



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: March 29, 2022

Mortgagee Letter 2022-06

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 Establishing the Claims Standard for Reasonable Payments for Property Preservation and Protection Costs

Purpose The purpose of this Mortgagee Letter (ML) is to update the policy for Property Preservation and Protection (P&P) costs by establishing that HUD will only reimburse Mortgagees for reasonable payments for P&P costs incurred in connection with Single Family claims for FHA-insured Single Family Mortgages.

Effective Date This ML must be implemented for all FHA-insured Mortgages where the deadline to complete the [first legal action](#), as defined in Appendix 6.0 of HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1), is on or after March 31, 2022.

All updates will be incorporated into a forthcoming update of Handbook 4000.1.

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 2022-06, Continued

Affected Programs

The provisions of this ML apply to the FHA Title II Single Family Forward Mortgage program.

Background

On April 19, 2021, FHA published an update to the Servicing and Loss Mitigation section (section III) of Handbook 4000.1 which, in part, updated section III.A.2.t.i(E) Curtailment of Claims. FHA’s intent was to ensure that HUD only reimburses Mortgagees for reasonable Property P&P costs in accordance with FHA claim regulations. Through this ML, in order to alleviate any confusion and ensure its original intent is made clear, FHA is establishing a standard for HUD’s reimbursement of reasonable Property P&P costs.

Summary of Changes

This ML:

- updates section III.A.2.t.i(E) Curtailment of Claims; and
- updates section IV.A.2.a.ii(D) Claim Type 01 - Conveyances, Computation of Claim Amount, Property Preservation and Protection Costs.

Single Family Housing Policy Handbook 4000.1

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

Servicing and Loss Mitigation

Mortgagee Action Before Initiation of Foreclosure (III.A.2.t.i)

(E) Curtailment of Claims and Unreasonable Property Preservation and Protection Payments

Mortgagees are responsible for [curtailment of interest](#) (IV.A.2.a.i(D)) and [exclusion of unreasonable Property P&P payments](#) (IV.A.2.a.ii(D)).

For each curtailment time frame, the time frame begins on the earlier of the date the action should have been taken in accordance with HUD requirements or the actual date the action was taken.

**Single Family
Housing Policy
Handbook
4000.1**

**Claims and
Disposition**

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

Claim Type 01 - Conveyances (IV.A.2.a)

ii. Computation of Claim Amount

(D) Property Preservation and Protection Costs

(1) Definitions

P&P Actions are maintenance, security, and repair work required by HUD to ensure the Property meets HUD's conveyance condition standards.

P&P Costs do not include real estate taxes and hazard insurance premiums.

The P&P Period begins on the date of commencement of the Reasonable Diligence Time Frame and continues until the end of the date established based on the aggregate calculation of the total number of days in the [Reasonable Diligence Time Frame](#) (Appendix 6.0) and the [Conveyance Time Frame](#) (III.A.2.v.ii) or [CWCOT time frame](#) (III.A.2.t.ii(H)).

(2) Standard

HUD will reimburse Mortgagees up to the Maximum Property Preservation Allowance [in Appendix 7.0](#), or as permitted by HUD as approved over-allowables, for P&P actions so long as:

- the actions are performed [during the P&P period](#), even if the Mortgagee renders payment after conveyance; and
- the actions are performed in accordance with HUD guidance.

The Mortgagee may not request reimbursement for any costs related to obtaining bids for P&P actions.

(a) Photographs

The Mortgagee may request a [flat fee reimbursement](#) (Appendix 7.0) for photographs, regardless of the number of pictures required.

(b) Inspections

The Mortgagee may request reimbursement for costs for:

- up to 13 inspections per calendar year per Property, with one inspection performed for each 25-35-Day cycle in accordance with HUD guidance and with additional

protective measures supported by [documentation](#) (III.A.2.h.xiv.C);

- Pre-Conveyance Inspections that do not coincide with the regular inspection schedule; and
- additional inspections as otherwise required by HUD.

(c) Debris Removal

(i) Standard

HUD will reimburse the Mortgagee for debris removal amounts up to the maximum amount in the [P&P cost schedule](#) (III.A.2.v.iii.B) and up to amounts authorized by the MCM.

(ii) Required Documentation

The Mortgagee must retain in the Claim Review File:

- before and after photographs reflecting the debris removal and including the date and property address; and
- salvage and dumping fee receipts or other documentation stating the date, property address, number of cubic yards dumped, and number and type of appliances disposed of.

(3) Reasonable Payments for Property Preservation and Protection Costs

(a) Standard

Mortgagee payments for P&P costs are considered reasonable if they are incurred during the P&P period, are otherwise reimbursable, and meet the allowances and schedules in [Appendix 7.0](#). The Mortgagee may only include reasonable payments for P&P costs in its claim.

The Mortgagee must calculate the P&P period by adding the number of Days in the [Reasonable Diligence Time Frame](#) (Appendix 6.0) and the [Conveyance Time Frame](#) (III.A.2.v.ii) or [CWCOT time frame](#) (III.A.2.t.ii(H)).

The Reasonable Diligence Time Frame starts on the earlier of:

- the date the [first legal action](#) (Appendix 6.0) should have been filed; or
- the actual date the first legal action was taken.

Calculation of Preservation and Protection Period

Reasonable Diligence Time Frame	Conveyance or CWCOT Time Frame Days	Total Days in P&P Period
See Appendix 6.0	30 Days (unless an extension is approved)	Reasonable Diligence Time Frame plus conveyance or CWCOT time frame Days

Mortgagees must not claim P&P costs incurred after the P&P period for reimbursement.

(4) Required Documentation

The Mortgagee must retain in the Claim Review File documentation supporting all property preservation expenses claimed by the Mortgagee.

Where the Mortgagee was instructed by HUD to perform a specific service after the date of conveyance, the Mortgagee must include in the “Mortgagee’s comments” section of form HUD-27011 notation of the request and a list of expenses associated with completing the request.

Mortgagees must only include reasonable P&P payments on form [HUD-27011](#), Part C, for reimbursement.

The Mortgagee must retain copies of any approved extensions received from HUD in the Claim Review File.

(5) Review of P&P Expenses

(a) HUD Review

HUD’s MCM will evaluate all claimed costs for P&P. HUD will require the Mortgagee to repay these costs if HUD determines that:

- amounts paid for reimbursement were unnecessary, excessive, or unsupported; or
- services claimed were not performed or were not performed in accordance with [HUD guidance](#) (III.A.2.v.iii(B)).

(b) Mortgagee Determination

If the Mortgagee determines any P&P costs have been incorrectly filed for reimbursement, the Mortgagee must reimburse HUD as a Claim Remittance in FHAC.

**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; 2502-0600; and 2502-0610. 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

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