



**FHA INFO #21-92**

**October 28, 2021**

### **Defect Taxonomy for Servicing Loan Reviews Posted on Single Family Housing Drafting Table for Public Feedback**

Today, the Federal Housing Administration (FHA) posted a draft update of the [Single Family Housing Policy Handbook 4000.1](#) (Handbook 4000.1), Appendix 8.0 – FHA Defect Taxonomy with a new proposed section for Servicing Loan Reviews. The update is available for public review and feedback on [FHA's Office of Single Family Housing "Drafting Table"](#) (Drafting Table).

On April 19, 2021, FHA published an update to the *Servicing and Loss Mitigation* section of [Handbook 4000.1](#), which strengthened FHA's loss mitigation approaches for struggling borrowers while streamlining key requirements for servicers. The proposed Defect Taxonomy updates will build on these policy changes by providing greater transparency into FHA's servicing loan review process – helping servicers better understand how FHA intends to hold them accountable for loan-level compliance.

Key updates in the proposed draft include:

- Six new defect areas that align with FHA requirements through the servicing lifecycle – Servicer Operations, Account Administration, Delinquent and Default Servicing, Loss Mitigation Processing, Home Retention, and Home Disposition;
- Severity tier descriptions that explain how FHA determines whether defects require corrective servicing action or other response based on the impact of non-compliance on FHA, the property, or both; and
- Expanded, servicing-specific remedies that align with severity tiers listed in each area.

Interested stakeholders are encouraged to review and provide feedback to the draft Defect Taxonomy for Servicing Loan Reviews during a 60-day period from October 28, 2021, through December 27, 2021. Instructions for providing feedback are posted on the [Drafting Table](#).

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- E-mail [answers@hud.gov](mailto: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-CALLFHA (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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