

FHA INFO #20-85

November 18, 2020



**TO: All FHA-Approved Mortgagees and Servicers;
All Other Interested Stakeholders in FHA Transactions**

NEWS AND UPDATES

Updates to FHA *Single Family Housing Policy Handbook 4000.1* Incorporate Previously Issued Policy and Other Revisions

Today, the Federal Housing Administration (FHA) published an update to [Single Family Housing Policy Handbook 4000.1](#) (SF Handbook). This update includes revisions and additional clarifications to various FHA policies and programs throughout the SF Handbook since its last update on January 2, 2020, as well as the incorporation of changes previously announced in the Mortgagee Letters included in the Handbook Transmittal, which can be found on the [Housing Handbooks](#) page on hud.gov.

FHA encourages Mortgagees and other interested stakeholders in FHA transactions to review and familiarize themselves with the changes in this update as outlined in the Handbook Transmittal. Additionally, a separate redline version of the SF Handbook has been posted on its [Handbook Information Page](#).

As a quick reference, following are some Key Changes included in each Handbook section:

Section I — *Doing Business with FHA*

- Clarification of the application and eligibility financial requirement for the covered audit period by stating a Mortgagee's audited financial statements must cover the most recent fiscal year. For companies operating fewer than 12 months, the audited financial statements must cover all months of operation.
- Clarification and alignment with 24 C.F.R. § 202.5(m)(1) of the Post-Approval reporting requirement for a Mortgagee that experiences an operating loss of 20 percent or greater of its net worth.
- Clarification of the notification requirements for a Mortgagee that ceases operations to submit a change request in the Lender Electronic Assessment Portal (LEAP) for voluntary withdrawal of FHA approval.

Section II — *Origination Through Post-Closing/Endorsement*

- Clarification of the definition of an Accessory Dwelling Unit (ADU) located on a single family residential property. A one-unit property with an ADU will be treated as a one-unit property; however, an ADU located on any property with two or more units must be considered as an additional unit.
- Instructions for addressing situations where, during the application process, it is discovered that an existing debt or obligation secured by a Mortgage is not listed on the credit report and not considered by the Automated Underwriting System (AUS).

- Adding Form HUD-9991 and other Required Condominium Documents to the Case Binder Stacking Order.

Section III — Servicing and Loss Mitigation

- Incorporation of guidance on enhancements to FHA's Claims Without Conveyance of Title (CWCOT) Procedures
- Incorporation of guidance on Loss Mitigation Options for Borrowers affected by the COVID-19 National Emergency.

Section IV — Claims and Disposition

- Incorporation of guidance on use of FHA Catalyst for Supplemental, Loss Mitigation Home Retention, and Reconveyance claims submissions.

Section V — Quality Control, Oversight and Compliance

- Clarification of the existing requirement for conducting field reviews of appraisals on early payment default (EPD) mortgages by requiring Mortgagees to perform field reviews on all (100 percent) of the EPDs underwritten by the Mortgagee.
- Incorporation of FHA's Defect Taxonomy Appendix 7.0 into the Title II Loan Review section of Mortgagee Monitoring.

The effective dates for the various SF Handbook sections are as follows:

- SF Handbook changes that are incorporated to reflect a ML (as identified in Section II of the Transmittal) have an effective date as previously announced in the respective ML. Changes identified in Sections I.A, V.A, and V.E.4.b must be implemented immediately.
- Changes identified in Section II.A may be implemented immediately; however, implementation is mandatory for mortgages with case numbers assigned on or after February 16, 2021.
- All other changes may be implemented immediately; however, implementation is mandatory not later than February 16, 2021.

As mentioned, all interested parties in FHA transactions are strongly encouraged to familiarize themselves with the policy and program updates and clarifications as outlined in the PDF version of SF Handbook that published today. The online version of the SF Handbook is currently being updated and will be available soon.

Quick Links:

- Review the November 18, 2020 SF Handbook Transmittal at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg
- Access the SF Handbook online and/or portable document format (PDF) on the Housing Handbooks page on HUDClips at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg
- View the redline version of the SF Handbook at:
https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1

Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at:
www.hud.gov/answers.
- E-mail the FHA Resource Center at: answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.

- Call 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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