

SFH Guaranteed Servicing

August 15, 2024

Single-Family Housing Guaranteed Loan Program

Final Rule for Special Servicing Options for

Non-Performing Loans

The Single-Family Housing Guaranteed Loan Program (SFHGLP) published a Proposed Rule on January 30, 2023, proposing changes to the use of special servicing options for non-performing loans and adjusting the Mortgage Recovery Advance (MRA) process. This Proposed Rule was intended to benefit borrowers and servicers by providing servicers more flexibility in their servicing options, offering a less expensive and less cumbersome MRA process, and reduce program risk of the guaranteed loan portfolio.

The Final Rule was published in the [Federal Register](#) on August 15, 2024, with an effective date of February 11, 2025.

Below are the highlights of the Final Rule:

- A final offer has been created as a pre-foreclosure alternative.
- Special Loan Servicing is no longer a separate option in the waterfall, as all Loss Mitigation options have been combined into one waterfall.
- When processing a loan modification, servicers may extend the term in one-month increments, up to a maximum of 480 months until the targeted payment reduction has been achieved.
- The ratio cap for total debt to income has been eliminated.
- MRAs executed on or after the effective date of the Final Rule will not be secured by a lien in favor of the USDA but will remain a part of the servicer's first lien.
- A borrower may receive multiple MRAs as long as the cumulative amount of MRAs is less than or equal to 30% of the unpaid principal balance at the time of default.

To implement this rule, revisions are being made to Chapters 17, 18, and 19 of HB-1-3555, SFH Guaranteed Loan Program Technical Handbook. These changes are expected to become effective on February 11, 2025.