



FHA SERVICING AND LOSS MITIGATION NEWS

Oklahoma City Federal Campus

January 2011



U.S. Department of Housing & Urban Development

Contact Us !

CAIVRS, Default Reporting, TRS:

sfdatarequests@hud.gov

Single Family Servicing & Loss Mitigation:

Hsg-lossmit@hud.gov

EVARS:

<https://evars.hudtulsa.org/>

Extensions & Variances when case number is not in EVARS:

HECM Servicing:

HECMservicing@clstulsa.org

Mortgagee Compliance

Manager (MCM):

MCMNSC@hud.gov

Comments, Questions, Feedback or Subscribe:

Please contact the National Servicing Center:

Email: sfdatarequests@hud.gov

Phone: 1 (877) 622-8525

Fax: (405) 609-8421

NOTE: Newsletters are released periodically as concerns dictate which may be yearly or quarterly.

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. Please provide feedback to NSC at our email address of sfdatarequests@hud.gov.

This publication **does not** set new policy nor change published guidance by the U.S. Department of Housing and Urban Development (HUD).

Spotlight Topics.....page 2

NEW—HUD Loan Servicing Contractor Information

Tier Ranking Scores Publically Available

TRS Round 42 Released

Servicer Performance Scorecard Revised

Focus for Servicerspage 3

Portfolio Reconciliations: Servicers’ role in reconciling portfolio issues, correcting default reporting, and other potential servicing issues

Default Reporting News.....page 4

Default Reporting Requirement: Do you know the reporting requirements for every FHA loan that is 30 or more days delinquent?

EY 2011 FHA Loss Mitigation Statistics.....page 5

Loss Mitigation statistics for the first quarter of FY 2011 as determined by the number of claims paid per month.

Loss Mitigation and Default Servicing Trainingpage 6

See the updated schedule inside!

Mortgagee Letter Releases July 2010 through December 2010.....page 7

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

NEW HUD Loan Servicing Contractor Information

Effective August 30, 2010, the HUD Loan Servicing Contractor contact information changed. For inquiries or issues with HECMS, partial claims, or other Secretary Held Loan products, please take note of the following:

C&L Service Corporation (CLS)

CLS Phone: (877) 622-8525

2488 E 81st St., Suite 700

CLS Fax: (918) 935-2994

Tulsa OK, 74137

Also, CLS has established the following emails for HECM and related servicing issues:

HECM Servicing: HECMServicing@clstulsa.org

HUD assistance on HECM: HECMServicing@hud.gov

HECM Property and Preservation: PPRequests@clstulsa.org

Tier Ranking System (TRS) Scores are Now Publically Available

Effective immediately all lender tier ratings will be publically available in compliance with a recent HUD legal decision. All requests for Tier Ranking Scores must be submitted via a Freedom of Information Act (FOIA) request. Any related questions or concerns may be submitted in writing to the National Servicing Center (NSC) via sfdatarequests@hud.gov.

TRS (Tier Ranking System) Round 42 Released

The Tier Ranking System scores for Round 42 were released on December 15, 2010. Servicers ranked as Tier 1 will qualify for additional /increased incentives effective January 1, 2011—December 31, 2011. Currently TRS ranking notifications are sent to selected individuals as directed by the ranked lender. HUD will issue a mortgagee letter in the near future; in the interim, please see the following web pages for additional information:

TRS OVERVIEW: <http://www.hud.gov/offices/hsg/sfh/nsc/trsovrvw.cfm>

TRS CHANGES/BENCHMARKS: <http://www.hud.gov/offices/hsg/sfh/nsc/trschng.cfm>

Or, submit a request for information to sfdatarequests@hud.gov.

Servicer Performance Scorecard Revised

Beginning FY 2012, HUD intends to have the Servicer Performance Scorecard (SPS) become the measure of record for lenders to qualify for additional/increased incentives currently associated with TRS. The SPS methodology incorporates four elements which score performance across key areas for FHA servicing: Foreclosure Prevention; Re-defaults; SFDMS Reporting; Loss Mitigation Engagement. All elements are calculated by utilizing the information that servicers report into SFDMS (default) as well as data within HUD's claim system. SPS has been reviewed in two pilot programs, and well received by HUD and participating lenders.

For additional information or questions, please contact the NSC at sfdatarequests@hud.gov

FOCUS FOR SERVICERS: RECONCILIATION EFFORTS

The National Servicing Center, Operations—Reporting and Analytics Branch, is conducting reconciliation initiatives to assist lenders in the “clean up” of their servicing and default reporting records. This initiative is critical to both HUD for proper documentation and analysis of our insured assets, as well as the lender/servicer for compliance with HUD’s policy for servicing requirements and data quality. The reconciliation process will help to ensure that potential issues, such as Quality Assurance Reviews/Findings, Claim Payments, or MIP payments may be lessened or resolved due to the efforts to comply with current standards.

For your information, the reconciliation initiatives are described below:

Lender Portfolio Reconciliation: While data reconciliation is particularly important for servicers that have merged with other servicers, acquired or sold portfolios, all servicing lenders are required to reconcile their system with HUD’s systems on a regular basis. It is important to ensure that the servicer of record is correct for each loan. Servicers are required to conduct data reconciliations (please see Mortgagee Letters 2003- 17, 2004-34, 2005-11 and 2005-42). If you have transferred servicing of loans, please contact the new lender to file a Mortgage Record Change (MRC) and report them as such in SFDMS (if appropriate). The NSC is here to support and facilitate this effort on your behalf. If you have not yet been contacted by the National Servicing Center and would like to get started on or know more about your servicer/holder reconciliation process, please contact the NSC [at sfdatarequests@hud.gov](mailto:sfdatarequests@hud.gov).

Default Reporting Reconciliation. This reconciliation involves evaluating the default reporting issues a servicer is having due to non-compliance with the reporting guidance as stated in Mortgagee Letter 2006-15, 2009-39 and other relative guidance. NSC is providing monthly reports to selected servicers that notifies them of potential default reporting issues such as:

- High Rate of Fatal and Non-Fatal Errors in Default Reporting to SFDMS Loans with Loss Mitigation Claim Paid (MM or PC) without Reinstatement Code (when a loan is brought current via the use of the Mortgage Modification or Partial Claim, the servicer should code the default episode as closed using the default status code 98—loan reinstated by use of Loss Mitigation
- Open Defaults without Follow-on Reporting (each month every loan in default should have a default code)
- Open Defaults on Paid or Terminated Loans (close open defaults prior to terminating insurance) For additional information or assistance, please contact the NSC [at sfdatarequests@hud.gov](mailto:sfdatarequests@hud.gov)
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Webinars provide valuable information: With the increased emphasis on reporting, in addition to eClass modules for reporting contained in the loss mitigation and servicing training courses. NSC is offering hands-on refresher courses through Webinars using live meeting capabilities to assist lenders of all sizes with their understanding and implementation of SFDMS reporting requirements.

If your company is interested in this opportunity after taking the SFDMS module on eClass, please contact NSC through the [mailbox sfdatarequests@hud.gov](mailto:sfdatarequests@hud.gov) to discuss scheduling options.

Mortgagee Letters 2006-15 and 2009-39 updated HUD reporting requirements to the Single Family Default Monitoring System (SFDMS) for all delinquent loans to stay in compliance with FHA regulations. Refer to the mortgagee letters for additional requirements. For example, Servicers must:

- Open a default episode by reporting a default status **code 42** when a loan is 30 days due and payable;
- Report delinquencies monthly and continue to report until loan is reinstated or terminated;
- Report the oldest unpaid installment date (OUI). Reporting a current OUI with a default status code will cause a fatal error or reject. (Be careful when reporting more than one code during a data cycle).
- Report the proper default status code when the loan reinstates to end the default episode;
- Report the correct default status code to close the default episode PRIOR to terminating insurance;**Page 4**
- Report loss mitigation activity throughout the default episode. Default reporting of LM actions must correlate with LM claims submitted for payment.
- Review and correct reporting errors: Fatal and Non-Fatal errors are provided for lenders who report through EDI. TS824 reports detail the errors. Lenders reporting manually through FHA Connection receive immediate failure or success notification at the time of entry.
- Use logical default reason codes. Note that default status code 15, Other, should only be used if no other reason code logically identifies the reason for default.

DEFAULT REPORTING NEWS

PRE-CONVEYANCE AND FORECLOSURE NEWS

Servicing requirements are important throughout the life of the loan, and critical during times of default and foreclosure processes. It is imperative that servicers not only appropriately code the default information for the loan in SFDMS, but also to properly begin pre-conveyance activities once it is determined that the delinquency cannot be resolved by use of Loss Mitigation. Key components of the foreclosure process include documenting actions in SFDMS and utilization of the MCM process. To reinforce these requirements, below are key points to remember for pre-conveyance activities:

Extensions of Time: HUD Handbook 43304 sections 1-6 clearly defines the conditions and requirements for approval of extensions of time. Servicers must provide a valid reason for the request, documented with specific information as to why the normal time requirements cannot be met.

Generally, conditions within the Mortgagee's control or lack of clear and specific documented reason will yield a denial of the extension of time request. Also, servicers should always upload documentation supporting the reason for additional time. No documentation = denial. Example documents as justification include, but is not limited to, insurance claims, court delays, and similar circumstances outside the Mortgagee's control.

Appeals of a denial should always include additional or new information. The servicer should revisit their original request and ensure that it has been revised with specific information, valid reason, and all necessary supporting documentation.

Occupied Conveyance: PLEASE NOTE: **UPDATED** HUD Form 9539 (Nov 2010). The approval/denial letter to occupants now includes language that instructs occupants, who believe they are eligible under Protecting Tenants in Foreclosure Act (PTFA), to contact their lender and provide them with the documentation needed to prove eligibility under the PTFA.

Contact List for Field Service/Asset Managers: <http://www.hud.gov/offices/hsg/sfh/reo/mm/mminfo.cfm>

FY2011 National- 1st Quarter Loss Mitigation Statistics

Measure	October 2010	November 2010	December 2010
Special Forbearances	2,361	1,720	3,301
Loan Modifications	12,667	14,830	18,000
Partial Claims	1,194	1,631	2,328
Total Retention	16,222	18,181	23,629
Pre-Foreclosures	1,454	905	1,713
Deeds-in-Lieu	71	52	91
Total Non-Retention	1,525	957	1,804
Total LM Claims	17,747	19,138	24,533
Foreclosures	9,777	6,820	7,193
Workout Ratios	64.48%	73.73%	77.95%

Imminent Default and Loss Mitigation

Mortgagee Letter 2010-04 provides special guidance for the use of loss mitigation for borrowers facing IMMEDIATE DEFAULT. The mortgagee letter defines Imminent Default as:

...an FHA borrower that is current or less than 30 days delinquent on the mortgage obligation and is experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment during the month that it is due. The borrower must be able to document the reason for the hardship, including but not limited to:

1. reduction in income (employment issues)
2. a change in household income (death, disability, etc)

Servicers should evaluate these borrowers for the provisions within the mortgagee letter to maximize the opportunity for the borrower to overcome the probable delinquency by obtaining payment options (informal or formal-but not special-forbearance) that would enable them to make payments and cure the delinquency. Moreover, the homeowner is more likely to stay in contact with the servicer and remit payments if they are successful early.

For more information on Mortgagee Letter 2010-04, please contact NSC at HSG-LOSSMIT@hud.gov

LOSS MITIGATION AND EARLY DEFAULT SERVICING TRAINING

ECLASS - Web Based Training

The EClass System provides additional training on FHA's Loss Mitigation Programs, including FHA's Home Affordable Modification Program (FHA-HAMP), as well as continuing education on issues that have generated the most industry questions and requests for further training. The EClass System is designed to provide a web-based training to HUD-Approved Servicers, HUD-Approved Housing Counseling Agencies, Non-Profit Housing Counseling Agencies, and HUD Staff.

NOTE - PREREQUISITE REQUIREMENT: Effective immediately, completion of NSC's Online EClass Training is a "prerequisite" prior 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. The NEW URL is: <https://eclass.hudtulsa.org> Additional information regarding EClass Requirements can be found in Mortgage Letter 2009-45.

Classroom Training at NSC: Early Default Servicing & Loss Mitigation Program Training

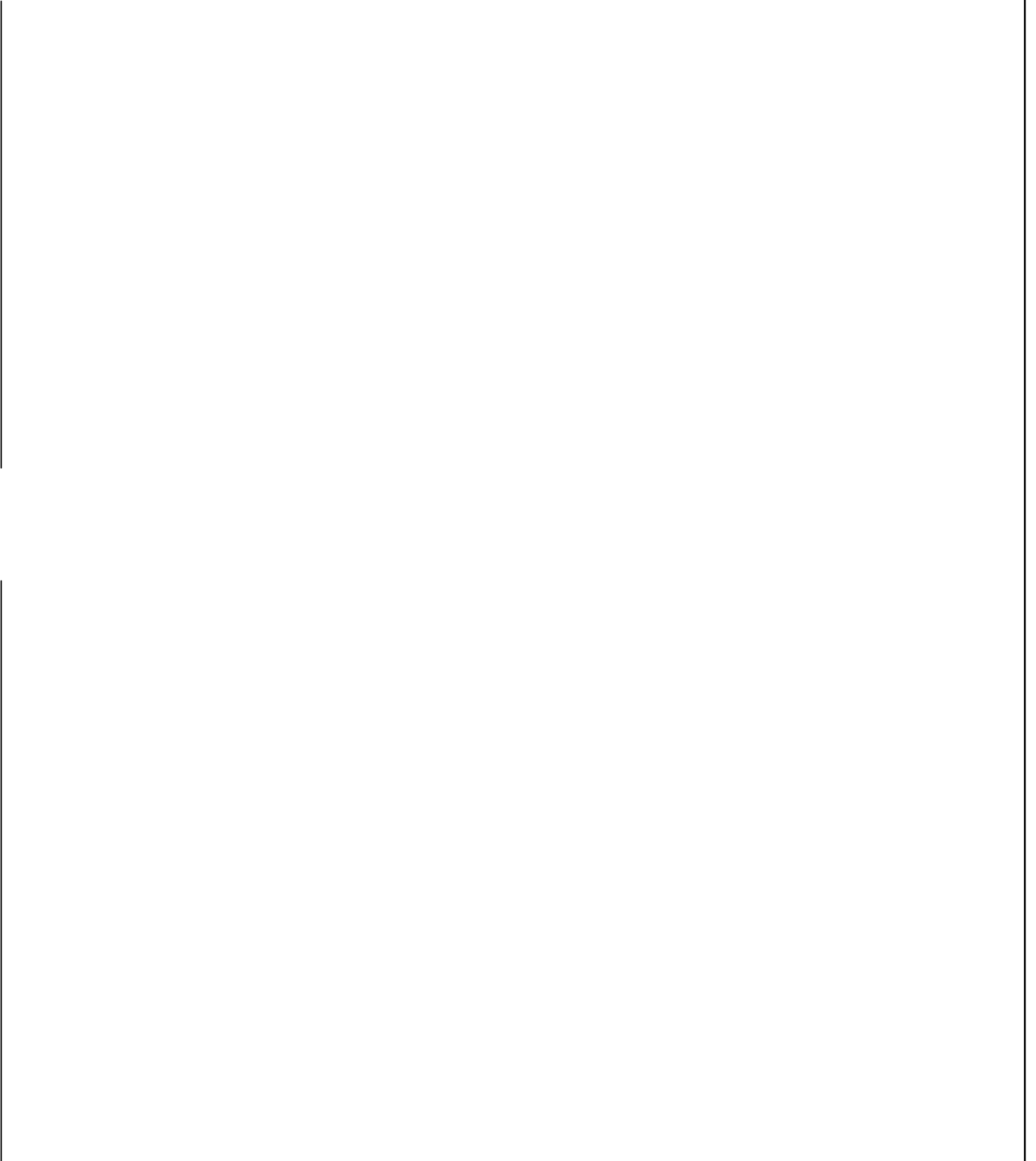
Classroom training is for HUD-approved mortgagees, HUD-approved Housing Counselors, and Non-profit Housing Counselors. For-profit Housing Counselors are not permitted to attend this training. Remember, ECLASS is a prerequisite to attend this training.

Classroom 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

<u>Training Dates</u>	<u>Registration Deadline</u>
February 15-16, 2011	February 8, 2011
May 17-18, 2011	May 10, 2011
August 16-17, 2011	August 9, 2011

To register for classroom training, please go to: <https://eclass.hudtulsa.org>



Mortgagee Letters

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

Servicing mortgagee letters issued from June 2010 to December 2010 are listed below.

Please visit HUDCLIPS to review or retrieve complete mortgagee letters and attachments

Number	Title
10-39	Home Equity Conversion Mortgage (HECM) – HUD-1 Settlement Statement Closing Certification
	-- Attachment.ADDENDUM TO HUD-1 SETTLEMENT STATEMENT
10-38	Mortgagee Eligibility Requirements and Clarification of FHA’s Electronic Annual Certification Requirements and Procedures
10-37	Home Equity Conversion Mortgage (HECM) Program: Clarification of Policies Regarding the Requirement that HECM Lenders Provide Prospective HECM Borrowers a List of HECM Counseling Agencies
10-36	Requirements for Combined Loan Amounts
10-35	Borrower Certification for FHA Refinance of Borrowers in Negative Equity Positions
	-- Attachment
10-34	Home Equity Conversion Mortgage Program – Introducing HECM Saver; Mortgage Insurance Premiums and Principal Limit Factor Changes for HECM Standard
10-32	Revision to Policy for Partial Payment of Claims and Mortgage Modifications
10-28	Changes to FHA Mortgage Insurance Premiums
10-24	Combined Loan-to-Value Requirements for Refinance Transactions (Superseded by 10-36)
10-23	FHA Refinance of Borrowers in Negative Equity Positions
10-22	Home Equity Conversion Mortgage (HECM) Program Submission of Case Binder Documents
	-- Attachment - Home Equity Conversion Mortgage Required Documents for Endorsement
10-20	Implementation of Final Rule FR 5356-F-02, –Federal Housing Administration: Continuation of FHA Reform—Strengthening Risk Management through Responsible FHA-Approved Lenders
10-19	Streamline Refinance Transactions and FHA TOTAL Scorecard

In the Next Issue.....

SERVICER PERFORMANCE MEASURES

- TIER RANKING SYSTEM (TRS)
- SERVICER PERFORMANCE SCORECARD (SPS)

DEFAULT REPORTING

- CLARIFICATION ON SFDMS REPORTING-AVOIDING COMMON MISTAKES
- NEW SFDMS CODES
- LOAN MODIFICATION FUNCTIONALITY IN FHA CONNECTION
- ADVANCE ADVICE NOTES IN FHA CONNECTION
- NEW SFMDS FAQs
- FATAL AND NON-FATAL ERRORS IN DEFAULT REPORTING

LOSS MITIGATION FOCUS

- WATERFALL AND USE OF ALL FEASIBLE LM OPTIONS

PORTFOLIO RECONCILIATION

• HOLDER/SERVICER REPORTS

MIP ISSUES

• HOW DO I FIX?" SECTION FOR ERRONEOUS TERMINATIONS

HECM

HECM SAVER ROLL OUT

PRECONVEYANCE AND FORECLOSURE NEWS

- INSTRUCTION FOR STORAGE OF PERSONAL PROPERTY
- GUIDANCE ON REQUIRING SUBCONTRACTORS TO ABSORB COSTS FOR AUTOMATED FORECLOSURE TRACKING SERVICES
- INFORMATION ON GLASS REGLAZING
- UPDATE ON OCCUPIED CONVEYANCE GUIDELINES
-