



FHA SERVICING AND LOSS MITIGATION NEWS

Oklahoma City Federal Campus

July 2011



U.S. Department of Housing & Urban Development

Contact Us I

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sfdatarquests@hud.gov

Single Family Servicing & Loss Mitigation:

(877) 622-8525

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: sfdatarquests@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 sfdatarquests@hud.gov.

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

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

NEW!

Important Contact Information for Loss Mitigation Assistance

Effective immediately, homeowners and lenders should cease using the email HSG-LOSSMIT@hud.gov email box for inquiries and communications with the National Servicing Center Loss Mitigation division. The email box has been deactivated effective June 1, 2011. For all assistance, questions, inquiries, etc., please contact the FHA Loss Mitigation Call Center: 1(877) 622-8525.

TRS (Tier Ranking System) Round 44 Released

The Tier Ranking System scores for Round 44 were released on May 15, 2011.

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

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

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

NEW!

Webinar Series for FHA Servicers

The housing crisis has affected not only homeowners, but also Loan Servicers' ability to meet the demands for Loss Mitigation intervention. FHA recognizes the increased demand for Loss Mitigation, and is pleased to announce we are reaching out to our servicing partners to provide additional support and an enhanced training program.

To attend the webinar training series, please send an email request to sfdatarequests@hud.gov with WEBINAR in the subject line.

NEW!

Portfolio Reconciliation Website on FHA.gov

The National Servicing Center Announces a New Resource for Portfolio Reconciliation.

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/portrecon

As described in the last newsletter, The National Servicing Center, Operations—Reporting and Analytics Branch is conducting a reconciliation initiative to assist lenders in reconciling their servicing 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 portfolio reconciliation initiative is described below:

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 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).



FOCUS FOR SERVICERS: Non Incentivized Loan Modifications

REPORTING LOSS MITIGATION

Mortgage Modifications without incentive claim payments:

The Federal Housing Administration (FHA) is pleased to announce a new mechanism through which servicers are encouraged to report ***non-incentivized loan modifications*** using FHA Connection. After the execution of a loan modification, servicers are eligible to collect an incentive payment if they file a claim within 60 days of the execution date of the modification. However, many servicers miss the 60-day deadline or merely neglect to file a claim for the incentive payment. In the past there was no way for servicers to supply FHA with information about the modified loan, such as the new principal, term, and/or interest rate. As a result, servicers not only lose the opportunity to recover costs for completing a modification, but they may incur further monetary damages by delaying possible future claims activity after the original loan maturity date automatically terminates the FHA insurance.

A Mortgagee Letter is currently in process to make this reporting a requirement in the future; until then lenders can use this new feature at their discretion. FHA emphasizes the importance of accurate and timely reporting of loan modifications, including timely incentive claim filing. In addition to providing compensation for the recasting effort the data provided to FHA within the incentive claim process captures critical information about the recasting of mortgages. The modified terms and conditions of the loan disclosed to HUD provide a more accurate view of the active insured FHA portfolio.

Further information on reporting the details of the modification after a lender has missed the claim filing deadline can be found at <http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>.

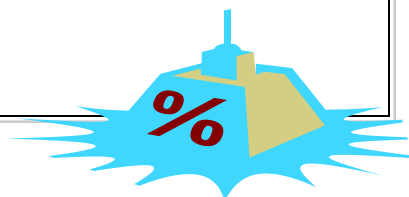
Please send any questions to: sfdatarequests@hud.gov

FOCUS FOR SERVICERS: Compliance with Mortgagee Letter 2009-35

Mortgagee Letter (ML) 2009-35 updated the conditions under which FHA will pay loss mitigation incentive claims for modifications of loans where the current note rate is 50 basis points or more over the current market rate. This communication specified the rate and term threshold requirements that each modified loan must meet in order for the mortgagee to be eligible for an incentive fee. These requirements became effective thirty days from the date of the ML or October 23, 2009.

The rate threshold requirements prescribed in ML 09-35 specifically state that the Mortgagee shall reduce the loan modification note rate to the current marketing Rate which shall not be more than 50 basis points greater than the most recent Freddie Mac Weekly Primary Mortgage Marketing Survey Rate for 30-year fixed-rate conforming mortgages (US average), rounded to the nearest one-eighth of one percent (0.125%). The National Servicing Center (NSC) is developing procedures to identify loans that appear to have failed to meet the rate threshold requirements outlined in ML 09-35. Servicers will be required to repay any incentive payment received for non-compliance mortgage modifications.

For additional information or questions, please email sfdatarequests@hud.gov.



FOCUS FOR SERVICERS: SPECIAL FORBEARANCE PROGRAM MODIFICATIONS



Adjustments to FHA and MHA requirements to allow 12-month Forbearances

Federal Housing Administration (FHA) requirements that will require servicers to extend the forbearance period for unemployed homeowners to 12 months. The Administration also intends to require servicers participating in the Making Home Affordable Program (MHA) to extend the minimum forbearance period to 12 months wherever possible under regulator and investor guidelines. These adjustments will provide much needed assistance for unemployed homeowners trying to stay in their homes while seeking re-employment.

These reforms build on successful Administration initiatives to support unemployed borrowers through the \$7.6 billion Hardest Hit Fund and the \$1 billion Emergency Homeowner Loan Program (EHLF) and the changes are intended to set a standard for the mortgage industry to provide more robust assistance to unemployed homeowners in the economic downturn.

The Hardest Hit Fund, first announced in February 2010, provides support to 18 states and the District of Columbia, which represent the areas hardest hit by steep home price declines and unemployment, to design and implement programs to help struggling homeowners avoid foreclosure. Participating states have dedicated approximately seventy percent of program funds toward programs to help homeowners struggling with unemployment or underemployment. As of this month, each participating state is accepting applications from borrowers and providing direct mortgage assistance to those that qualify.

The EHLF program complements the Hardest Hit Fund, by serving the remaining 32 states and Puerto Rico. Congress provided \$1 billion dollars to HUD, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, to implement the recently launched program. EHLF assists homeowners who have experienced a reduction in income and are at risk of foreclosure due to involuntary unemployment, underemployment due to economic conditions or a medical condition. EHLF is expected to aid up to 30,000 distressed borrowers, with an average loan of approximately \$35,000.



Key Servicing Requirements for this Initiative

The changes to FHA's Special Forbearance Program will require servicers to extend the forbearance period for FHA borrowers who qualify for the program from four months to 12 months and remove upfront hurdles to make it easier for unemployed borrowers to qualify.

In addition to extending the forbearance period and removing the up-front hurdles for borrowers, the FHA has reemphasized its requirement that servicers conduct a review at the end of the forbearance period to evaluate the borrower for all additional, applicable foreclosure assistance programs and notify the borrower in writing whether or not he/she qualifies for any other available option. If the borrower does not qualify for any foreclosure assistance option, the servicer must provide the borrower with the reason for denial and allow the borrower at least seven calendar days to submit additional information that may impact the servicer's evaluation.

For questions and additional information, please contact the National Servicing Center at sfdatarequests@hud.gov.

FOCUS FOR SERVICERS: Servicer Performance Scorecard (SPS) UPDATE

Getting Started

In March of this year, the Department issued the first release of the Servicing Performance Scorecard (SPS) to all eligible scoring servicers. These performance measurements are focused on compliance with FHA default servicing regulations and are a more encompassing examination of delinquent loan servicing. The first release contained scores for FY2011 Q1 and introduced the four distinct elements developed to assess performance.

After the FY2011 Q1 release, it was determined that the foreclosure prevention and loss mitigation engagement scoring methodology would be revised in order to align it more with the agency's strategic goals. FY2011 Q2 and revised Q1 scores were issued at the beginning of June. If you have not yet received any information regarding this and if you believe your company is eligible to be scored, please email sfdatarequests@hud.gov with the subject line "SPS" in the subject.

You can find an in-depth explanation of the element descriptions and revised scoring methodology at the NSC's home page, <http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>.

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) Maintain an average delinquency portfolio of 2 loans or more as reflected in Neighborhood Watch for the fiscal year, 3) Score in an average of at 2 elements.

If your company meets these criteria but also meets at least one of the following criteria, your company will have the option to opt-out. If your company has this option available, you were notified with your scores: A) Maintains a fiscal year average total portfolio size of less than 100 loans, and/or B) Maintains a fiscal year average delinquency portfolio of 2 loans or more but less than 10 loans, and/or C) Scores in an average of 2 elements only.

Currently, the Department is issuing scores to all eligible servicers. If you meet opt-out criteria for the fiscal year, we will advise you at a later point in time about the procedure to opt-out.

If you have any other questions about this process or regarding your scores, please email sfdatarequests@hud.gov with the subject line "SPS" in the subject.

Please take the time to review your SPS information, as the packet contains valuable information on how scores are derived, methodology, and improvement opportunities.

Did You Know?

Much of the data used to develop SPS and score lenders can be obtained and/or verified through FHA Connection, Neighborhood Watch, or SFIS Net. If you do not have access to these systems, please take time to request access or find out whom in your organization has access.

For access or information, please see:

FHA Connection: <https://entp.hud.gov/clas/index.cfm>

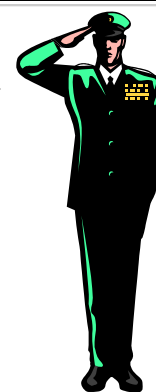
Neighborhood Watch: <https://entp.hud.gov/sfnw/nw/>



FOCUS FOR SERVICERS: SCRA Provisions

HUD ANNOUNCES REVISED DISCLOSURE NOTICE ON PROTECTING HOMEOWNERSHIP RIGHTS OF THE MILITARY

Federal Law Protects Rights of Servicemembers and Dependents



The U.S. Department of Housing and Urban Development today announced a revised [Notice of Disclosure](#) form that emphasizes the rights of the active duty military and their dependents who are protected under the *Servicemembers Civil Relief Act*.

The Act mandates that military personnel on active duty in wartime are entitled to mortgage relief, including a lower interest rate (not more than six percent) on their mortgages and foreclosure protection. It states that a foreclosure proceeding against certain military personnel, who are recalled to active duty, is not valid unless the creditor has obtained a court order approving it and further states that the courts may stop the proceedings for a time or adjust the debt.

"We all stand behind the men and women of our military when they are called upon to serve," said HUD Secretary Shaun Donovan. "The *Servicemembers Civil Relief Act* enables our armed forces to focus on their mission abroad, without worrying about their families at home."

The form explains:

- Who May Be Entitled to Legal Protections Under the SCRA?
- What Legal Protections are Servicemembers Entitled to Under the SCRA?
- How Does a Servicemember or Dependent Request Relief Under the SCRA?
- How Does a Servicemember or Dependent Obtain Information About the SCRA?

A written request and a copy of military orders must be sent to a lender in order for a servicemember to get interest rate relief and foreclosure protection under the Act. In its revised form, however, the Notice of Disclosure emphasizes that there is no requirement thereafter for servicemembers to alert their lenders of their military status in connection with a foreclosure. It is the lenders responsibility to make that determination and to send a copy of the Notice of Disclosure to homeowners, who are in default on a mortgage.

The Notice advises servicemembers seeking relief to call 1 (800) 342-9647 or visit www.militaryonesource.com/scra for additional information and guidance. It also provides guidance on obtaining military legal assistance.

As a reminder, Mortgagee Letter 2006-15 and 2009-35 provide guidance on the use of default status code 32 to properly notate the invoking of the SCRA allowances for those servicemembers in need of assistance.

If you have any additional questions, please contact the National Servicing Center at sfdatarequests@hud.gov.

FEMA Declarations and Default Reporting

Mortgagees are reminded that requirements for servicing mortgages in Presidentially Declared Disaster Areas are provided in Chapter 14 of HUD Handbook 4330.1, Rev-5, Administration of Insured Home Mortgages, restated most recently in Mortgagee Letter . Information is available at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/disaster

A 90 day moratorium on foreclosure is automatically imposed on properties actually affected by the disaster. When The mortgagee must check Federal Emergency Management Agency (FEMA) to obtain the specific affected counties and corresponding declaration dates (<http://www.fema.gov/news/disasters.fema> or by calling the local FEMA office).

The National Servicing Center expects to see SFDMS reporting for the specifically affected areas:

On loans in the affected areas that were already going to be reported in SFDMS, report a Default Status Code of 34 (Natural Disaster). This will not open a new default episode. If the loan is a new default, report a 42 and then a 34.

On loans that are about to go into foreclosure or that are in the process of foreclosure and said actions are delayed/stopped for the moratorium, report a Default Status Code AS (HUD Foreclosure Moratorium). This is in addition to reporting the 34.

The Reason for Default should be 19 if the disaster directly contributed to the default; otherwise, use the Reason for Default that is already known for the case.

The Occupancy Status should remain the same unless you have reason to believe otherwise (i.e., if the property has been occupied, leave the Occupancy Status as Occupied unless you are informed that the property is vacant or an inspection reveals the property is vacant).

Claims Remittance Information—PAY.GOV

Effective immediately, claim related payments to HUD must be made through the “Claim Remittance” feature in FHA Connection. This feature can be accessed through the FHA Connection by selecting Single Family Servicing, Claims Processing, and Claim Remittance. Banking information can be entered securely during the one-time cash flow account setup using the Cash Flow Account Setup module in FHA Connection.

HUD’s FHA Single Family Insurance Claims Accounts Receivable Subsystem (ARS) remittance process was modified to comply with the U.S. Department of the Treasury’s mandate for all agencies to switch from their current lockbox services to Treasury’s Pay.gov collection service. This change in the remittance process was announced in **Mortgagee Letter 2011-08 “FHA Single Family Insurance Claims Accounts Receivable Subsystem (ARS) Remittances: Pay.gov Implementation.”**

Guidance and instruction regarding the new remittance process can be found at <http://www.hud.gov/offices/hsg/comp/premiums/arsclaims.cfm>.

If you are inquiring about the status of a claim, you can retrieve the information (for both paid and suspended claims) from the FHA Connection, CLAIMS PROCESSING module.

MERS and Foreclosure Filing

Mortgagees must identify the cases in which a non-judicial foreclosure by advertisement was completed in MERS name and only these cases will need to be reconveyed in order for the title to be cleared.

The following provides guidelines as to how the reconveyance process will be implemented for **MERS affected cases only:**

- On the list of REO cases, please identify and indicate those properties that are affected by MERS foreclosures, and return the list to mcm-mers@mcbreo.com within seven (7) business days.
- You will be issued a separate Reconveyance Billing Letter for each MERS property that contains the dollar amount of funds due. Each Mortgagee must provide the following to MCB:
 - Prepare the deed from HUD back to the Mortgagee's name in a Word format. Email this file to: mcm-mers@mcbreo.com.
 - Prepare the check for recording fees made payable to the recording agency and send to MCB at the address below.
 - Provide confirmation copy of wire transfer of funds made through the Claims Remittance feature in FHA Connection.
 - Send the hard copy items to:

MERS Reconveyances
 Michaelson, Connor & Boul
 5312 Bolsa Avenue, Suite 200
 Huntington Beach, CA 92649



Property & Preservation News

FHA servicers are encouraged to stay informed on topics relating to property and preservation requirements for HUD/FHA. A monthly newsletter is available to assist with P&P issues. In the June 2011 edition, servicers can find information regarding:

- Reconveyance Process for MERS Foreclosed Properties in Michigan
- De-Mystifying the \$2500 Per Property Maximum
- Photos - the Importance of Clear Documentation
- Changing Vacancy Dates
- P260 Tips
- Where to Send Post-Conveyance Bills and Code Violations

Each issue of MCM UpDate is posted on MCB's website: <http://www.mcbreo.com/mortgagee-compliance-manager-mcm.html>

If you have general questions on mortgagee compliance issues or would like to add someone to our mailing list, please email mcm-info@mcbreo.com.

As a REMINDER: Partial Claim Requirements

If you recall, mortgagee Letter (ML) 2003-19 required that partial claim subordinate mortgages be submitted for recording within **5 business days** of execution to the appropriate jurisdiction. That ML also states that the servicing of the Partial Claim remains with the mortgagee until the security interests are legally recorded in the appropriate jurisdiction. Note that NO jurisdictions are excluded from this recording requirement.

Mortgagees are responsible for delivering the original promissory note and recorded mortgage to HUD's loan servicing contractor as soon as possible, **but no later than 6 months from the execution date of the Partial Claim note and security instrument**. Extensions may be requested when there are delays in the recording offices that prevent the mortgagee from delivering the document timely. Extension requests must be submitted before the end of the 6 month timeframe through EVARS.

PLEASE NOTE: Failing to provide the proper legal documents to HUD may result in the mortgagee's forfeiture of the incentive fee. More importantly, if HUD's interest has not been properly recorded and the promissory note delivered to HUD, HUD may collect the full amount of the partial claim from the mortgagee.

For additional information or questions, please contact the National Servicing Center by phone 1(877) 622-8525.

Did You Know? Correspondent Lenders and FHA Servicing

Mortgagee Letter 2010-20 restated FHA regulations that prohibit loan correspondent lenders from owning or servicing FHA insured loans:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-20ml.pdf>

This prohibition was in place even before FHA eliminated loan correspondents as a lender type. You have two options for correcting this issue:

- Sell the loan to an approved lender, or
- Submit an application for reinstatement of your previous lender ID as a supervised servicer

Servicers should note components for approval include: \$1000 application fee; HUD-92001-A; State License or Registration; Audited financial statement; DBA Approval(s), if applicable; Evidence of Office Facilities; Funding Program; Quality Control Plan; Copy of Fidelity Bond; and Copy of Errors & Omissions Insurance. Details about application requirements and process for approval can be found at:

Application Guidelines: <http://www.hud.gov/offices/hsg/sfh/lender/lendappr.cfm>

Also, servicers may find the following links helpful when completing their applications:

Audit Guide: <http://www.hud.gov/offices/adm/hudclips/handbooks/oigh/20004/20004OIGH.pdf>

HUD 92001-A <http://www.hud.gov/offices/adm/hudclips/forms/files/92001-a.pdf>

Title 2 Approval Handbook: <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4060.1/>

Application Fee payment: <https://www.pay.gov/paygov/>

For additional questions, please email: info@fhaoutreach.com

Mortgage Letters

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

Servicing mortgagee letters issued for FY 2011 are listed below.

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

11-23	Unemployment Special Forbearance: Temporary Program Changes and Clarifications
11-22	Condominium Approval Process for Single Family Housing – Consolidation and Update of Approval Requirements -- Attachment -- Guide
11-21	Revised Instructions for Preparing American Land Title Association (ALTA)/American Congress on Surveying and Mapping (ACSM) Land Title Survey for HUD Multifamily Housing Programs -- Attachment 1 - HUD Survey Instructions and Report (HUD-92457A-M) -- Attachment 2 - Surveyor's Report (HUD-92457M)
11-20	Termination of the HOPE for Homeowners (H4H) Program
11-19	Financing of Transaction Costs for Real Estate Owned Properties (REO) Purchased under FHA \$100 Down Sales Incentive
11-18	Elimination of FHA's origination fee cap for the 203(k) Rehabilitation Mortgage Insurance Program
11-17	Use of HUD/FHA Logo, Name and Acronym in Advertising
11-16	Home Equity Conversion Mortgage —Rescission of Mortgagee Letter 2008-38— Borrower's recourse for repayment of HECM debt
11-15	Revision to Procedures for Partial Payment of Claims of Section 232 Mortgages
11-14	Subordination, Non-Disturbance and Attornment Agreements
11-13	Revision of Mortgagee Letter ML 10-30, Extension of Temporary Authority for Multifamily Hubs to Process Waiver Requests Pertaining to the Three-Year Rule for Section 223(f)¹
11-12	Tier Ranking Scores - Incentive Round 42
11-11	FHA Refinance Transactions
11-10	Annual Mortgage Insurance Premium Changes and Guidance on Case Numbers
11-09	Home Equity Conversion Mortgage (HECM) Counseling: Waiver of HECM Counseling Fees and Activities Included in the Time Recorded Portion of the HECM Counseling Certificate
11-08	FHA Single Family Insurance Claims Accounts Receivable Subsystem (ARS) Remittances: Pay.gov Implementation
11-07	Elimination of the Master Appraisal Report (MAR)
11-06	Claim Process for FHA Refinances of Borrowers in Negative Equity Positions (ADP Codes 821, 822, 831, or 832)
11-05	Revised Audited Financial Statement Reporting Requirements for Supervised Lenders in Parent-Subsidiary Structures and New Financial Reporting Requirements for Multifamily Mortgagees
11-04	FHA Capture of Nationwide Mortgage Licensing System and Registry (NMLS) Information
11-03	Extension of Temporary Guidance for Condominium Policy
11-02	Quality Control Requirements for Direct Endorsement Lenders
11-01	Home Equity Conversion Mortgage Property Charge Loss Mitigation Attachments: -- Model Letter -- Corporate Advance Procedures