule).
 - A case can only be counted once per month.
 - However, if more than one incentive claim is processed on a case, each claim’s performance is evaluated separately, so more than one claim per case per period may be reviewed.
- 2) For each 90 day or more delinquent count, 10 points is subtracted from 60 possible points.
- 3) Potential to lose all points.
 - (a) The case is in foreclosure within 6 months of the claim processed date.
 - ✓ If a case is reported as in any part of the foreclosure process during the six month evaluation period, the possible points associated with that incentive claim are 0.

For these purposes, the following default codes are considered any part of the foreclosure process:

 - First Legal Action to Commence Foreclosure (68)*
 - Foreclosure Sale Held (1A)*
 - Eviction Completed (1G)*
 - Foreclosure Deed Recorded (77)*
 - Property Conveyed to Insurer (46)*
 - Third Party Sale (30)*
 - Property Redeemed (73)*
 - (b) The delinquency has not been accurately reported.

- ✓ If the last SFDMS reporting for a case was more than 90 days before the incentive claim was processed, or
- ✓ If no default reporting ever occurred

The possible points associated with that incentive claim are 0.

Example 1

In the example below, this case would score an 83% which is 50 points (60 points – 10 points for one redefault) divided by 60 points.

Form Type	Date Received	Date Prepared	Date Processed	Claim Type
A	09/29/11	09/29/11	09/30/11	32 - Loan Modification

This date processed event triggered the evaluation.

8/2011	06/01/11	3	28	Modification Started
9/2011	06/01/11	4	28	Modification Started
9/2011	11/01/11	0	98	Reinstated After Loss Mitigation Intervent
12/2011	12/01/11	1	42	Delinquent
1/2012	12/01/11	2	42	Delinquent
2/2012	12/01/11	3	42	Delinquent
3/2012	02/01/12	2	42	Delinquent
4/2012	04/01/12	1	42	Delinquent

Time Period Evaluated – October 2011 through March 2012
March is the scoring month.

Example 2

In the example below, this case would score a 0% because there was no default reporting 90 days prior to the loan modification claim process date. In fact, the delinquency associated with this even was not reported at all.

Form Type	Date Received	Date Prepared	Date Processed	Claim Type
A	09/20/11	09/20/11	09/21/11	32 - Loan Modification

This date processed event triggered the evaluation.

1/2011	11/01/10	3	98	Reinstated After Loss Mitigation Intervent
12/2011	12/01/11	1	42	Delinquent
1/2012	12/01/11	2	42	Delinquent
2/2012	03/01/12	0	20	Reinstated by Mortgagor w/o Loss Mitigation Claim

Time Period Evaluated – October 2011 through March 2012
There was no reporting within 90 days prior to 9/21/2011.

ELEMENT: SINGLE FAMILY DEFAULT MONITORING SYSTEM (SFDMS) REPORTING

Data Source

SFDMS reporting and a servicer’s total current delinquencies as reflected in Neighborhood Watch. This should be downloaded monthly by the servicer if self-monitoring.

Please note, that if a subservicer is responsible for your company’s default reporting into the Single Family Default Monitoring System, that subservicer should ideally be reporting under your ID.

Element Purpose

- ❖ 24 CFR 203.331 (c) states that a servicer is to report to HUD all mortgages that were in default on the last day of the month, or that were reported as in default the previous month.

HUD’s ability to properly evaluate the status of its portfolio, report to congress, establish a budget, and evaluate policy effectiveness and potential policy changes is dependent upon good default reporting.

Element Description

Evaluate if a servicer is reporting on all open defaults as well as evaluate the number of fatal errors committed by the servicer. This will increase the accuracy of SFDMS reporting as a whole and help the servicer if and when it becomes time to file a claim with HUD.

Benchmarks

Grades are assigned based upon a 10 point scale, which is derived from the calculated score.

Fatal Error Percentage Range	Rate of Reporting	Calculated Grade	Assigned Grade
0.00% - 2.00%	At least 100%	90 - 100	A
2.01% - 4.00%	At least 100%	80 - 89	B
4.01% - 6.00%	At least 100%	70 - 79	C
6.01 – 8.00%	At least 100%	60 - 69	D
8.01% or more	At least 100%	59 or Less	F

Suggestions to Increase the Score

- ✓ If you want to self-monitor and calculate this yourself, you will need to obtain the data from Neighborhood Watch every month since historical data for many reports is not available.
- ✓ Do not fail to report.
- ✓ Report on all open defaults.
 - You can reconcile your outstanding defaults to Neighborhood Watch records.

- Please note that when you click on the hyperlink for the delinquent loans, that the default cycle now shows so you can see the last default cycle that reporting occurred (it is the delinquent cycle date column).
- You can download this information to Excel to reconcile more easily to your records by scrolling to the bottom of the page. See [Appendix E](#) for more information.
- ✓ If you utilize a subservicer who does your default reporting for you and you are the servicer of record, then make sure the subservicer is reporting under your ID.
- ✓ Report corrections immediately before the cycle closes. A higher number of correct reporting occurrences will increase the denominator when calculating the fatal error rate and will lessen the impact of the fatal errors.

Please note that corrections will not cancel out the fatal error. Additionally, not all fatal errors can be corrected. Sometimes, the only way to correct a fatal error is to stop reporting.

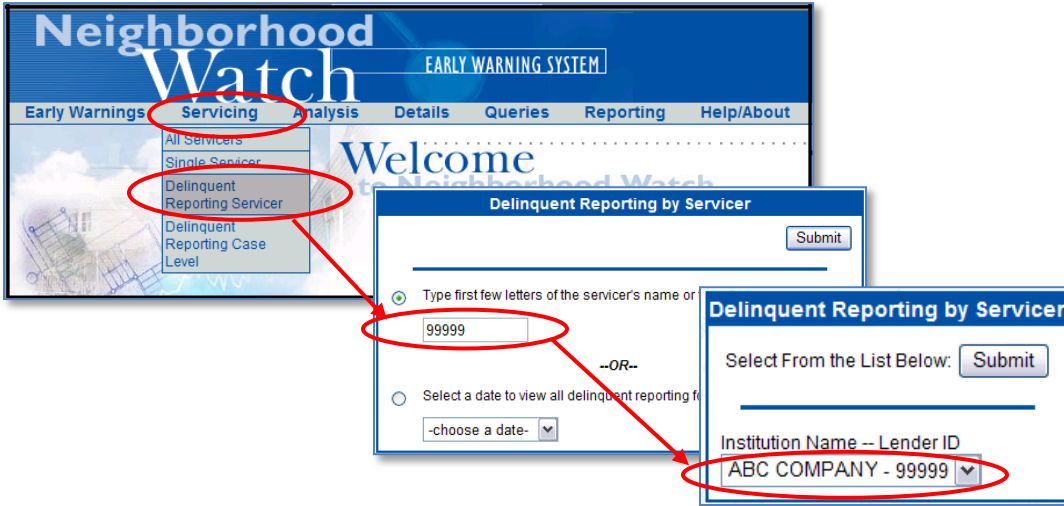
- If you are not receiving the error report directly from EDI, make sure you start.
- You can also find your error report in FHA Connection.
 - Go to Single Family FHA, Single Family Servicing, Delinquent Loans, and then Application Advice Notices.
 - You will need to enter the 10 digit HUD Lender ID under which you reported.
 - The available cycles will be displayed.
 - Then the list of transaction dates will be displayed.
 - Choose the most recent one if you are resubmitted fatal errors.
 - This data may take a while to process, so if the system seems to be taking a while, that is ok.



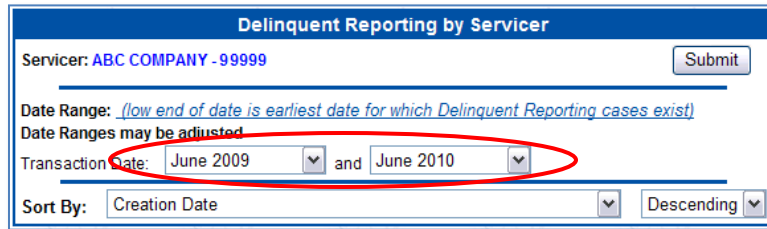
- ✓ Report manually in FHA Connection.
- ✓ Make corrections to your system to stop the fatal error issue.
- ✓ Do not report on terminated or uninsured loans.

Part 1: Pull default reporting numbers from Neighborhood Watch.

- 1) Navigate to the Delinquent Reporting Servicer screen in Neighborhood Watch.
 - Enter your servicer’s ID number or type the first few letters of your company’s name and click Submit.
 - Make sure the appropriate institution name and lender ID are shown in the drop down and click Submit.



- 2) Choose transaction dates as appropriate and then click Submit. It will default to a rolling year.



- 3) A screen will come up that displays all of the reporting events and their creation dates, the reporting method, the number of cases, and the types of fatal errors (and non-fatal errors which are not pictured below).
 - Note that the case counts in the various columns are hyperlinks, so you can click on those and pull up a case level list.
 - Also note that the column headings are hyperlinks, so you can click on those for the column explanations.

Fatal Errors														
Creation Date	Delinquent Reporting Method	Case Number Count	Total Fatal Errors	% Total Fatal Errors	Bad FHA Case Number	% of Bad FHA Case Number	Invalid Mortgage Status	% of Invalid Mortgage Status	Invalid Oldest Unpaid Installment Date	% of Invalid Oldest Unpaid Installment Date	Invalid Mortgage Status FHA Insurance Terminated	% of Invalid Mortgage Status FHA Insurance Terminated	Invalid Mortgage Status FHA Insurance Claim Terminated	% of Invalid Mortgage Status FHA Insurance Claim Terminated
06/08/10	EDI	2	1	50.00	0	0	1	50.00	0	0	0	0	0	0
06/07/10	FHA Connection	3	0	0	0	0	0	0	0	0	0	0	0	0
06/02/10	FHA Connection	2	0	0	0	0	0	0	0	0	0	0	0	0
06/02/10	EDI	1	1	100.00	0	0	1	100.00	0	0	0	0	0	0
06/02/10	EDI	3	2	66.67	0	0	2	66.67	0	0	0	0	0	0
05/26/10	FHA Connection	26	0	0	0	0	0	0	0	0	0	0	0	0
05/25/10	FHA Connection	31	0	0	0	0	0	0	0	0	0	0	0	0
05/24/10	FHA Connection	36	0	0	0	0	0	0	0	0	0	0	0	0
05/20/10	EDI	27	0	0	0	0	0	0	0	0	0	0	0	0

- 4) Add together the # of Reporting Occurrences listed under “Case Number Count” associated with the same default reporting cycle.
- 5) Add together all of the fatal errors listed under “Total Fatal Errors” associated with the same default reporting cycle.
- 6) Divide the Total Fatal Errors by the # of Reporting Occurrences. This is the Fatal Error Rate.
 - If you are unsure to which cycle a reporting occurrence was attributed, open the case level for the creation date, and look up a case under Queries, Case Status.
 - Scroll to the bottom to review the default reporting.

Example

The May 2012 reporting cycle fatal error rate for this servicer would be 1.72%.

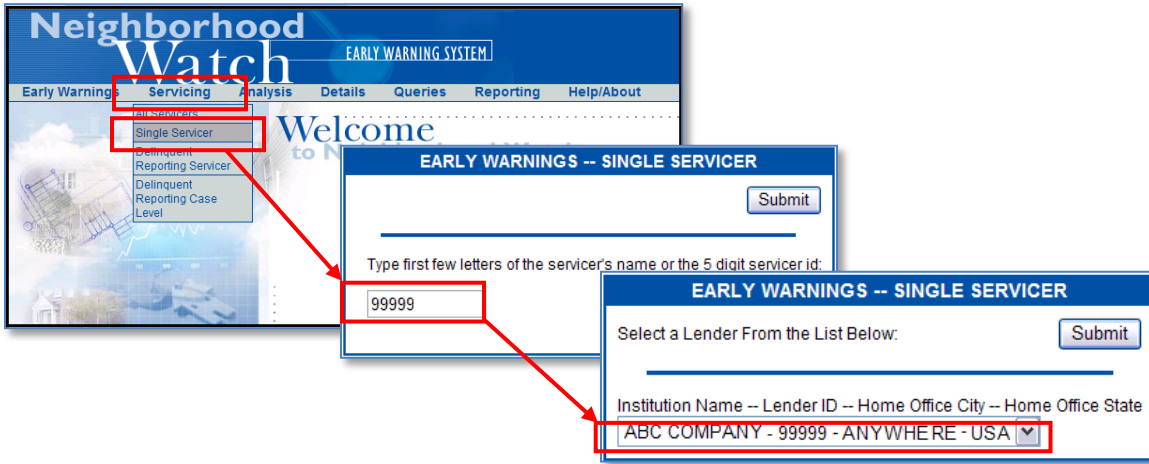
- 1,682 Reporting Occurrences (Case Number Counts of 30+34+137+1,480+1 for the creation dates of 4/16/2012 – 5/7/2012).
- 29 Fatal Errors

Creation Date	Delinquent Reporting Method	Case Number Count	Total Fatal Errors
05/07/12	FHA Connection	30	0
05/04/12	FHA Connection	34	0
05/03/12	FHA Connection	137	0
05/01/12	EDI	1480	29
04/16/12	FHA Connection	1	0
04/06/12	FHA Connection	61	0

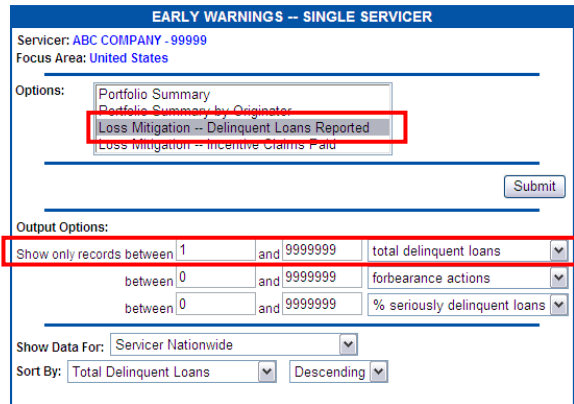
Part 2: Pull the number of delinquent cases from Neighborhood Watch.

7) Navigate to the Single Servicer screen in Neighborhood Watch.

- Enter your servicer’s ID number or type the first few letters of your company’s name and click Submit.
- Make sure it is the appropriate institution name and lender ID shown in the drop down and click Submit.



8) Choose Loss Mitigation – Delinquent Loans Reported option by clicking on it. Make sure records between 1 and 9999999 is selected for the total delinquent loans. Then click the Submit button.



9) Find the Total Delinquent Loans as of the current month column.

- You will need to do this each month as previous months’ data are not readily available for this report.
- The number in this column is a hyperlink. If you need FHA case level data to reconcile your records, you can obtain this by clicking on the hyperlink and downloading the report into Excel.

Neighborhood Watch EARLY WARNING SYSTEM
 US Department of Housing and Urban Development

Early Warnings Servicing Analysis Details Queries Reporting Help/About Home

ABC COMPANY - 99999
Loss Mitigation -- Total Delinquent Loans Reported in the United States
 Sort Order by Total Delinquent Loans as of 05/31/2010 in Descending Order
 Data shown includes all single family loans as of May 31, 2010

Rank	United States	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent Loans	% Seriously Delinquent Loans	Total Delinquent Loans as of 05/31/2010	Forbearance Actions	Loan Modification Actions	Partial Claims Actions	FHA - HAMP Actions	Deed-in-Lieu Actions	Pre-Foreclosure Actions	Ineligible for Loss Mitigation
1	United States	5,839	810	2,801	29%	9,450	431	44	50	2	0	3	0

Displaying records 1 to 1 out of a total number of 1 records
[Download this report to an Excel file \(Help\)](#)

- Neighborhood Watch includes all active cases in which
 - ✓ A delinquency was reported for the most recent default reporting cycle, and
 - ✓ A delinquency was reported for any other default reporting cycle and has never had any additional reporting.
 - ✓ See [Appendix E](#) for more information.

If the last time a case was reported was five cycles ago and was reported as a default status code that requires additional reporting, it is included in this list.

For example, this case is still active. The last time a servicer reported on it was for the 1/31/1994 reporting cycle. This case is still included in the current servicer of record’s Total Delinquent Loans. If this servicer were to reconcile its delinquencies with Neighborhood Watch and find this case, it could then report this as reinstated or terminated as appropriate in FHA Connection (if it is terminated, it would also be necessary to terminate the insurance as well), and it would no longer get counted in this server’s delinquent portfolio.

Reporting Period	OUI Date	# Months Delinquent	Delinquent Status	Delinquent Status Definition
6/1990			42	Delinquent
7/1990	08/01/90	0	42	Delinquent
10/1990			42	Delinquent
11/1990	08/01/90	4	42	Delinquent
12/1990			42	Delinquent
1/1994	12/01/93	2	42	Delinquent

Part 3: Calculate the score.

- 10) Calculate the Rate of Reporting.
 - Divide the # of Reporting Occurrences by the # of Delinquent Loans per Neighborhood Watch.
- 11) Calculate the Fatal Error Rate Earned Score.
 - Multiply the Fatal Error Rate by 100
 - Multiply that result by a factor of 5
 - Subtract that result from 100.
- 12) Calculate the Assessed Score
 - If the Rate of Reporting is less than 100%, the Fatal Error Rate Earned Score is multiplied by the Rate of Reporting.
- 13) If the Rate of Reporting is greater than 100%, the Assessed Score is the Fatal Error Rate Earned Score.

Scoring Example

Cycle	(A) # of Delinquent Loans per Neighborhood Watch	(B) # of Reporting Occurrences	(C) # of Fatal Errors	(D)=(C/B) Fatal Error Rate	(E)=(B/A) Rate of Reporting	(F) Fatal Error Earned Score (100- ((D*100)*5))	(G) Assessed Score (E)<100%,(F*E) or (F)
1/31/2010	9,450	10,687	292	2.73%	113%	86.35	86.35
2/28/2010	11,520	8,900	50	0.52%	77.26%	97.4	75.25
3/31/2010	11,520	0	0	0.00%	0%	100	0

ELEMENT: LOSS MITIGATION ENGAGEMENT

Data Source

Loss Mitigation Incentive Claims, Insurance Termination Claims, and Seriously Delinquent Loans and SFDMS Reporting as summarized in Neighborhood Watch. See Appendix D for information on how to pull the list of claims evaluated from FHA Connection.

Element Purpose

- ❖ 24 CFR 203.501 states that servicers must take those appropriate actions which can reasonably be expected to generate the smallest financial loss to the Department. Such actions include, but are not limited to, deeds in lieu of foreclosure, pre-foreclosure sales, partial claims, special forbearance, and mortgage modifications.
- ❖ 24 CFR 203.605 states that before four full monthly installments are past due, servicers must evaluate monthly all of the loss mitigation options to determine which is appropriate and take the appropriate loss mitigation action.

Historically, HUD has used a work-out ratio to evaluate CFR compliance. The work-out ratio presents the rate at which incentive claims for loss mitigation actions are paid as compared to all claims paid for insurance benefits. The higher the work-out ratio, the more effective foreclosure prevention has been.

While this is still an important rate, it is not the only gauge we have of servicer's compliance with the CFR in engaging in loss mitigation. Those attempted actions that are reported through SFDMS are also important and must be evaluated as well.

Element Description

This element measures the servicer's formal and informal loss mitigation engagement as well as indirectly measures early engagement in loss mitigation.

The calculation is similar to the Tier Ranking System (TRS) calculation in that a workout ratio is calculated. However, it is different in that

- It evaluates the formalized loss mitigation actions that result in incentive claims through the work-out ratio by counting all claim actions regardless if it is a multiple event or not.
- It evaluates the attempts a servicer is making to solicit and engage the borrower in loss mitigation through a reported engagement rate, so default reporting and the servicer's delinquent portfolio totals play a role.
- Scores are assessed monthly and then averaged for a quarterly score.

Benchmarks

Grades are assigned based upon a 10 point scale.

Loss Mitigation Engagement Rate	Assigned Grade
90% -100%	A
80% -89%	B
70% -79%	C
60% - 69%	D
Less than 60%	F

Suggestions to Increase the Score

- ✓ File more loss mitigation incentive claims. Claims are counted individually and not on a case level basis.
- ✓ Reconcile outstanding defaults to Neighborhood Watch records.
 - Please note that when you click on the hyperlink for the delinquent loans, that the default cycle now shows so you can see the last default cycle that reporting occurred (it is the delinquent cycle date column).
 - You can download this information to Excel to reconcile more easily to your records by scrolling to the bottom of the page. See [Appendix E](#) for more information.

Loss Mitigation - Seriously Delinquent Reported
3 Months Delinquent -- United States
Sort Order by Case Number in Ascending Order
Data shown is for all Delinquencies Reported as of February 07, 2012

Case Number	Loan Number	Holder ID	ADP Code	Mortgage Amount	Interest Rate	Borrower Name/ SSN/TIN Last Four Digits	Street Address/ City, State Zip	Ins Status (A43)	Closing/ Endorse Date	First Payment Date	Oldest Unpaid Installment	Delinquent Cycle Date	Delinquent Status Date	Delinquent Status Code	Delinquent Reason Code	Unpaid Balance	Foreclosure Start/Sale Date	Occup. Status
-------------	-------------	-----------	----------	-----------------	---------------	---	---------------------------------	------------------	-----------------------	--------------------	---------------------------	-----------------------	------------------------	------------------------	------------------------	----------------	-----------------------------	---------------

Displaying records 1 to 100 out of a total number of 1949 records
[Download this report to an Excel file](#) [\[Help\]](#)

- ✓ Engage in more loss mitigation activity, and report it in SFDMS.
- ✓ Engage in more early loss mitigation activity (i.e. when the loan is 30 and 60 days down), and report it in SFDMS. This will increase the numerator and increase the ratio results.

3

Part 1: Calculate the Claims Work-Out Ratio (WO Ratio)

- 1) Loss mitigation claims processed for the scoring month are counted. These include special forbearance (SF), mortgage modification (MM), partial claim (PC), pre-foreclosure sale (PFS), and deed-in-lieu (DIL). Additionally, accelerated claim dispositions (ACD) currently called the DASP program and claims without conveyance of title (CWCOT) will also be included as part of loss mitigation claims as these have mitigated losses to the insurance fund.

NOTE: At this time HAMPs are not counted singularly, but as its two pieces, individually as mortgage modifications and partial claims.

- 2) All foreclosure conveyance claims are counted.
- 3) The workout (WO) ratio is the sum of loss mitigation claims divided by the sum of loss mitigation claims plus the foreclosure conveyance claims.

Example

Month	SF	MM	PC	PFS	DIL	ACD	CWCOT	Total Loss Mitigation Claims	FC Conveyance Claims	WO Ratio	Qtr
July	10	5	1	0	0	0	1	17	10	17/(17+10)=62.96%	Q4
August	4	2	2	1	0	0	0	9	4	9/(9+4)=69.23%	Q4
September	6	2	0	0	2	5	0	15	7	15/(15+7)=68.18%	Q4

Part 2: Calculate the Reported Engagement Ratio

- 4) In Neighborhood Watch, find the Seriously Delinquent Loans as of the current month and the Loss Mitigation Reported Actions columns.
 - The Loss Mitigation Reported Actions are total of Forbearance Actions, Loan Modification Actions, Partial Claim Actions, FHA HAMP Actions, Deed-in-Lieu Actions, Pre-Foreclosure Actions, Loss Mitigation Option Failure, and Ineligible for Loss Mitigation.
 - You will need to pull this data each month as previous months’ data is not available; only the current month is available after a system refresh.
 - The numbers in these columns are hyperlinks. If you need FHA case level data to reconcile your records, you can obtain this by clicking on the hyperlink and downloading the report into Excel.

ABC COMPANY - 99999												
Loss Mitigation -- Total Delinquent Loans Reported in the United States												
Sort Order by Total Delinquent Loans as of 01/31/2012 in Descending Order												
Data shown includes all single family loans as of January 31, 2012												
30 Days Delinquent	60 Days Delinquent	Seriously Delinquent Loans	% Seriously Delinquent Loans	Total Delinquent Loans as of 01/31/2012	Forbearance Actions	Loan Modification Actions	Partial Claims Actions	FHA - HAMP Actions	Deed-in-Lieu Actions	Pre-Foreclosure Actions	Loss Mitigation Option Failure	Ineligible for Loss Mitigation
999	770	1,719	49%	3,488	111	17	8	0	43	22	0	12

- 5) Calculate the reported loss mitigation actions.

- Add together the totals listed for Forbearance Actions, Loan Modification Actions, Partial Claim Actions, FHA-HAMP Actions, Deed-in-Lieu Actions, Pre-Foreclosure Sale Actions, Loss Mitigation Option Failure Actions, plus
 - The total for Ineligible for Loss Mitigation Actions divided by 2 (AO counts as half an action).
- 6) Divide the reported actions by the Seriously Delinquent Loans total for the month. This is the Reported Engagement Ratio.

Example

Month	Total Delinquent	(A) Seriously Delinquent	(B) FB + LM +PC + HAMP + DIL + PFS + Option Failure	(C) Ineligible for Loss Mit (AO)	Reported Engagement Ratio ((B)+(C))/(A)	Quarter
July	511	265	95	15 actions / 2 = 7.5	38.68%	Q4
August	550	270	74	12 actions / 2 = 6	29.63%	Q4
September	432	232	83	17 actions / 2 = 8.5	39.44%	Q4

Part 3: Calculate the Loss Mitigation Engagement Score

- 7) Work-Out Ratio Score
- Divide the Work-Out Ratio by 65%. If the results are greater than 100%, the score is 100% (i.e. the score cannot be more than 100%).
 - Multiply the result by 0.25.
 - This is the Work-Out Ratio Score.
- 8) Reported Engagement Score
- Divide the Reported Engagement Ratio by 50%.
 - Multiply the result by 0.75.
 - This is the Reported Engagement Score.
- 9) Add the Work-Out Ratio Score and the Reported Engagement Score for the total Loss Mitigation Engagement Score.
- 10) Best fit option for smaller servicers.
- Since the work-out ratio can be extremely volatile if you are a smaller servicer, we have the best fit option available.
 - If the total seriously delinquent loans for the month are less than 25, the score is calculated as best fit, which is the workout ratio score alone, the engagement ratio score alone, or the score calculated as described above, whichever is highest.
 - We will calculate the score for you.
- 11) If there are no seriously delinquent loans for the month but there are reported actions for the month, the score for the month is automatically 100%.

Scoring Example

Month	Work-Out Ratio	Work-Out Ratio Score	Reported Engagement Ratio	Reported Engagement Score	Final Score	Quarter
July	65.00%	65.00% / 65.00% = 100%	38.68%	38.68% / 50.00% = 77.36%	(100% x 0.25) + (77.36% x 0.75) = 83.02%	Q4
August	50.00%	50.00% / 65.00% = 76.92%	29.63%	29.63% / 50.00% = 59.26%	(76.92% x 0.25) + (59.26% x 0.75) = 63.66%	Q4
September	42.00%	42.00% / 65.00% = 64.61%	39.44%	39.44% / 50.00% = 78.88%	(64.61% x 0.25) + (78.88% x 0.75) = 75.31%	Q4

EXTRA CREDIT

2 What Qualifies for Extra Credit

A servicer can receive up to an additional 1.00% added to their final fiscal year end score by attending, participating in, and/or completing the following NSC provided servicing training:

- 1) Complete all modules of HUD's EClass, and/or
- 2) Register for and attend NSC's FHA Loss Mitigation webinar series (please note that this series is not limited to loss mitigation topics only), and /or
- 3) Attend an NSC or HOC live training event on delinquent loan servicing/loss mitigation

A servicer can earn 0.50% for each type of training received for a maximum of 1.00%.

2 Staff Attendance/Completion Requirements

An appropriate number of the servicer's staff is required to attend, to participate in, and/or to complete the training.

- What is deemed appropriate is at the servicer's discretion but must consist of at least one person in order to qualify.
- We still recommend that at least 25% of a servicer's staff responsible for delinquent loan servicing, and specifically those doing loss mitigation processing, complete all modules of HUD's EClass. Re-taking this course annually can be very beneficial not only as a refresher but as continual learning as our policies are updated.
- In regard to the webinar series, not all webinars are appropriate for all staff, so it is also at the servicer's discretion what staff registers for and attends which webinar.
- All webinars in the series must be attended by at least one staff member in order to qualify for the credit; however, the same staff member does not need to attend all webinars.
- The training must be received during the scoring fiscal year. For example, to get the extra credit added to the FY2012 end of year score, training must be completed between October 1, 2011, and September 30, 2012.

How to Receive the Extra Credit

To receive the extra credit, a servicer must send notice to NSC stating that the training was completed. This notice should include the following:

- ✓ The training that was completed from the list above.
- ✓ The date(s) of this training (not applicable for EClass as this is on-demand style training and self-paced).
- ✓ The number of staff that attended, participated in, and/or completed this training.
- Notice must be received by the NSC no later than October 31 in order to be added to the just concluded fiscal year's scores. For example, to receive the credit for FY2012 scoring, this notice must be received no later than October 31, 2012.

- Notice can be submitted via email to sfdatarequests@hud.gov. Please enter “SPS Extra Credit” in the subject line.
- Please send notice at the conclusion of training.
- Keep in mind, NSC can verify registered attendance.

Additional Extra Credit

A servicer can receive an additional 0.10% added to each quarter’s final score by going paperless, for a total of 0.40% in extra credit points.

To receive the extra credit, a servicer must send notice to NSC that they have elected to go paperless. This notice should include the following:

- ✓ 5 digit HUD Lender ID
- ✓ Up to 10 names and email addresses to which you wish to have the quarterly announcement letters delivered as well as other blast updates and other communication regarding scoring.
- Notice can be submitted via email to sfdatarequests@hud.gov. Please enter “SPS Go Paperless” in the subject line.
- Each quarter that the electronic distribution is in place, the servicer will earn 0.10% added to their quarter’s score.
- If any email address come back as undeliverable when the announcement letter is sent, the extra credit will be taken away for the next quarter. To this end, servicers should be aware of who is on this distribution and keep it up to date.

APPENDIX A: WHERE TO FIND YOUR DATA

1) Foreclosure Prevention

- ❖ Your servicing histories + your SFMDS reporting
 - ✓ Look for loans that had a new first legal action. Determine their occupancy status as well as their months delinquent as of the reported 68.
 - ✓ Determine what intervention activities occurred prior to the report 68 since the last time the loan was current (repayment plans, special forbearances, ineligible for loss mitigation, etc.).

2) Redefaults

- ❖ FHA Connection + your servicing histories
 - ✓ To obtain a list of claims for a particular date range, go to FHA Connection, Single Family FHA, Single Family Servicing, Claims Processing, Claim Status.
 - ✓ Compare the list to your own servicing history and/or your default reporting to determine if the loan went 90 days down or more again with 6 months from the claim processed date.

3) SFDMS Reporting

- ❖ Neighborhood Watch
 - ✓ To receive a list of your fatal errors and to work the list prior to the close of the reporting window, go to Single Family FHA, Single Family Servicing, Delinquent Loans, and then Application Advice Notices and enter the 10 digit HUD Lender ID under which you reported.
 - ✓ Delinquent Reporting Query
 - ✓ Loss Mitigation – Delinquent Loans Reported (do monthly)

4) Loss Mitigation Engagement

- ❖ FHA Connection and Neighborhood Watch
 - ✓ For the work-out ratio, to obtain a list of claims for a particular date range, go to FHA Connection, Single Family FHA, Single Family Servicing, Claims Processing, Claim Status.
 - ✓ Loss Mitigation – Delinquent Loans Reported from Neighborhood Watch (do monthly)

APPENDIX B: NEIGHBORHOOD WATCH DATA TO DOWNLOAD

Loss Mitigation – Delinquent Loans Reported

- ✓ Under Servicing, Single Servicer
- ✓ This data is overwritten **monthly**, so once the refresh occurs, you cannot obtain the previous month's data. The next scheduled refresh will be listed under the Help/About menu, Latest Refresh Date.
- ✓ The summary data (seriously delinquent loans) is used as a factor to determine if the servicer is scored, not scored, or can opt-out.
- ✓ The summary data (total delinquent loans) is used in SFDMS Reporting calculations.
- ✓ The summary data is used in Loss Mitigation Engagement calculations.

Download the summary report shown.

Download any case level to which you wish to reconcile.

NOTE: Downloading case level data particularly for your seriously delinquent loans and reconciling to your records will help your SFDMS Reporting and Loss Mitigation Engagement scores as well as potentially impact if your company is scored, not scored, or can opt-out.

Delinquent Reporting Query

- ✓ Under Servicing, Delinquent Reporting Servicer
- ✓ The system stores a **rolling 12 months**.
- ✓ The summary data (case number count and total fatal errors) is used in SFDMS Reporting calculations.
- ✓ Add reporting results together for all creation dates that apply to a specific SFDMS cycle.

Download the summary report shown.

Download any case level to which you wish to reconcile.

APPENDIX C: AUTO-EXTENSIONS

Action	Auto-Extension(s)
Deed-in-Lieu	None
Special Forbearance	<p>If a lender has initiated, but is unable to complete this tool within the six month time limit, the lender is entitled to a 90 day extension of the foreclosure deadline provided the initiative was begun prior to the expiration of the initial six months. <i>Mortgagee Letter 2000-5 page 13</i></p> <p>In the event this option fails, an additional 90 day extension is provided in which the lender must commence or recommence foreclosure or initiate another loss mitigation option. <i>Mortgagee Letter 2002-17 Page 8</i></p>
Loan Modification	<p>If a lender has initiated, but is unable to complete this tool within the six month time limit, the lender is entitled to a 90 day extension of the foreclosure deadline provided the initiative was begun prior to the expiration of the initial six months. <i>Mortgagee Letter 2000-5 page 13</i></p>
Partial Claim	<p>If a lender has initiated, but is unable to complete this tool within the six month time limit, the lender is entitled to a 90 day extension of the foreclosure deadline provided the initiative was begun prior to the expiration of the initial six months. <i>Mortgagee Letter 2000-5 page 13</i></p>
Pre-Foreclosure Sale	<p>In the event this option fails, an additional 90 day extension is provided in which the lender must commence or recommence foreclosure or initiate another loss mitigation option. <i>Mortgagee Letter 2008-43 page 14</i></p>
Trial Payment Plans	<p>If a lender has initiated, but is unable to complete this tool within the six month time limit, the lender is entitled to a 90 day extension of the foreclosure deadline provided the initiative was begun prior to the expiration of the initial six months. <i>Mortgagee Letter 2000-5 page 13</i></p> <p>In the event this option fails, an additional 90 day extension is provided in which the lender must commence or recommence foreclosure or initiate another loss mitigation option. <i>Mortgagee Letter 2011-28 Page 2</i></p>

APPENDIX D: DOWNLOAD A LIST OF YOUR CLAIMS PROCESSED

To obtain a list of claims for a particular date range, go to FHA Connection, Single Family FHA, Single Family Servicing, Claims Processing, Claim Status:

The screenshots illustrate the following navigation steps:

- Screenshot 1:** Home page with 'Single Family FHA' highlighted in the main menu.
- Screenshot 2:** 'Single Family FHA Business Areas' page with 'Single Family Servicing' highlighted.
- Screenshot 3:** 'Single Family Servicing' page with 'Claims Processing' highlighted.
- Screenshot 4:** 'Single Family Insurance Claims Processing' page with 'Claim Status' highlighted.

Single Family FHA Business Areas

Single Family Origination	Friday, September 16, 2011
Single Family Servicing	Monday, October 24, 2011
Property Improvement/Manufactured Housing	Tuesday, September 27, 2011
Lender Approval	Friday, March 05, 2010
Neighborhood Watch	Thursday, July 07, 2011
Lender Assessment	

Single Family Insurance Claims Processing

Claim Type 01 Part-A	(Conveyance or Deed in Lieu)
Part-B	
Claim Type 07	(Pre-Foreclosure)
Claim Type 31-33	(Loss Mitigation)

Claims Input Summary

- Claim Status
- Suspended Claim Error Messages
- Title Approval Status
- Claim Remittance
 - Remit Single Family Claim
 - Remit HECM Claim
 - Claim Remittance History

Enter the date range in the “Multiple Record Request” section, and click the Send button.

- You should limit the requested date range to a small window, for instance a month at a time for each claims data pull from the system.
- If you are a larger servicer, you may need to limit the request to a week at a time or less. The system will tell you if you are attempting to pull too many records at once.
- You can immediately re-pull for another date range if you did request a limited date range.

A list of all cases with claims processed for the date range will appear.

- Please note that this is all claims processed for that date range. It includes conveyance claims parts A and B, supplemental claims, preforeclosure sale claims, loss mitigation claims, etc.
- You should download the record set to Excel and filter for what you are reviewing.
 - ✓ For Redefaults, filter for loan modifications (32 A), partial claims (33 A), and HAMP claims (32 HAMP, 33 HAMP) that show as paid.

Record Count	Select for Detail	Case Number	Claim Type	Block 9 Date	Claim Processed Date	Status
1	<input type="radio"/>	052-5049050	01 B	0	03/18/2011	Paid
2	<input type="radio"/>	052-5011040	01 B	0	03/14/2011	Paid
3	<input type="radio"/>	052-4716840	33 A	08/08/2010	03/13/2011	Paid
4	<input type="radio"/>	052-5194689	32 HAMP	01/27/2011	03/03/2011	Paid
5	<input type="radio"/>	061-2185455	32 A	01/31/2011	03/01/2011	Paid
6	<input type="radio"/>	093-4606606	01 B	0	03/30/2011	Paid
7	<input type="radio"/>	093-6063606	01 A	01/26/2011	03/17/2011	Paid

1 APPENDIX E: OPEN DEFAULTS REQUIRING FURTHER SFDMS REPORTING PER NEIGHBORHOOD WATCH

Once a servicer begins reporting a case as delinquent in HUD's Single Family Default Monitoring System (SFDMS), the case must be reported on every month until HUD receives a code from the servicer indicating that the default has been resolved. Such a code indicates one of the following:

- ✓ The loan has reinstated.
 - Once HUD receives a code indicating the loan has reinstated, no more SFDMS reporting is required for that loan unless it should become delinquent again at a later date.
 - If the case becomes delinquent again, you will need to report a status code 42 first to open a new default episode.
- ✓ FHA insurance has terminated.
 - These codes include those that are claim terminated and non-claim terminated.
 - Once HUD receives one of these codes, no more SFDMS reporting is required for that loan.
 - If for some reason you find that you do need to continue reporting, the last status code reported should be cancelled by reporting a status code Cancel (25).

Account Reinstated Codes (AR)

- Reinstated by Mortgagor Who Retains Homeownership w/o LM Incentive (20)
- Reinstated by Assumptor (21)
- Reinstated after Loss Mitigation Intervention (98)

Claim Termination Codes (CT)

- Preforeclosure Sale Completed (17)
- Property Conveyed to Insurer (46)
- Deed-in-Lieu Completed & Property Conveyed (47)
- Claim without Conveyance of Title (48)
- Assignment Completed (49)

Non-Claim Termination Codes (NC)

- Paid in Full (13)
- Charge-Off (29)
- Third Party Sale (30)
- Property Redeemed (73)

For a complete list of SFDMS status codes that will end a default episode, please see Mortgagee Letter 2009-39, Appendix I: <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-39mla1.pdf>.

Here's how to pull a list of loans requiring further SFDMS reporting

Servicers can pull a list of their Single Family FHA cases from Neighborhood Watch that requires further SFDMS reporting. Please be advised that at some point in this process, you may be prompted to log in. Questions about logins and access can be directed to sfadmin@hud.gov.

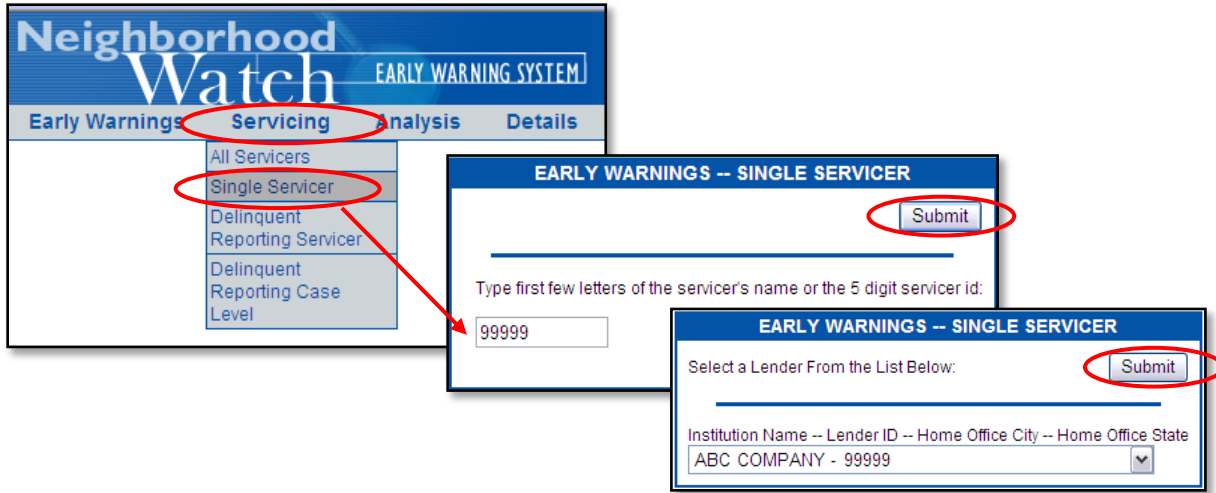
Also, keep in mind that Neighborhood Watch is updated around the 3rd week of every month with the previous month's reporting data.

Neighborhood Watch classifies a case as an open default if

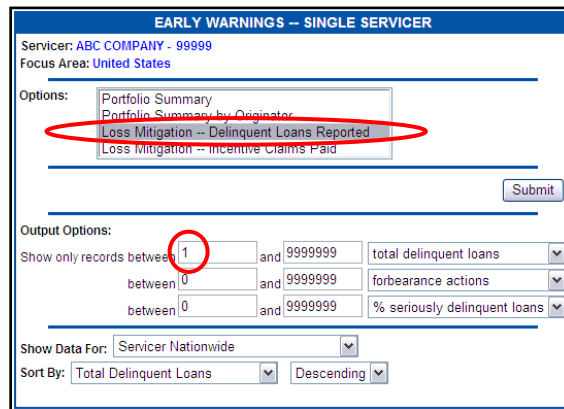
- 1) The case is actively insured (insurance status is active), and
- 2) The case was previously reported as defaulted (regardless of when this was), and
- 3) The case was not reported as reinstated or non-claim terminated as of the most recent reporting

occurrence.

In Neighborhood Watch, go to Servicing, Single Servicer, type in your 5-digit HUD Lender ID, then hit Submit. Confirm the ID you selected, and click Submit.



Next you will see the different reports available for Early Warnings – Single Servicer. Choose “Loss Mitigation – Delinquent Loans Reported”. The “Show only records between” field should start with 1 on total delinquent loans.



Once you hit submit, the system will display the report. The totals in each of the columns are hyperlinks, and you can click on these to bring up a list of cases for the specific data sets.

Rank	United States	30 Days Delinquent	60 Days Delinquent	Seriously Delinquent Loans	% Seriously Delinquent Loans	Total Delinquent Loans as of 6/30/2012	Forbearance Actions	Loan Modification Actions	Partial Claims Actions	FSA, HAMP Actions	Dead in Lieu Actions	Pre-Foreclosure Actions
1	United States	1,288	549	1,909	51%	3,726	573	3	0	3	0	17

Displaying records 1 to 1 out of a total number of 1 records
[Download this report to an Excel file \(1.5K\)](#)

Please Note: If a hyperlink for which you wish to pull up the case level shows a total of more than 12,000 cases, you will need to go back to the previous screen. Only 12,000 records can be downloaded at a time. If you are a larger servicer, you may need to change the display options in the field “Show

Data For”. There are several options for breaking down the list into 12,000 records or less.

- Try “Servicer rolled up to HOC level” first and then so on and so forth through the list.
- If you are one of the largest servicers, we do not expect you to pull anything broken down further than the State level to piece together your report, so please contact NSC at sfdatatarequests@hud.gov to request this report, and we will run it manually for you.

Make note of the date displayed as this is the cycle date for the data. Then click on the hyperlink case count under “Total Delinquent Loans as of xx/xx/xxxx”.

ABC COMPANY - 99999
Loss Mitigation -- Total Delinquent Loans Reported
in the United States
 Sort Order by Total Delinquent Loans as of 06/30/2012 in Descending Order
 Data shown includes all single family loans as of June 30, 2012

Total Delinquent Loans as of 06/30/2012	Forbearance Actions	Loan Modification Actions	Partial Claims Actions
3,725	473	3	0

You will be prompted to choose Printing Format or Viewing Format. Either one will be fine. However, you may want to consider choosing Sort By: “Delinquent Cycle Date,” Ascending to make your output easier to work. Click Submit.

This will bring up a list of all actively insured, open delinquent loans that have been reported for your servicer id.

ABC COMPANY (99999)
Loss Mitigation - Seriously Delinquent Reported
All Seriously Delinquent -- United States
Sort Order by Borrower SSN/TIN Last Four Digits in Ascending Order
Data shown is for all Delinquencies Reported as of July 07, 2012

Case Number	Loan Number	Holder ID	ADP Code	Mortgage Amount	Interest Rate	Borrower Name SSN/TIN Last Four Digits	Street Address Civ. State Zip	Ins Status (A43)	Closing/Endorse Date	First Payment Date	Oldest Unpaid Installment	Delinquent Cycle Date	Delinquent Status Date	Delinquent Status Code	Delinquent Reason Code	Unpaid Balance	Foreclosure Start-Sale Date	Occup status
37						JONES, FRANKIE	4511 NE ST	A	06/05/87 06/05/87	05/01/87	08/01/08	06/30/12	02/16/10	68	015	\$25,882.00	12/31/04	1
37								A	03/31/87 03/31/87	03/01/87	04/01/12	06/30/12	04/30/12	42	006	\$32,295.00		1
37								A	07/09/92 08/06/92	09/01/92	06/01/12	06/30/12	06/29/12	42	006	\$31,357.00		1
37								A	06/09/87 06/09/87	06/01/87	06/01/12	06/30/12	06/29/12	42	007	\$15,640.00		1
37								A	12/31/87 12/31/87	11/01/87	07/01/10	06/30/12	10/20/10	AO	031	\$28,157.00		1
37								A	09/14/87 09/14/87	07/01/87	03/01/08	06/30/12	06/27/08	68	007	\$31,136.00	06/30/08	1
37								A	06/10/87 06/10/87	06/01/87	05/01/92	06/30/92	06/30/92	42	000	\$0.00		1
37								A	01/26/94 04/26/94	03/01/94	09/01/11	06/30/12	02/15/11	69	031	\$53,350.00	10/31/08 07/31/09	1
37								A	10/21/87 11/16/87	12/01/87	12/01/11	06/30/12	03/05/12	AQ	007	\$20,506.00		1
37								A	12/27/89 02/23/90	02/01/90	05/01/08	06/30/12	04/29/09	68	015	\$44,637.00	04/30/09	3
15								A	04/30/86 05/27/86	06/01/86	06/01/12	06/30/12	05/31/11	42	031	\$6,479.00		1
37								A	03/24/87 03/24/87	04/01/87	02/01/12	06/30/12	06/29/12	AO	007	\$16,075.00		1
37								A	05/20/94 06/23/94	07/01/94	05/01/12	06/30/12	02/01/12	42	007	\$44,244.00		2
54								A	01/23/91 03/12/91	03/01/91	03/01/12	06/30/12	01/30/12	65	006	\$20,787.00		1
37								A	09/26/85 10/25/85	11/01/85	06/01/12	06/30/12	06/29/12	42	007	\$5,337.00		1
37								A	11/06/89 11/28/89	01/01/90	06/01/12	06/30/12	04/30/12	42	007	\$15,035.00		2
54								A	12/28/92 03/04/93	02/01/93	02/01/95	02/28/95	02/28/95	42	015	\$85,780.00		1
37								A	08/27/86 08/22/89	10/01/86	10/01/08	10/31/08	10/31/08	42	015	\$37,413.00		1
01								A	10/15/90 11/30/90	12/01/90	06/01/12	06/30/12	05/31/12	42	031	\$41,602.00		1
37								A	01/18/94 04/21/94	03/01/94	05/01/12	06/30/12	04/30/12	42	031	\$36,855.00		1
37								A	12/06/83 12/29/83	02/01/84	06/01/09	06/30/12	07/13/10	77	007	\$14,621.00	10/31/09 07/31/10	3
37								A	07/14/86 09/29/86	09/01/86	02/01/11	06/30/12	04/24/12	AO	007	\$14,518.00		2
10							JACUSTIA, GA 30900	A	03/22/89 04/18/89	05/01/89	04/01/12	06/30/12	02/29/12	42	007	\$21,952.00		3

You can download this report to Excel and filter for loans needing further SFMS reporting, but only about 12,000 cases at a time will download. As stated earlier, you can split the file up by geography on the Single Servicer options screen and piece them together.

Displaying records 1 to 100 out of a total number of 922 records

[Download this report to an Excel file](#) [Help](#)

How to work this report

From this list, we really want to focus on just a few columns. Let's bring back our criteria to be an open default per Neighborhood Watch:

- 1) The case is actively insured (insurance status is active), and
- 2) The case was previously reported as defaulted (regardless of when this was), and
- 3) The case was not reported as reinstated or non-claim terminated as of the most recent reporting occurrence.


And let's remember which cycle for which this data represents. For this example, this data is for the 6/30/2012 reporting cycle.

ABC COMPANY - 99999			
Loss Mitigation -- Total Delinquent Loans Reported in the United States			
Sort Order by Total Delinquent Loans as of 06/30/2012 in Descending Order			
Data shown includes all single family loans as of June 30, 2012			
Total Delinquent Loans as of 06/30/2012	Forbearance Actions	Loan Modification Actions	Partial Claims Actions
3,725	473	3	0

The first two cases were reported for the 6/30/2012 default cycle. Therefore, they are open defaults but they are not open defaults for which the servicer has failed to comply with regulations and policy; they were reported on for the most recent default cycle.

The next two cases listed were not reported for the 6/30/2012 default cycle, so therefore, they are out of compliance with regulation and policy. The servicer should immediately report the status to HUD. If the case is current, the servicer should report it as reinstated as of the current default cycle as cases cannot be "back reported."

Finally, the last case was reported for the 6/30/2012 cycle. However, it was reported as a claim terminated case (preforeclosure sale completed) and the insurance has not yet been terminated. Often this occurs automatically once the claim is filed. However, the servicer should monitor this to ensure that this case does in fact become terminated once the claim has been processed.



Case Number	Ins Status (A43)	Oldest Unpaid Installment	Delinquent Cycle Date	Delinquent Status Date	Delinquent Status Code
372-1111111	A	08/01/08	06/30/12	02/16/10	68
371-1111112	A	04/01/12	06/30/12	04/30/12	42
541-1111113	A	02/01/95	02/28/95	02/28/95	42
372-1111114	A	10/01/08	10/31/08	10/31/08	42
372-1111115	A	11/01/10	06/30/12	06/19/12	17

REVISION HISTORY

Section	Type	Effective	Summary	Made By
Who Will Be Scored	Addition	FY12 Q1	Procedure for opting out.	JER
Who Will Be Scored	Change	FY12 Q1	Using quarter end snapshot data to determine delinquent portfolio size instead of averages over time.	JER
Contact Information	Addition	FY12 Q1	Contact information that was in the announcement letters.	JER
Foreclosure Prevention	Addition	FY12 Q1	Added trial payment plan (08) to List 2	JER
Foreclosure Prevention	Change	FY12 Q1	Change to methodology (slight). Bonus point eliminated. Total points required to get a 100% is now 14. 1 point assessed for loss mitigation (formal and informal) and another point assessed for formal loss mitigation.	JER
SFDMS Reporting	Addition	FY12 Q1	Subservicers should report under servicer of record ID in suggestions to increase score.	JER
Loss Mitigation Engagement	Change	FY12 Q1	Change to methodology. Engagement rate is now engagement ratio measured ratio of reported actions divided by 90+ day defaults as opposed to reported actions divided by all defaults. Engagement ratio now has a benchmark of 50% and work-out ratio now has a benchmark of 65%. Both comprise the score with engagement ratio worth 75% of the score and the work-out ratio worth 25% of the score.	JER
Who Will Be Scored	Change	FY12 Q2	Delinquent has been changed to seriously delinquent (i.e. 90 days down or more). Formal loss mitigation claims cannot be filed until the loan is down 90 days or more and since that is used in the scoring criteria, this should be changed.	JER
Foreclosure Prevention	Change - Major	FY12 Q2	Methodology changed. There is a total of 100 available points for every first time in episode new first legal action (default status code 68) reported. Points can be earned as follows: <ul style="list-style-type: none"> • Sliding scale of points for the number of months delinquent • Sliding scale of points assessed if the loan was reported as non-borrower occupied • 5 points for each type of loss mitigation attempt reported in the default episode; limit of 3. • 5 points for an AO ineligible for foreclosure reported prior to the new first legal action. • Any loan found to be dual tracked automatically gets 0 points. 	JER
Appendices	Addition	FY12 Q2	Appendix A, B, & C based on feedback from webinar. Added Appendix D by removing the information from the narrative so it could be more easily referenced.	JER
Reformatted entire document	Formatting	FY12 Q2	Rearranged how information was presented for clarity. Aldo included CFR & ML references were applicable.	JER
Introduction	Addition	FY12 Q3	Added in clarification of holder versus servicer versus subservicer. Servicers may also request a breakdown of scores by holder.	JER

Revision History

Foreclosure Prevention	Update	FY12 Q3	Update to dual tracking calculation so looks at 2 cycles before the 68 and then either the same cycle or the cycle after to be considered as dual tracked. Previously looked at same cycle and one cycle before.	JER
Loss Mitigation Engagement	Addition	FY12 Q3	Added in ACD and CWCOT to the work-out ratio calculation.	JER
Extra Credit	Addition	FY12 Q3	Servicers can now count participation in NSC webinar series as well as live events as well as EClass. Staff attendance should be appropriate and is at servicer discretion. Added in extra credit for going paperless.	JER
Appendix E	Addition	FY12 Q3	Included NSC's SOP for reconciling open defaults that require further SFDMS reporting.	JER