



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING –
FEDERAL HOUSING COMMISSIONER

Date: August 24, 2016

**To: All FHA Approved Mortgagees
All Direct Endorsement Underwriters
All FHA Roster Appraisers
All FHA Roster Inspectors
All FHA Approved 203(k) Consultants
All HUD Approved Housing Counselors
All HUD Approved Nonprofit Organizations
All Government Entity Participants
All Real Estate Brokers
All Closing Agents**

MORTGAGEE LETTER 2016-14

Subject Updates to FHA’s Loss Mitigation Retention Options and Miscellaneous Mortgage Servicing Policy

Purpose The purpose of this Mortgagee Letter (ML) is to inform mortgagees of updated procedures for the evaluation and use of FHA’s Loss Mitigation Home Retention Options, the Manufactured Housing Review before initiation of foreclosure, and the servicing of FHA-insured Mortgages for Servicemember-Borrowers. This ML is also being used to update procedures for Mortgagees reporting foreclosure delays due to a federal law or regulation and using independent third-party providers to conduct Claims Without Conveyance of Title (CWCOT) property sales transactions.

Effective Date Mortgagees must implement the policies set forth in this Mortgagee Letter no later than December 1, 2016. All policy updates will be incorporated into a forthcoming update of the HUD Single Family Housing Policy Handbook 4000.1 (Handbook 4000.1).

Affected Programs This guidance applies to all FHA Title II forward mortgage programs.

Affected Topics This guidance will affect Handbook 4000.1 sections III.A.2.i.iii, *Evaluation of the Borrower’s Financial Condition*; III.A.2.i.viii, *Notice to Borrower after Loss Mitigation Review*; III.A.2.j.iii, *HUD’s Loss Mitigation Option Priority Waterfall*; III.A.2.k.iv(D), *Special Forbearance – Unemployment Agreement*;

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III.A.2.k.v, *Loan Modification*; III.A.2.k.vi, *FHA-HAMP*; III.A.2.k.v(F), *FHA-HAMP Trial Payment Plans*; III.A.2.p.iv, *Independent Third-Party Providers*; III.A.2.r.i(D)(1)(c), *Prohibition of Foreclosure due to Federal Regulations*; III.A.2.r.i(G), *Manufactured Housing Review*; and III.A.3.j.i(B)(2), *Servicing FHA-Insured Mortgages for Servicemember-Borrowers*.

Background

FHA's Loss Mitigation Program was established in 1996 to minimize economic impact to the Mutual Mortgage Insurance Fund, and has resulted in options available to Mortgagees to assist borrowers in avoiding foreclosure, when possible. The evolution of FHA's loss mitigation guidance has also led to improved consumer engagement, the streamlining of FHA's Pre-Foreclosure Sale option, and a new loan modification by which Mortgagees provide borrowers with a more sustainable monthly mortgage payment. This new loss mitigation product, created in 2009, at the height of the economic crisis, is the FHA-Home Affordable Modification Program (FHA-HAMP) mortgage. As expected, these efforts combined with those of other federal regulators (U.S. Department of Veteran Affairs, U.S. Department of Treasury, etc.) helped stabilize the nation's housing market and demonstrated that a mortgage modification is an effective loss mitigation home retention option.

Summary of Changes

Changes to HUD Handbook 4000.1 affected topics are as follows:

- *Evaluation of the Borrower's Financial Condition* (section III.A.2.i.iii) includes revised requirements for the verification of Borrower(s)' financial information, evidence of hardship, and the income to be used for purposes of Loss Mitigation analysis.
- *Notice to Borrower after Loss Mitigation Review* (section III.A.2.i.viii) includes an additional advisement to the Borrower(s) that foreclosure or sale of the loan may be pursued if their default is not cured or resolved through a Loss Mitigation Option.
- *HUD's Loss Mitigation Option Priority Waterfall* (section III.A.2.j.iii) includes a revised five step process.
- *Special Forbearance – Unemployment Agreement* (section III.A.2.k.iv(D)) no longer includes the requirement that the Agreement be for a minimum period of 12 months.
- *Loan Modification* (section III.A.2.k.v) as a standalone option is being eliminated from FHA's Loss Mitigation Home Retention Priority Order (Waterfall) and combined with FHA-HAMP.
- *FHA-HAMP* (section III.A.2.k.vi) is re-designated as III.A.2.k.v and incorporates Loan Modification requirements previously found in the Loan Modification section. Existing FHA-HAMP paragraphs (H) through (M) are re-designated as paragraphs (J) through (O). Subsections (G) Loan Modification Provisions and (H) FHA Mortgage Insurance Coverage and MIP – taken from the deleted

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- section III.A.2.k.v, *Loan Modification* – are moved to re-designated section III.A.2.k.v, *FHA-HAMP*, as paragraphs (H) and (I).
- *FHA-HAMP Trial Payment Plans* (section III.A.2.k.v(F)) incorporates provisions previously found in the *Loan Modification Trial Payment Plans* section (III.A.2.k.v(E)) with amended text. Paragraphs E(1) through E(3) are re-designated as F(1) through F(3); paragraph E(5) is re-designated as F(5); paragraphs E(7) and E(8) are re-designated as F(6) and F(7); and existing *FHA-HAMP Trial Payment Plans* subparagraph F(2) is re-designated as F(4).
 - *Independent Third-Party Provider* (section III.A.2.p.iv) includes: (1) a maximum limit on the service fee for any third-party provider (i.e., used to conduct a foreclosure or post-foreclosure property sale under Claims Without Conveyance of Title (CWCOT) procedures); and (2) a prohibition on revenue sharing of the aforementioned service fee between the Mortgagee and its third-party provider.
 - *Prohibition of Foreclosure due to Federal Regulations* (section III.A.2.r.i(D)(1)(c)) includes a new Single Family Default Monitoring System (SFDMS) Status Code for Mortgagees reporting foreclosure delays due to a Federal law or regulation.
 - *Manufactured Housing Review* (section III.A.2.r.i(G)) has been modified to direct Mortgagees to FHA’s title evidence requirements for Manufactured Housing prior to conveyance to HUD.
 - *Servicing FHA-Insured Mortgages for Servicemember-Borrowers* (section III.A.3.j.i(B)(2)) removes the requirement for Mortgagees to make efforts to determine whether the Borrower is on “Active Duty” when a partial payment is received without notice or explanation. The subparagraph III.A.3.j.i(B)(2)(b) is being deleted.

The abovementioned policy changes will be incorporated into Handbook 4000.1 and appear as follows:

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Evaluation of the Borrower’s Financial Condition (III.A.2.i.iii)

(A) Borrower’s Financial Information

(1) Standard

The Mortgagee must obtain detailed financial information from the Borrower in order to evaluate them for Loss Mitigation Options. The Mortgagee may accept financial information during a telephone interview subject to confirmation with appropriate supporting documentation.

a. Living Expenses

The Mortgagee must confirm all Borrowers’ monthly living expenses with appropriate supporting documentation when the existing total mortgage

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payment (PITI) is equal to or less than 31 percent of the Borrowers' current monthly gross income. The Mortgagee must ensure that all expenses on the Borrower's credit report are included in the Mortgagee's calculation of living expenses along with any other expenses, which can be supported by bills and receipts or by allowances for the five necessary expenses (food, housekeeping supplies, apparel and services, personal care products and services, and miscellaneous) established as national standards for food, clothing, and other items as part of the [IRS Collection Financial Standards](#).

Refer to this page for more information:

<https://www.irs.gov/businesses/small-businesses-self-employed/national-standards-food-clothing-and-other-items>.

b. Borrower Income

For purposes of a loss mitigation analysis, Borrower income must include:

- Income of each Borrower who is occupying or not occupying the Property; and
- Income of each owner-occupant non-Borrower who will be added as a Borrower and assume personal liability for repayment of the Mortgage in accordance with the agreed upon loss mitigation terms.

c. Hardship

Hardship for purposes of FHA's Loss Mitigation Options is demonstrated by providing evidence of an increase in living expenses or a loss of income. FHA-approved Mortgagees have the delegated authority to request the documentation they deem necessary from Borrowers to substantiate a hardship.

(2) Required Documentation

The Mortgagee must retain documentation of financial information in the claim review file.

Supporting documentation for hardship can be in the form of bank statements, medical bills, home repair bills, and other similar documentation.

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Notice to Borrower after Loss Mitigation Review (III.A.2.i.viii)

(1) Standard

The Mortgagee must send a written notice to the Borrower after an evaluation of a Borrower for Loss Mitigation Option eligibility, which indicates:

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- the Mortgagee’s determination as to whether or not the Borrowers qualify for a Loss Mitigation Option;
- the actual reason or reasons they have been denied for any HUD Loss Mitigation Option;
- the process for appeals or escalation of cases;
- the process and timeframe for submission of additional information that may impact the Mortgagee’s evaluation;
- the Mortgagee’s points of contact; and
- the possibility of the Borrowers’ Mortgage being included in a Single Family Loan Sale *or* being foreclosed upon if loss mitigation is not viable, unsuccessful, denied, or unable to be considered (due to the Borrowers’ failure to fully respond to the Mortgagee’s request for additional information).

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HUD’s Loss Mitigation Option Priority Waterfall (III.A.2.j.iii)

The Mortgagee must evaluate Owner-Occupant Borrowers utilizing the process in the Loss Mitigation Home Retention Option Priority Waterfall chart below to determine which, if any, Home Retention Options are appropriate in accordance with HUD guidance.

The Mortgagee must not condition the use of a Loss Mitigation Option on the receipt of a Borrower’s cash contribution or Borrower’s payment of fees or charges.

<i>Loss Mitigation Home Retention Waterfall Options</i>			
Step	Decision Point	Yes	No
1	Household or Borrower(s) has experienced a verified loss of income or increase in living expenses?	Step 2	Informal or Formal Forbearance/repayment plan Workout tools
2	One or more Borrowers receive Continuous Income in the form of Employment Income (e.g., wages, salary, or self-employment earnings), Social Security, disability, veteran’s benefits, Child Support, survivor benefits, and/or Pensions?	Step 3	Special Forbearance
3	Front-end ratio is at or less than 31%?	Step 4	FHA-HAMP (Step 5)
4	85% of surplus income is sufficient to cure arrears within 6 months?	Formal Forbearance/repayment plan for no more than 6 months.	FHA-HAMP (Step 5)
Step 5	FHA-HAMP Loan Modification¹ (Requires Successful Completion of Trial Payment Plan)		
	<ul style="list-style-type: none"> • The use of an FHA-HAMP Option is to both alleviate the Borrower’s burden of immediate repayment of arrears and to adjust monthly payments to a level sustainable by the household’s current income. The FHA-HAMP Option may <i>or</i> may not include a Partial Claim. 		

¹ An FHA-HAMP standalone Loan Modification is required if a Mortgage payment at or below the targeted payment can be achieved by re-amortizing the Mortgage/outstanding debt for 360 months at the Market Rate. An FHA-HAMP standalone Partial Claim is required if the Borrower’s (i) current interest rate is at or below Market Rate; (ii) the Borrower’s current Mortgage payment with re-analyzed escrow is at or below the targeted payment; and (iii) the borrower is not eligible for an FHA-HAMP Stand-alone Loan Modification.

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Partial Claim: The total amount available is the lesser of: (1) the unpaid principal balance as of the date of Default associated with the initial Partial Claim, if applicable, multiplied by 30%, less any previous Partial Claim(s) paid on this Mortgage; (2) if no previous Partial Claim(s), the unpaid principal balance as of the date of the current Default multiplied by 30%; or (3) the total amount required to meet the Target Payment. The Partial Claim amount may include: arrearages; legal fees and foreclosure costs related to a canceled foreclosure action; and principal deferment (per below calculation).

Loan Modification:

1. Calculate the target monthly payment:
 - A. Calculate 31% of gross income
 - B. Calculate 80% of current mortgage payment
 - C. Calculate 25% of gross income
 - D. Take the greater of B and C
 - E. Take the lesser of A and D
2. Calculate PITI monthly payment on the total outstanding debt to be resolved at the market interest rate² and 360 months' term.
3. If the result of Step 2 is at or below the result from Step 1E, then the Borrower is eligible for a FHA-HAMP standalone Loan Modification only at the market interest rate; otherwise, go to Step 4.
4. Calculate amount required to meet target payment.
 - A. Reduce loan balance used in Step 2 until calculated Mortgage payment reaches target amount from Step 1 or else the maximum allowable principal deferment is reached per amount available as calculated above per instructions in the "Partial Claim" section.
 - B. If the final Mortgage payment is greater than 40% of current income, and the unemployment status is verifiable, then the Borrower is eligible for a reduced payment option under the Special Forbearance.
 - C. If there is no verifiable unemployment status and the Borrower has already been reviewed for retention options under the waterfall but, does not qualify for any (i.e., Borrower does not have sufficient surplus income or other assets that could repay the indebtedness), then the Borrower is eligible for FHA's non-retention options.

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Special Forbearance – Unemployment Agreement (III.A.2.k.iv(D))

(1) Definition

The Special Forbearance – Unemployment Agreement is a written agreement between a Mortgagee and the Borrowers, one or more of whom has become unemployed, allowing for reduced and/or suspended Mortgage Payments.

(2) Standard

The Mortgagee must prepare the Special Forbearance – Unemployment Agreement that provides for the following:

- identifies the specific months for which the account is Delinquent and notes the total arrearage that accrued prior to the beginning of the Agreement;
- suspends and/or reduces the current monthly Mortgage Payment;
- ensures that the forbearance payment installments required under the terms of the agreement are based on the Borrower's ability to pay;

² Pursuant to HUD Handbook 4000.1, "Market Rate" is defined as a rate that is no more than 25 basis points greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed-rate conforming mortgages (US average), rounded to the nearest one-eighth of one percent (0.125%), as of the date a Trial Payment Plan is offered to a borrower. The Weekly PMMS results are published on the Freddie Mac website at <http://www.freddiemac.com/pmms/>, and the Federal Reserve Board includes the average 30-year survey rate in the list of Selected Interest Rates published weekly in its Statistical Release H.15 at <http://www.federalreserve.gov/releases/h15/>.

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- disallows late fees to be assessed while the Borrower is performing under the terms of the Special Forbearance – Unemployment Agreement;
- indicates that if the Borrower’s financial circumstances change, the Mortgagee may adjust the monthly payment based on an evaluation of the Borrower’s new financial information;
- disallows the accrued arrearage to exceed the equivalent of 12 months Delinquent Principal, Interest, Taxes, and Insurance (PITI) (the 12 months of PITI for Adjustable Rate Mortgages (ARM), Graduated Payment Mortgages (GPM), and Growing Equity Mortgages (GEM) will be calculated by multiplying 12 times the monthly payments due on the date of Default);
- specifies the date that the Special Forbearance – Unemployment Agreement will expire if it is not earlier revised or terminated because of a change in the Borrower’s financial circumstances; and
- permits the Borrower to pre-pay the mortgage delinquency at any time.

The Special Forbearance – Unemployment Agreement will not include terms for reinstatement because the Mortgagee must re-evaluate the Borrower for more permanent Loss Mitigation Options to cure a Default once the Borrower is gainfully employed and/or the Special Forbearance – Unemployment Agreement expires.

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FHA-HAMP Standalone Partial Claim (III.A.2.k.v(D)(2))

The Mortgagee must offer an FHA-HAMP Standalone Partial Claim as an appropriate Loss Mitigation Option for Owner-Occupant Borrowers if all the following criteria are met:

- The Borrower’s current interest rate is at or below the Market Rate.
- The Borrower's current Mortgage Payment with re-analyzed escrow is at or below the targeted monthly payment.
- A mortgage payment at or below the targeted monthly payment cannot be achieved by re-amortizing the mortgage/outstanding debt for 360 months at the Market Rate.
- The FHA-HAMP Partial Claim will not exceed the 30 percent maximum statutory limit for all Partial Claims combined.
- The Borrower meets all requirements of the FHA-HAMP Option.
- Three or more full monthly payments are due and unpaid (i.e., 61 days or more past due) when the Partial Claim Promissory Note is executed.

(a) Statutory Maximum for Partial Claims

The maximum cumulative value of all Partial Claims paid with respect to a Mortgage must not exceed 30 percent of the Mortgage’s unpaid principal balance. This maximum cumulative value must be established as of the date of Default at the time of payment of the initial Partial Claim on such Mortgage, and will remain constant for the life of the Mortgage.

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FHA-HAMP Trial Payment Plans (III.A.2.k.v(F))

(1) Trial Payment Plans

(a) Definition

A Trial Payment Plan (TPP) is a payment plan for a minimum period (depending on the situation, three or four months), during which the Borrower must make the agreed-upon consecutive monthly payments prior to final execution of the FHA-HAMP agreement.

(2) Standard

The Mortgagee must ensure that the Borrower successfully completes a TPP, before executing permanent FHA-HAMP agreements, of a minimum of:

- three months, for Borrowers in Default; and
- four months, for Borrowers facing Imminent Default.

(3) Entering into the Trial Payment Plan Agreement

(a) Definition

A Trial Payment Plan (TPP) Agreement is a written document codifying the TPP terms, which must be agreed upon by all Borrowers.

(b) Standard

(i) Trial Payment Plan Starts 12 Months after Closing Date

Where a Borrower is eligible for an FHA-HAMP option, the Mortgagee must ensure that the Borrower's TPP begins only after 12 months have elapsed since the Closing Date of the FHA-insured Mortgage.

(ii) Trial Payment Plan Terms

The Mortgagee must ensure that the following apply to interest rates and monthly payments under the TPP Agreement:

- The interest rate for the TPP and the permanent Loan Modification must not be greater than Market Rate.
- The permanent Market Rate is established when the TPP is offered to the Borrower.

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- The established monthly permanent FHA-HAMP Loan Modification Payment must be the same or less than the established monthly trial payment.
- Agreement documents stipulate that after successfully completing the TPP, the Borrower must continue making payments in accordance with the terms of his or her signed TPP Agreement until his or her permanent FHA-HAMP loan has been ratified by all parties.

(iii) Start of Trial Payments

The Mortgagee must send the proposed TPP Agreement to the Borrower at least 15 Days before the date the first trial payment is due with notification of an established deadline date for Borrower acceptance or rejection of the Trial Payment Plan Terms. The acceptance/rejection deadline date must be on or before the first trial payment due date.

(iv) Trial Payment Plan Signatures

All parties on the original Note and Mortgage and all parties that will be subject to the modified Mortgage and/or Partial Claim must execute the TPP Agreement unless:

- a Borrower or co-Borrower is deceased; or
- a Borrower and co-Borrower are divorced; or
- a Borrower or co-Borrower on the original Note and Mortgage has been released from liability in connection with an assumption performed in accordance with HUD's requirements.

On a case-by-case basis, the Mortgagee may provide an exception to the above TPP signature requirements when a Borrower is unable to sign a TPP Agreement due to physical disability, mental condition, or military deployment.

(c) Required Documentation

The Mortgagee must retain the following in the claim review file:

- a copy of the signed TPP Agreement; and
- documentation evidencing the Mortgagee's review and approval of the TPP Agreement (per the requirements in this section), if the TPP Agreement was not signed by all parties on the original Note and FHA-insured Mortgage.

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(4) Trial Payment Plan – Application of Payments

For FHA-HAMP loans, the Mortgagee must treat a trial payment in an amount less than a full monthly payment under the existing Mortgage as Partial Payments and place them in the Borrower's suspense account. These Partial Payments are to then be applied in accordance with HUD's Partial Payments' guidance and any applicable federal regulations.

For unapplied funds remaining at the end of the trial payment period that do not total a full PITI Mortgage Payment, the Mortgagee may apply the Borrower's funds towards:

- any calculated escrow shortage;
- the unpaid principal balance when calculating the FHA-HAMP loan's monthly Mortgage amount; or
- the FHA-HAMP Partial Claim amount.

(5) End of Trial Payment Plan Period

(a) Standard

The Mortgagee must offer the Borrower a permanent FHA-HAMP Option after the Borrower's successful completion of a TPP.

The Mortgagee must:

- prepare the permanent FHA-HAMP Modification Agreement early enough to allow sufficient processing time for the modification to be effective no later than the first day of the second month following the final Trial Payment Plan month
- provide the Borrower with the permanent FHA-HAMP documents to be executed by required parties at least 30 days before the effective date of the modification with notification of the date by which signed documents must be returned
- sign the FHA-HAMP Modification Agreement and provide a fully ratified copy to the Borrower no later than 15 days following receipt of the Borrower signed documents; and
- update its servicing system and files to reflect the FHA-HAMP transaction.

(b) Trial Payment Plan Failure

The Borrower has failed the TPP when one of the following occurs:

- the Borrower does not return the executed TPP Agreement within the month the first trial payment is due;
- the Borrower vacates or abandons the Property; or

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- the Borrower does not make a scheduled TPP payment by the last Day of the month the payment was due.

(c) Review for Other Loss Mitigation Options after Trial Payment Plan Failure

(i) Standard

The Mortgagee must re-evaluate the Borrower's eligibility for other appropriate Loss Mitigation Options if a Borrower fails to successfully complete a TPP associated with an FHA-HAMP Option, as follows:

- if the Borrower provides documentation demonstrating their financial circumstances have changed since the Mortgagee's previous loss mitigation evaluation, the Mortgagee must verify the change in financial circumstances and re-evaluate the Borrower for Loss Mitigation options; or
- if the Borrower does not provide documentation demonstrating their financial circumstances have changed since the Mortgagee's previous loss mitigation evaluation, the Mortgagee must evaluate the Borrower for Home Disposition Options prior to initiating foreclosure.

(ii) Required Documentation

The Mortgagee must include documentation supporting any changes in the Borrower's financial circumstances or employment status in the Mortgagee's claim review file.

(6) Trial Payment Plans during Foreclosure

The Mortgagee must suspend and/or terminate foreclosure action, depending on state law requirement, during the TPP. In the event the Borrower fails to make a payment required under a TPP, the Mortgagee must review the Borrower for other appropriate Loss Mitigation Options before commencing or continuing a foreclosure.

HUD provides an automatic 90-Day extension for the Mortgagee to commence or recommence foreclosure or initiate another Loss Mitigation Option, should a TPP fail.

(7) Reporting of Trial Payment Plans

The Mortgagee must report the use of an FHA-HAMP in SFDMS.

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FHA-HAMP Loan Modification Provisions (III.A.2.k.v(H))

(1) Standard

The Mortgagee must ensure that the FHA-HAMP Loan Modification fully reinstates the Mortgage and complies with the interest rate and modified principal balance provisions below. The Mortgagee must complete an escrow analysis of the Mortgage. The Mortgagee must not provide the Borrower with any cash from the FHA-HAMP Loan Modification.

(2) Interest Rate

The Mortgagee must ensure that any modified loan, including ARM, GPM, or GEM, is a fixed-rate Mortgage.

At the Mortgagee's discretion, the Mortgagee may reduce Note interest rates below Market Rate; however, discount fees associated with rate reductions are not reimbursable. When increasing Note interest rates, the Mortgagee must calculate the maximum interest allowable as the Market Rate.

(a) Market Rate

Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed-rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent) as of the date a TPP is offered to a Borrower.

(b) Market Rate Resources

The Weekly Primary Mortgage Market Survey results are published on the [Freddie Mac website](#). The Federal Reserve Board includes the average 30-year survey rate in the list of Selected Interest Rates, which is published weekly in its [Selected Interest Rates – H.15](#) website.

(3) Modified Loan Term

The Mortgagee must re-amortize the total unpaid amount due over 360 months from the due date of the first installment required under the modified FHA-insured Mortgage.

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FHA Mortgage Insurance Coverage and MIP (III.A.2.k.v(I))

When the FHA-HAMP Loan Modification has been processed in accordance with HUD requirements, HUD will extend FHA mortgage insurance coverage to the new principal balance and modified maturity date. FHA insurance will remain in force until the Mortgage has been paid-in-full or otherwise terminated. The amount of MIP will continue to be based on the scheduled unpaid principal balance of the original Mortgage, without taking into consideration delinquencies or pre-payments.

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Independent Third-Party Providers (III.A.2.p.iv)

(A) Definition

An Independent Third-Party Provider is a party that conducts the foreclosure sale or additional Post-Foreclosure Sales Efforts under CWCOT procedures.

(B) Standard

Mortgagees may utilize an Independent Third-Party Provider to conduct the foreclosure sale and market a Property (securing an FHA-insured Mortgage) prior to such sale, where permitted by jurisdiction.

The Mortgagee must ensure that the Independent Third-Party Provider is not one of the following:

- an Affiliate or subsidiary of the Mortgagee;
- any Entity over which the Mortgagee has significant influence; or
- any Entity with which the Mortgagee has a conflict of interest in fact or appearance.

For successful third-party sales, HUD will reimburse Mortgagees for Independent Third-Party Provider service fees incurred up to an amount that does not exceed 5 percent of the Property's net sales price. Revenue sharing agreements of the reimbursed fee between the Mortgagee and the Independent Third-Party Provider are not permitted.

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Prohibition of Foreclosure due to Federal Law or Regulations (III.A.2.r.i(D)(1)(c))

Where a federal law or regulation requires a delay in the initiation of foreclosure, the Mortgagee must initiate foreclosure no later than 90 Days after the expiration of the time during which foreclosure is prohibited. The status of the defaulted loan should be reported in SFDMS using the

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established [Delinquency/Default Reason \(DDR\) Code](#) for Federally mandated delay.

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Manufactured Housing Review (III.A.2.r.i.(G))

Due to the title evidence requirements for Manufactured Housing, the Mortgagee must:

- review each Property at the time of foreclosure referral to determine if the collateral for the FHA-insured Mortgage is a Manufactured Home; and
 - ensure that all the Title Evidence for Manufactured Housing requirements of Section III.A.2.t.v(C) are met before conveying a Manufactured Home to HUD.
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**New SFDMS
Code for delay
due to Federal
Law or
Regulation**

A new SFDMS code has been established to report delays due to a federal law or regulation that prohibits a Mortgagee from commencing or re-commencing a foreclosure action. The status of the defaulted loan should be reported using the established [Delinquency/Default Reason \(DDR\) Code](#) “96” for federally mandated delays.

**Information
Collection
Requirements**

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Number 2502-0589. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

Questions

Any questions regarding this Mortgagee Letter may be directed to the HUD National Servicing Center at (877) 622-8525. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at (800) 877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Edward L. Golding
Principal Deputy Assistant Secretary for Housing
