February 14, 2011

MORTGAGEE LETTER 2011-12

TO: ALL APPROVED MORTGAGEES

ATTENTION: SINGLE FAMILY SERVICING MANAGERS

SUBJECT: TIER RANKING SCORES – INCENTIVE ROUND 42

This Mortgagee Letter announces the FHA servicing lenders’ tier rankings for Round 42. They were calculated using established criteria for HUD’s Tier Ranking System (TRS) based on activity during the performance period from October 1, 2009 through September 30, 2010. The assessment linked to these scores determines if the recipient is eligible for additional incentives for calendar year 2011. It is important to remember that TRS measures only a lender’s engagement of loss mitigation in comparison to the number of foreclosure claims submitted by the lender. TRS does not measure the quality of the loss mitigation effort nor the lenders’ servicing efforts.

Lenders ranked in Tier 1 during this round are eligible for the following increased loss mitigation incentives during calendar year 2011:

1. An additional $100 payment for each Special Forbearance Agreement executed on or after January 1, 2011;

2. An automatic (i.e., HUD’s written approval is not required) extension of two additional months to continue to market their properties being sold via Preforeclosure Sale; and

3. An increase in the reimbursement of foreclosure costs from two thirds to 75 percent for Part B claims received by HUD on or after January 1, 2011, for loans endorsed on or after February 1, 1998.
HUD will continue to provide tier ranking scores quarterly, with eligibility for performance incentives determined on an annual basis using the tier ranking scores provided at the end of each fiscal year. Tier ranking scores represent lenders’ loss mitigation (LM) engagement compared to foreclosure claims paid during the aforementioned performance period, using the formula:

\[
\text{Forbearances + LM Retention Claims + PFSs + DILs + ACDs} = \frac{\text{Forbearances + LM Retention Claims + PFSs + DILs + ACDs + Foreclosures}}{\text{Forbearances + LM Retention Claims + PFSs + DILs + ACDs + Foreclosures}}
\]

**Events’ Key:**
- **LM Retention Claims** = Special Forbearance+ Mortgage Modification +Partial Claim
- **PFSs** = Preforeclosure Sales
- **DILs** = Deeds in Lieu
- **ACDs** = Accelerated Claims Disposition or Mortgage Acquisition and Recovery Initiative Pilot

Effective immediately, all lender tier ratings will be publicly available in compliance with a recent HUD legal interpretation rendered for inquiries on the lender TRS scores through the Freedom of Information Act (FOIA). All ranked lenders will have their names and tier rankings published on HUD’s TRS website: http://www.hud.gov/offices/hsg/sfh/nsc/trsovrvw.cfm effective with the release of TRS Round 42.

Attached is a list of all Tier 1 lenders, including their workout ratios. If there are any questions or comments regarding the tier ranking scoring process, please send them via email to: sfdatarequests@hud.gov.

Sincerely,

David H. Stevens
Assistant Secretary for Housing-
Federal Housing Commissioner

**Attachment**

**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 2502-0429. 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.