

# HUD Housing & FHA Monthly Review



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## POLICY DEVELOPMENTS

### SINGLE FAMILY HOUSING

#### **Extension of the Implementation Date for Mortgagee Letter 2015-07: Trial Payment Plans Associated with HUD's Loss Mitigation Loan Modification Options for Forward Mortgages**

On June 3<sup>rd</sup> the Office of Single Family Housing announced that it is extending the implementation dates for the policy changes originally announced in Mortgagee Letter (ML) 2015-07: Trial Payment Plans Associated with HUD's Loss Mitigation Loan Modification Options for Forward Mortgages, issued on March 18, 2015. The policy changes announced in ML 2015-07 will now become effective with the Servicing section of the *Single Family Housing Policy Handbook* (HUD Handbook 4000.1).

- Link to ML 2015-07 : <http://portal.hud.gov/hudportal/documents/huddoc?id=15-07ml.pdf>
- Link to online version of HUD Handbook 4000.1:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsg](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg)

#### **Revised Mortgagee Optional Election Assignment for Home Equity Conversion Mortgages (HECMs) in Mortgagee Letter 2015-15: An Alternative Path to Claim Payment for HECMS with FHA Case Numbers Assigned Prior To August 4, 2014 and an Eligible Surviving Non-Borrowing Spouse**

On June 12<sup>th</sup> the Office of Single Family Housing published Mortgagee Letter 2015-15, Mortgagee Optional Election Assignment for Home Equity Conversion Mortgages (HECMs) with an FHA Case Number assigned prior to August 4, 2014. This Mortgagee Letter sets out an alternative path to claim payment, the Mortgagee Optional Election (MOE) Assignment, that mortgagees may choose for an eligible HECM with an Eligible Surviving Non-Borrowing Spouse and an FHA case number assigned prior to August 4, 2014.

Under the MOE, mortgagees may assign eligible HECMs to FHA, despite the HECM being otherwise eligible to be called due and payable as a result of the death of the last surviving borrower. The assignment allows eligible surviving Non-Borrowing Spouses to remain in the home.

The HECM MOE Assignment originally published in Mortgagee Letter 2015-03, and subsequently rescinded, provided for a MOE Assignment that required a HECM to comply with

either a Factor Test or a Principal Limit Test—tests that provided certain eligibility parameters—to be eligible for the MOE Assignment. Mortgagee Letter 2015-15 removes the Factor Test and Principal Limit Test requirements from the MOE Assignment option, and also expands timeframes for certain mortgagee actions related to:

- The mortgagee’s notification to FHA of its election of the MOE Assignment path to claim payment; and
- The subsequent assignment of the eligible HECM to FHA.

- Link to ML 2015-15: <http://portal.hud.gov/hudportal/documents/huddoc?id=15-15ml.pdf>

### **Electronic Appraisal Delivery Portal Mortgagee Implementation Update**

On June 15<sup>th</sup>, the Office of Single Family Housing announced additional details to enable mortgagees to continue their planning for implementation of the Electronic Appraisal Delivery (EAD) portal. Currently targeted to begin in August 2015, an EAD registration process will allow mortgagees to select and register for one of several migration phases that will begin in October 2015.

The EAD portal is a web-based technology system that enables mortgagees or their designated third-party service providers to electronically transmit appraisal data and reports to FHA prior to loan endorsement. It will make it easier for mortgagees and others to do business with FHA by offering process and technology efficiencies that streamline appraisal data transmission, promote quality up-front appraisal data, and reduce post-endorsement appraisal data corrections. FHA will not charge a fee to mortgagees for using the EAD portal, bringing the benefits of this electronic technology to FHA mortgagees for free.

In order to migrate to the portal before its June 27, 2016 mandatory use date, mortgagees **must** register for one of the available migration phases to be established by FHA, which will:

- Start every 30 days, and be approximately 60 days in duration;
- Allow mortgagees to migrate to the portal at any time within their chosen phase;
- Require a minimal time investment to complete for mortgagees that will be submitting appraisal data directly to the portal via its web-based URL;
- Allow mortgagees to become familiar with the portal and work through data submissions in a live environment, with FHA and vendor support available to help resolve any issues; and
- Begin in October 2015.

-Link to EAD portal information page:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/lender/origination/ead](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/ead)

### **FHA Posts New Single Family Housing Policy Handbook (HUD Handbook 4000.1) FAQs on HUD.gov**

To assist mortgagees and others in preparing for the upcoming September 14, 2015 effective date of many sections of the *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) on June 17<sup>th</sup> the Federal Housing Administration (FHA) posted on its Single Family Housing Policy Handbook (Handbook 4000.1) Information Page new Frequently Asked Questions (FAQs)\*Previews dealing primarily with the published sections of the Single Family Housing Policy

Handbook (SF Handbook; HUD Handbook 4000.1) that are scheduled to go into effect on September 14, 2015. On June 30, 2015, these FAQ previews were augmented with an additional set of 120 FAQ previews, so that there are now over 400 FAQ Previews available.

HUD Handbook 4000.1 is accessible via HUDCLIPS—under Policies and Regulations; Handbooks—and through links on various other Single Family Housing web pages on HUD.gov. Links are also below.

For simplicity, and to better enable those doing business with FHA to operationalize their businesses in anticipation of the Handbook's September 14, 2015 effective date, the FAQs are posted now on the Single Family Housing Policy Handbook Information Page, and then later migrate to the permanent FHA Resource Center Online Knowledge Base. Existing FAQs for current policy can be viewed on the FHA Resource Center Online Knowledge Base, or can be obtained by calling the Resource Center directly.

All posted FAQs are for informational purposes only. This preview is another way FHA is helping the industry prepare for implementation, but mortgagees reviewing these FAQs should note:

- These FAQs are not FHA policy, and should only be used as a guide for reviewing the policy contained in the SF Handbook.
- Mortgagees should not apply the policies in the SF Handbook to their current FHA mortgage business until the September 14, 2015 effective date. All existing FHA policy remains effective until the effective date of the SF Handbook.

- Link to SF Handbook Information Page:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1)

- Link to the SF Handbook:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/handbooks/hsg](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg)

- Link to SF Handbook Overview FAQs:

[http://portal.hud.gov/hudportal/documents/huddoc?id=SFH\\_HB\\_4000-1\\_FAQS.PDF](http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_HB_4000-1_FAQS.PDF)

- Link to Preview of Detailed FAQs:

[http://portal.hud.gov/hudportal/documents/huddoc?id=SFH\\_FAQ\\_Preview.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_FAQ_Preview.pdf)

### **Loan Quality Assessment Methodology (“Defect Taxonomy”) Posted**

On June 18<sup>th</sup>, the Federal Housing Administration (FHA) posted its Single Family Loan Quality Assessment Methodology, also known as “Defect Taxonomy”, which explains how FHA intends to categorize loan defects found in Single Family FHA-endorsed loans. The taxonomy is part of FHA’s effort to provide greater clarity and transparency to Single Family FHA-approved lenders, and to encourage lending to qualified borrowers across the credit spectrum. The schedule for implementation has not been determined.

The Loan Quality Assessment Methodology centers on three core concepts:

1. Identifying a defect;
2. Capturing the sources and causes of a defect; and
3. Assessing the severity of a defect.

Currently, FHA uses 99 different codes to describe defects in loans. The taxonomy, once implemented, will bring this down to nine distinct defects, supported by codes that will identify the source and cause of the defect, and offer some new insight into the significance of a given deficiency within each category. This new approach will give lenders additional information that helps identify where their challenges are in originating FHA loans and allows them to make changes to reduce errors.

-Link to Loan Quality Assessment Methodology::

[http://portal.hud.gov/hudportal/documents/huddoc?id=SFH\\_LQA\\_Methodology.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_LQA_Methodology.pdf)

- Link to Taxonomy Press Release:

[http://portal.hud.gov/hudportal/HUD?src=/press/press\\_releases\\_media\\_advisories/2015/HUDNO\\_15-078](http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2015/HUDNO_15-078)

### ***FHA Connection Business-To-Government Direct Interface Updates***

On June 23, 2015, the Federal Housing Administration (FHA) posted updates to its FHA Connection Business-to-Government (FHAC B2G) Interface. The changes to the interface support the implementation of the *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) *Origination through Post-Closing/Endorsement for Title II Forward Mortgages* section that becomes effective for case numbers assigned on or after September 14, 2015. The FHAC B2G Interface provides mortgagees with an automated electronic method to send loan origination system (LOS) data directly to the FHAC system.

The FHAC B2G Interface changes are detailed in the online Welcome Package, which can be accessed from the FHAC Business to Government Interface web page by clicking on the “FHAC B2G Welcome Package” link. Mortgagees using the FHAC B2G Interface should review the details in their entirety, as they contain information on changes that mortgagees will need to make to their systems and processes by the Origination through Post-Closing/Endorsement section’s September 14, 2015 effective date. Mortgagees should particularly note the following changes to:

- Appraisal Logging;
- Case Number Assignment;
- Escrow Closeout;
- Insurance Application; and
- Case Query.

- Link to FHAC B2G Welcome Package:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/f17c](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/f17c)

### ***Published: Servicing Section of FHA Single Family Housing Policy Handbook (SF Handbook; HUD Handbook 4000.1)***

On June 24<sup>th</sup> the Office of Single Family Housing published its final Servicing and Loss Mitigation (Servicing) for Title II Forward Mortgages and the Servicer Tier Ranking System II (TRS II) sections of its *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1). These servicing-specific sections are part of a series of SF Handbook updates and additions that

continue FHA's progress toward a single, authoritative source of Single Family Housing policy. The policies in these sections become effective on March 14, 2016, except the Default Servicing policies in Section III.A.2, which become effective for mortgages in default on or after March 14, 2016.

These sections were published in FHA's new, online SF Handbook, the link to which can be found on the Single Family Housing Policy Handbook (Handbook 4000.1) Information Page, and also concurrently in PDF format on the HUDCLIPS web page. The final, published sections provide mortgage servicers with a comprehensive resource on servicing FHA-insured single family mortgages from post-endorsement to the end of the mortgage insurance contract.

This publication consolidates existing servicing guidance found in the 1994 Administration of Insured Home Mortgages Handbook (4330.1) and over 220 Mortgagee Letters, Handbooks, Housing Notices, and other servicing policies and regulations published since 1994. A list of these policy documents to be superseded on the effective date can be found in the SF Handbook Transmittal included in both the online and PDF versions of the SF Handbook..

#### Additional Information

- FHA also published Servicing model documents on June 24<sup>th</sup> on its Model Documents web page. These model documents work in conjunction with the policies contained in the Servicing section of the SF Handbook.
- The TRS II section published on June 24<sup>th</sup> is part of the SF Handbook's larger Quality Control, Oversight, and Compliance — Mortgagee Monitoring section.
- Draft sections covering filing claims for FHA mortgage insurance benefits and disposition methods will be posted for feedback in the future.
- Existing FHA policy is in effect until superseded by the SF Handbook on its effective date.

- Link to SF Policy Handbook 4000.1:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1)

- Link to Updated PDF of Handbook 4000.1:

<http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>

- Link to Model Documents:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/model\\_documents](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/model_documents)

- Link to SF Handbook FAQ's:

[http://portal.hud.gov/hudportal/documents/huddoc?id=SFH\\_HB\\_4000-1\\_FAQS.PDF](http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_HB_4000-1_FAQS.PDF)

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## FINANCE AND BUDGET

### ***Reminder: Upcoming Single Family Note Sale***

Single Family note sale National Pools and NSO pools will be offered on July 15. The Department will offer Neighborhood Stabilization Outcome Pools (NSO) including one pool for which only non-profit bidders or units of local government will be eligible to bid. These pools are in designated geographical areas that are aimed at neighborhood stabilization outcomes.

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/comp/asset/hsgloan](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/comp/asset/hsgloan)

## MULTIFAMILY HOUSING

### **RAD Notice #2**

On June 15, the Office of Multifamily Housing issued PIH-2012-32, REV-2 on the Rental Assistance Demonstration (RAD). This notice incorporates changes authorized by the FY 15 Appropriations bill, particularly significantly raising the cap on public housing conversions, provides for more streamlined transactions, and provides additional clarification for stakeholders.

Link to RAD homepage: <http://portal.hud.gov/hudportal/HUD?src=/RAD>

### ***Methodology for Completing a Multifamily Housing Utility Analysis***

On June 22<sup>nd</sup> the Office of Multifamily Housing issued a Housing Notice that provides instruction to owners and management agents (O/As) for completing the utility analysis required at the time of the annual or special adjustment of contract rents and when a utility rate change results in a cumulative increase of 10 percent or more from the most recently approved utility allowance. As discussed below in Part III, the notice builds upon the June 2011 memorandum titled Clarification Utility Allowance Regulations.

- Link to Notice: <http://portal.hud.gov/hudportal/documents/huddoc?id=15-04hsgn.pdf>

- Link to memo from DAS:

<http://hudatwork.hud.gov/HUD/housing/doc/Memouanottofieldandowners.pdf>

- Link to Attachment A, Sample Utility Analysis Submission Workbook:

[http://portal.hud.gov/hudportal/documents/huddoc?id=Attach\\_A\\_Sample\\_Workbook.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=Attach_A_Sample_Workbook.pdf)

- Link to Attachment B, Sample Release of Tenant Utility Information (word doc download):

[http://portal.hud.gov/hudportal/documents/huddoc?id=Attach\\_B\\_Sample\\_Release.docx](http://portal.hud.gov/hudportal/documents/huddoc?id=Attach_B_Sample_Release.docx)

### **HUD Multifamily Housing News**

Link to June Newsletter:

<http://portal.hud.gov/hudportal/documents/huddoc?id=MFHousingNewsIssue3.pdf>

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## HOUSING COUNSELING

### ***The Bridge: The Office of Housing Counseling Newsletter – June 2015 Issue***

Link to Newsletter:

[http://portal.hud.gov/hudportal/documents/huddoc?id=OHC\\_BRIDGE063015.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=OHC_BRIDGE063015.pdf)

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## HEALTHCARE PROGRAMS

### **Office of Residential Care Facilities June Email Blast (opens in word):**

Link to email blast:

<http://portal.hud.gov/hudportal/documents/huddoc?id=JuneEmailBlast062415.doc>

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