



FHA SERVICING AND LOSS MITIGATION NEWS

Oklahoma City Federal Campus

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U.S. Department of Housing & Urban Development

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Welcome to the Servicing and Loss Mitigation newsletter prepared with the primary goal of keeping our servicing lender partners informed of FHA’s current and upcoming changes, training opportunities, plus provide needed contact information. To make this publication a useful resource for our readers, your input is solicited. Please provide us with topics of interest to be included in future issues by sending your questions and comments to the NSC at our email address of sfdatarequests@hud.gov

It is important for the reader to understand that this publication **does not** set new policy nor change published guidance disseminated by the U.S. Department of Housing and Urban Development (HUD).

INSIDE THIS EDITION

<i>Tier Ranking System (TRS) Round 38 Announced</i>	Page 2
<i>Lender Portfolio Reconciliation</i>	Page 2
<i>SFDMS Fatal Errors Statistics</i>	Page 2
<i>FHA-HAMP</i>	Page 3
<i>Updated FHA-HAMP Default Monitoring System (SFDMS) Instructions</i>	Page 3
<i>Updated FHA-HAMP Claim Filing</i>	Page 4
<i>HUD’s Loss Mitigation Training</i>	Page 5
<i>M&M Updates—MCM Announced Effective April 7, 2010</i>	Page 6
<i>M&M Extension to Implement Costs from ML10-18</i>	Page 7
<i>NSC Service Performance Scorecard (SPS)</i>	Page 8
<i>HECM Email Changes</i>	Page 8
<i>2009/10 FHA Mortgagee Letters</i>	Page 9

IMPORTANT NOTICE: NSC Newsletters are distributed via email. Please send the names, job titles, mailing addresses and email addresses of interested individuals to: sfdatarequests@hud.gov. In the subject heading, place the word “Newsletter”.

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

TRS Round Incentive Round 38

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-09ml.pdf>

Mortgagee Letter (ML) 2010-09 dated March 8, 2010 announced HUD's Tier Ranking System (TRS) Round 38 information covering the period of October 1, 2008 to September 30, 2009. Lenders were mailed their individual rankings in December 2009. Tier 1 lenders eligible for increased incentives during 2010 should have been effected beginning January 1, 2010. Quarterly TRS scores are released to the ranked lenders which provides an interim indicator of performance, but they do not change the eligibility for incentives.

TRS information can be found on HUD's website at www.hud.gov/offices/hsg/sfh/nsc/trsovrvw.cfm. If lenders have not received their TRS ranking or have questions/concerns about their ranking, contact the National Servicing Center at sfdatarequests@hud.gov.

Lender Portfolio Reconciliation

Heard from NSC lately...

We hope so! In a continuing effort to assist FHA approved servicers with portfolio reconciliation, NSC is working with servicers on a one-on-one basis to get the records straight. Certain servicers were sent their portfolios and asked to reconcile with HUD's records. The objective of this requirement is for FHA to have an accurate insurance-in-force count.

Additionally, as lenders are required to report the end of month status for all new and existing defaults to HUD's Single Family Default Monitoring System (SFDMS), default reporting issues such as Open Defaults without Follow on Reporting, and Terminated Loans with Open Defaults were also addressed.

It is imperative that all FHA approved servicers reconcile their portfolios. HUD relies on its servicers to reconcile and report correctly as submitted data is analyzed with the objective of improving FHA products. *For assistance with portfolio reconciliation, email NSC at sfdatarequest@hud.gov.*

SFDMS Fatal Errors

High fatal and non fatal errors mean you may need training.

To determine your organization's default reporting performance, measure your fatal and non-fatal errors percentages against overall lender default reporting for the months from March to May

*For assistance *Contact NSC at sfdatarequest@hud.gov.*

Overall SFDMS Errors for Defaulted Cases Reported

	March 2010	April 2010	May 2010
Total Fatal Error	1.79%	1.53%	1.42%
Total Non-Fatal Error	24.70%	25.54%	1.43%

Percentages Rejected in each Fatal Error Category

	Bad Case Number	Invalid Mortgage Status	Invalid Oldest Unpaid Installment	Terminated & Claim Terminated Insurance
Mar 2010	22%	38%	26%	15%
Apr 2010	25%	37%	22%	16%
May 2010	26%	40%	19%	15%

On March 26, 2010, HUD announced enhancements to FHA's existing arsenal of options to further assist FHA insured borrowers who owe more than their home is worth or who are unemployed. Mortgagee Letter 2010-11 provides guidance on the new adjustments that will increase flexibility and incentives to servicers who choose to participate.

More detailed information can be found at the following links:

Mortgagee Letter (ML) 2010-11 Availability of Treasury Success Payments for FHA-HAMP Modifications

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-11ml.pdf>

HAMP documents referenced in ML 2010-11 can be found at

<https://www.hmpadmin.com/portal/docs/news/2010/hampupdate032910.pdf>

Changes made to the FHA-HAMP and other FHA programs can be found at www.makinghomeaffordable.gov.

Making Home Affordable Fact Sheet:

http://makinghomeaffordable.gov/docs/FHA_Refinance_Fact_Sheet_032510%20FINAL2.pdf

FHA-HAMP Fact Sheet

http://makinghomeaffordable.gov/docs/HAMP%20Improvements_Fact_%20Sheet_032510%20FINAL2.pdf

Examples

<http://makinghomeaffordable.gov/docs/Housing%20Rollout%20Examples%20combined%20032510%20FINAL.pdf>

Consumer FAQs

<http://makinghomeaffordable.gov/docs/Consumer%20FAQs%20032510%20FINAL.pdf>

Administrative updates for servicers

<https://www.hmpadmin.com/portal/index.html>

Updated FHA-HAMP Default Monitoring System (SFDMS) Instructions

Mortgagee Letter 2009-39 provides FHA-HAMP default reporting codes and time requirements. Lenders were required to report the following FHA-HAMP default status codes to SFDMS effective with the January 2010 reporting period.

Code 39—FHA-HAMP Trial Modification Plan

Code 41—FHA-HAMP Modification and Partial Claim Started

Appendix 1 lists all revised Delinquency/Default Status (DDS) Codes and Appendix 2 lists all Delinquency/Default Reason (DDR) Codes

Lenders may contact sfdatarequests@hud.gov with SFDMS questions.

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/2009ml.cfm>

Mortgagee Letter 2009-39, Appendices 1-3 issued October 9, 2009 provides updated claim filing and delinquency/default reporting requirements for the FHA Home Affordable Home Program (FHA-HAMP).

Appendix 3 revises and supersedes the Claim instructions included as Attachment B to Mortgagee Letter 2001-02, and adds specific instructions for filing both the FHA-HAMP Partial Claim and FHA-HAMP Loan Modification. The appendix provides revised Data Entry Instructions for the HUD Form 27011, Parts A and B.

Lenders may email the Claims Division with questions at FHA_sfclaims@hud.gov.

Examples of Calculating the HAMP Partial Claim

Below are examples for calculating the Partial Claim as part of the 30% unpaid principal balance deferral.

Existing Partial Claim

Unpaid Principal Balance = \$100,000
 30% principal deferral maximum = \$30,000
 Previous partial claim for 6 months unpaid PITI = \$6,000
 Available partial claim for 6 months unpaid PIT = \$6,000

Note: the above example does not include escrow or fees
 \$100,000 – UPB

30,000 – 30% maximum for principal deferral

-6,000 – Previous Partial Claim

-6,000 – Available Partial Claim

\$ 18,000 – available for principal deferral

No Existing Partial Claim

Unpaid Principal Balance = \$100,000
 30% principal deferral maximum = \$30,000
 Previous partial claim = \$0
 Delinquency = 4 months PITI = \$ 4,000

Calculation

\$100,000 – UPB

30,000 – 30% maximum for principal deferral

-0- – Previous Partial Claim

-4,000 – Current Delinquency (4 months PITI)

\$ 26,000 – available for principal deferral

Pick the Right Code!

Are you reporting the correct Partial Claim and Loan Modification Claims codes?

Lenders should select the appropriate claim type when filing for the FHA-HAMP incentives.

The drop-down menu on the FHA Connection screen for Loss Mitigation Claim Input now includes additional claim type options named 'FHA HAMP-Loan Modification' and 'FHA HAMP-Partial Claim.'

These new selections identify Loan Modifications and Partial Claims being filed as part of the FHA-HAMP initiative apart from a standard Partial Claim and a standard Loan Modification.

Choices in the FHA Connection drop-down box for Partial Claims and Loan Modifications are:

32-Loan Modification

**-HAMP-Loan Mod

33-Partial Claim

**-Partial Claim

Be sure to select the “**” marked selections when filing FHA-HAMP Partial Claims and Loan Modifications.

Early Delinquency Servicing Activities and HUD's Loss Mitigation Program Training

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

Page 5

This training includes coverage of: HUD Handbook 4330.1 REV-5, Chapter 7, Delinquencies, Defaults, Mortgage Collection Activities and Initiation of Foreclosure and HUD's Loss Mitigation Program. Additionally, overviews will be presented pertaining to Extension of Time Requests and Variances, Single Family Default Monitoring System.

Training Dates	Registration Deadline
August 24-25, 2010	August 17, 2010

NSC does not charge a registration fee. Due to the size of the training facility, **space is limited to 45 participants**; therefore, registration is based on a first come, first served basis, so register early by clicking the registration deadline date to register for the training you wish to attend! Class sign-in begins at 8:30 a.m. with the training beginning promptly at 9:00 a.m. and continuing to 4:00 p.m. each day. Dress is business casual.

NEW REQUIREMENT

Training Prerequisite Requirement

Effective immediately, completion of NSC's Online EClass Training is a "prerequisite" to registering and/or attending any HUD Classroom training conducted by either the National Servicing Center or HOC Certified Trainer. The NSC EClass Training Date on your Certificate is now a required field when registering for Classroom Training. Without a verifiable system date, the EClass System will not allow you to proceed with registration.

National Loss Mitigation Statistics

	April 2010	May 2010	June 2010
Special Forbearances	1,228	1,189	1,074
Loan Modifications	11,525	12,034	17,072
Partial Claims	1,603	1,521	1,479
Total Retention	14,356	14,744	19,625
Pre-Foreclosures	1,271	1,579	1,605
Deeds-in-Lieu	94	71	87
Total Non-retention	1,365	1,650	1,692
Foreclosures	8,016	6,941	8,642
Workout Ratios	66.23%	70.25%	71.15%

Mortgagee Compliance Manager (MCM) Effective April 7, 2010

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

Effective April 7, 2010 HUD's Marketing and Management (M&M) is changing! HUD has centralized its Mortgagee compliance functions into a single point of contact, designated as the Mortgagee Compliance Manager (MCM). Michaelson, Connor & Boul, the contractor who will serve as the MCM, will be responsible for pre-and-post conveyance activity, including the following:

- Verification and approval of reimbursable expenses for preservation and protection
- Title reviews
- Request for time extensions
- Over-allowable requests
- Inspection audits
- Assurance that conveyed properties meet FHA standards



The most current information on this change can be found at HUD's M&M website at:

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

Lenders are encouraged to check this website frequently for continuing updates .

MCM Contact Information

- Michaelson, Connor, and Boul
- 4400 Will Rogers Parkway, Suite 300
Oklahoma City, OK 73108
Phone: (877) 517-4488

Local: (405) 595-2000
Email: mcm-info@mcbreo.com

- National Servicing Center email:
MCMNSC@hud.gov

P260 Technical Support

For technical support with the web-based P260 Internet Portal, email hudhelp@yardi.com or call (805) 699-2053.

MCM UPDATES



HUD Grants Extension to Implement P&P Cost Schedule ML10-18

At an industry conference call held 7/8/10, the Department announced a 60-day extension of the continued use of ML 2008-31 preservation and protection cost schedules listed as Attachments 1-10 in the Mortgagee Letter. During this time, HUD expects the lender to migrate towards ML 2010-18 pricing and system coding. In addition, HUD granted an exception to allow the use of ML 2008-31, Attachment 6 “Yard Maintenance and Snow Removal Requirements, Page 39” through the end of the 2010 grass cut season.

More information as well as detailed frequently asked questions can be found at <http://www.hud.gov/offices/hsg/sfh/nsc/mcm.cfm>

Clarification to the industry provided on these two exceptions were:

60-day Extension on using ML 08-31 Cost Schedule

Work completed post 7/13 may be charged at the ML 08-31 cost with appropriate documentation during the 60 day extension.

As of 7/13, the property cap of \$2,500 will go into effect for all loans, including those in the pipeline.

The lender is allowed an aggregate cost per property of \$2,500 whether the cost schedule of ML 08-31 or ML 10-18 is used; however, justifiable documentation to support the cost should be included in the Part B & C Claim documentation.

As of 7/13, “spent to date” is the aggregate of all work completed on the property, including all items considered “routine” per ML 10-18 (inspections, pool securing, interior debris removal, etc.)

During this 60 day extension timeframe, if aggregate cost is greater than \$2,500 and subsequent work can be completed for the allowable cost of either ML 08-31 or ML 10-18, no over allowable is needed.

If the mortgagee has previously received an over allowable approval for a re-occurring expense, there is no need to obtain another approval.

The lender will be required to indicate which cost schedule has been used on an over allowable request in the individual line item section “Mortgagee Remarks”. If no over allowable is needed, the cost schedule used must be noted in Part B & C Claim documentation.

Extension for Grass Cut Cost Schedule

HUD recognizes that this Mortgagee Letter was released in the middle of the grass cut season; therefore, HUD has made an exception to allow the use of ML 08-31, Attachment 6 “Yard Maintenance and Snow Removal Requirements, Page 39 through the end of the 2010 grass cut season. It is anticipated that after this timeframe, HUD will begin utilizing a Cost Estimator product for the grass cut expense. In the event that HUD’s Cost Estimator is not ready for production, HUD will make the determination to possibly extend the use of the ML 08-31 grass cut cost schedule for an additional period of time.

SCORECARD

NATIONAL SERVICING CENTER

SERVICING PERFORMANCE SCORECARD (NSCSPS)

HUD's National Servicing Center has developed a Servicer Performance Scorecard (SPS) to be used for measuring servicer compliance with HUD/FHA guidelines and regulations. Measurements will be based on delinquent loan servicing, with a specific focus on loss mitigation and Single Family Default Monitoring System (SFDMS) reporting. The major elements to be scored in the SPS are:

- (1) Foreclosure Prevention
- (2) Redefault Rates
- (3) SFDMS Reporting Error Percentages
- (4) Loss Mitigation Engagement

Lenders who were selected to participate in a test pilot were recently sent their initial scorecards, and have also been notified about an industry call to discuss the SPS on August 5, 2010, at 1:00 p.m. CST. This call will be hosted by HUD's FHA Single Family National Servicing Center (NSC) and will be an open forum in which discussion is encouraged.

If you are a test pilot lender and have not received call in information for the industry call, please email sfdatarequests@hud.gov for details.

Full rollout and official scoring is anticipated to begin during HUD's first quarter of FY2011. Scores from the 4th Qtr FY2011 rating period will be used in place of the Tier Ranking System (TRS) to establish eligibility for 2012 incentive payments.

As additional information becomes available, updates will be provided in future releases of this newsletter.

HECM UPDATES

HECM Email Changes

As part of an ongoing effort to provide better customer service related to Home Equity Conversion Mortgages (HECM), the National Servicing Center has changed its HECM email address from HECMHelp@hud.gov to HECMServicing@hud.gov. This change will help to segregate HECM servicing issues from HECM origination issues. The two areas are handled by different offices so the confusion is where to direct inquiries slows the response time for HUD's partners.

For assistance with HECM related issues, please contact the following email addresses:

HECMServicing@hud.gov—for all issues relating to the servicing of Home Equity Conversion Mortgages

HECMAdmin@hud.gov—for all issues relating to the origination of Home Equity Conversion Mortgages

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm>

Servicing mortgagee letters issued from September 2009 to May 2010 are listed below. Please visit HUDCLIPS to review or retrieve complete mortgagee letters and attachments.

Number/Date	Title
10-18; 5/13/10	Update of Property and Preservation (P&P) Requirements & Cost Reimbursement Requirements
10-16; 4/20/10	Introduction of the M&M III Mortgagee Compliance Manager (MCM) and the P260 Internet Portal
10-11; 3/26/10	Availability of Treasury Success Payments for FHA-HAMP Modifications- provides criteria to FHA-Approved Servicers for Borrower Pay for Performance Success Payments and Servicer Pay for Success Payments
10-09; 3/8/10	Tier Ranking Scores—Round 38
10-04; 1/22/10	Loss Mitigation for Imminent Default— defines imminent default and provides guidance to FHA approved lenders on how to assist those FHA loans categorized as in imminent default.
09-52; 12/16/09	Short Sales and Short Pay Offs— provides guidance to lenders and underwriters regarding borrower eligibility when a previously owned property was sold for less than what was owed (short sale) or there is a principal write down of indebtedness that cannot be refinanced into a new mortgage (short pay off)
09-49; 11/18/09	Home Equity Conversion Mortgage Program: Subordinate Liens—iterates guidance under ML 06-20 addressing for secured subordinate financing under the Home Equity Conversion Mortgage (HECM) Program.
09-47; 11/6/09	Home Equity Conversion Mortgage (HECM) Counseling Standardization and Roster Final Rule— provides guidance to counselors and lenders regarding the HECM Counselor Roster final regulation.
09-45; 10/27/09	Introduction of HUD’s Web– Based Training Application: Electronic Class (EClass) on Loss Mitigation and Servicing System—announces that the Department’s on-line, web-based training application, EClass, is now available.
09-44; 10/23/09	Home Equity Conversion Mortgage Program (HECM) Program—Clarification of Debenture Interest Calculation for HECM Claim type 21; Claim Filing Instructions for HECM Claim Types 21 and 24
09-43; 10/23/09	HOPE for Homeowners Program—Comprehensive Guidance—supersedes in their entirety Mortgagee Letters 2008-29, 2008-30 and 2009-03 and is effective for endorsements on or after January 1, 2010
09-42; 10/19/09	Sub-Servicing of FHA-insured Mortgages - summarizes what lenders need to keep in mind to expand their servicing capacity including loss mitigation capacity
09-39; 10/08/09	Updated Claim Filing and Delinquency/Default Reporting Requirements for FHA’s Making Home Affordable Modification Program (FHA-HAMP)
09-35; 9/23/09	Loan Modifications: FHA Loss Mitigation Incentives - Update - This ML updates the conditions under which FHA will pay loss mitigation claims for modifications of loans where the current note rate is 50 basis points or more over the current market rate.