



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

ASSISTANT SECRETARY FOR HOUSING
FEDERAL HOUSING COMMISSIONER

Date: September 13, 2021

Mortgagee Letter 2021-21

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Approved Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject FHA Catalyst: Single Family Default Monitoring System (SFDMS)
Reporting Module

Purpose This Mortgagee Letter (ML) announces the transition of the Single Family Default Monitoring System (SFDMS) from FHA Connection (FHAC) to FHA Catalyst. This ML also updates and adds default reporting error codes and streamlines the data elements.

Effective Date November 5, 2021, will be the last day that Mortgagees will have access to FHAC for default reporting. SFDMS reporting capabilities will then move from FHAC to the FHA Catalyst platform on December 1, 2021.

Beginning December 1, 2021, Mortgagees must report in the SFDMS module through FHA Catalyst or Electronic Data Interchange (EDI).

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at answers@hud.gov. HUD will consider the feedback in determining the need for future updates.

Mortgagee Letter 2021-21, Continued

Affected Programs This guidance applies to the FHA Title II Single Family forward mortgage program.

Background HUD previously issued MLs providing FHA Catalyst functionality for case binder electronic endorsement submission, supplemental claims, loss mitigation home retention claims, post-endorsement loan reviews, electronic appraisal delivery, reacquisition claims, automated underwriting, disposition claims, and collection of the Uniform Closing Dataset. This ML extends the FHA Catalyst functionality to include default reporting. This update to the FHA Catalyst will improve efficiency for default reporting and enhance data integrity.

Mortgagees remain responsible for proper reporting, submission of data to HUD, and ensuring they meet FHA's requirements and standards for such submissions. By transmitting data to HUD, the Mortgagee is certifying that the information submitted is true and correct.

Platform Access and User Guide Mortgagees may request access by emailing the completed [External User Access Request Form](#) to the FHA Resource Center at answers@hud.gov. The access request form and updated user guide, which includes instructions for logging into and utilizing the module are available at www.hud.gov/program_offices/housing/FHAcatalyst/sfdmsreporting. Mortgagees may submit their access requests immediately; however, onboarding requests will not be processed until September 13, 2021.

Summary of Changes This ML:

- announces the move of SFDMS from FHAC to FHA Catalyst;
- clarifies that reporting the Default Reason code is not optional;
- updates and streamlines the data elements submitted as part of default reporting; and
- updates and adds fatal error codes to ensure data integrity in FHA portfolio reporting.

**Single
Family
Housing
Policy
Handbook
4000.1**

Error Reports and Correction (III.A.2.h.ii(D))

The Mortgagee may receive Error Reports from two systems:

- EDI, which provides the All Transaction Sets 824 (TS824) Report (see the [Electronic Data Interchange Implementation Guide](#) for additional information); or
- **SFDMS.**

Reporting the Delinquency to HUD (III.A.2.h.vii)

The Mortgagee must report accounts in Default in HUD's SFDMS using the appropriate [Default Status Code and Default Reason Code](#), and must continue reporting the applicable Status Code **and Default Reason Code** until the Default is resolved.

Contact Information for Submission of Reports (III.A.3.c.i.(B)) [Text in this section has been deleted]

The Mortgagee **must complete its Default Reporting in SFDMS** to meet its DHHL reporting requirements.

Claim Review File (IV.A.1.c) [Text in this section has been deleted]

i. Standard

For each claim filed, the Mortgagee must maintain evidence of compliance with HUD's servicing requirements. In addition to retaining the documentation required in the [servicing file](#) (III.A.1.n.ii), the Mortgagee must include the following documentation in its Claim Review File:

- Default servicing documentation, including:
 - communication with Borrowers and with HUD;
 - required notices;
 - evidence of evaluation under HUD's Loss Mitigation Program, including 90-Day Reviews;
 - documentation evidencing the Mortgagee's compliance with HUD's reasonable diligence requirements;
 - documentation justifying any delays in meeting HUD time frames; and
 - if applicable, documentation relating to compliance with federal or state prohibitions or delays.
- claims and/or conveyance documentation, including:
 - a copy of the first public legal action to initiate foreclosure with the date the action was taken;
 - a copy of the foreclosure deed recorded by the local recording authority with the date of recordation;
 - a copy of the first public legal action to initiate eviction, if applicable;

Mortgagee Letter 2021-21, Continued

- all documentation pertaining to bankruptcy, if applicable;
 - a copy of the deed or assignment with the date of recordation, along with a copy of the transmittal letter, if the deed or assignment was sent to a recording authority;
 - a copy of the Mortgage Insurance Certificate (MIC);
 - a copy of the mortgage Note and modification, if applicable;
 - the title approval letter, if applicable;
 - the title submission certification, for assignments only;
 - evidence showing that the certificate of title to the Manufactured Home is properly retired;
 - invoices and receipts or other documentation of payment made supporting all disbursements for which reimbursement is claimed. Where the Mortgagee made such disbursements in bulk, the documentation must reflect the specific disbursements made for each mortgage;
 - all loan servicing and transaction records (e.g., escrow history, payment history, transaction codes, collection notes, etc.) dated on or after the last complete installment date, as reported in Item 8 of Part A, form HUD-27011;
 - all property inspection reports (e.g., initial, occupied, and vacant);
 - any photographs needed to support P&P expenses and evictions;
 - written responses from HUD's MCM regarding approval of extensions or expenses;
 - documentation to support any extensions in Items 19, 20, and 21 of Part A, form HUD-27011, if applicable;
 - a copy of the buydown and rental agreements;
 - Advice of Payment letters or claims billing statements, if applicable;
 - a copy of the hazard insurance policy and flood insurance policy, if applicable;
 - documentation supporting the refund or estimated refund of hazard insurance premiums, if applicable;
 - a copy of any appraisals;
 - a copy of the calculation of the Commissioner's Adjusted Fair Market Value (CAFMV);
 - a copy of the wire or canceled check for CWCOT and PFS claims;
 - a copy of the Closing Disclosure, if applicable;
 - for claims involving Reconveyance and reacquisition, evidence that the title or property issue requiring Reconveyance has been corrected; and
 - all parts of the claim form, schedules, attachments, and any other supporting documents.
-

Mortgagee Letter 2021-21, Continued

Updated SFDMS Reporting Elements and Error Codes

Updated Default Status Codes, Default Reason Codes, and reporting elements, including fatal errors, are found in the [Single Family Default Monitoring System \(SFDMS\) Reporting Codes](#).

Paperwork Reduction Act

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 Numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0595 and 2502-0600. 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 FHA Resource Center at 1-800-CALL-FHA. Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Lopa P. Kolluri
Principal Deputy Assistant Secretary
Office of Housing – Federal Housing Administration