

Distribution Date: June 13, 2013

New FHA Default Reporting Codes / HECM Protocol Provision Clarification / Training Opportunities

New FHA Default Reporting Codes

Notice to FHA Servicers – New Codes for FHA Default Reporting - NOW AVAILABLE!

FHA Mortgagee Letter 2013-15, “Updated Delinquency/Default Status codes for the Single Family Default Monitoring System; Special Forbearances and Trial Payment Plans; New Reporting Requirement for Non-Incentivized Loan Modifications”, published May 9, 2013, provided for significant updates to the default status codes available for servicer use when reporting delinquencies on FHA loans to HUD. Per ML 2013-15, servicers must implement the changes to the default coding submissions within six months of the mortgagee letter publication date.

In order to facilitate servicer transition for the implementation deadline, the new default status codes are now available for the June reporting cycle, effective today, June 12, 2013.

Servicers are reminded that use of the following codes is no longer valid effective for the November 2013 reporting cycle. Servicers are encouraged to begin discontinuing use of the removed codes, and utilize the new codes as applicable.

FHA Mortgagee Letter 2013-15 is available: <http://portal.hud.gov/hudportal/documents/huddoc?id=13-15ml.pdf>

The National Servicing Center has a comprehensive website that provides information for all aspects of FHA servicing issues, including default reporting: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/nschome

For additional information, questions, or feedback, please contact the National Servicing Center via sfdatarequests@hud.gov.

HECM Protocol Provision Clarification

TO: ALL HUD-APPROVED HOUSING COUNSELING AGENCIES

SUBJECT: Clarification of HECM Protocol Provisions addressing the “Non-recourse Feature”

This is to clarify and correct the provision of HUD Handbook 7610.1 REV-5, Appendix 4, Section V, Page 105, “Non-Recourse Feature” for HECM loans.

The current language in Handbook 7610.1 REV5, page 105 “Non-Recourse Feature” incorrectly states that “if the heirs or the estate wish to keep the property, they are personally liable for the full balance of the loan.” However, when a HECM loan becomes due and payable as a result of the mortgagor’s death and the property is conveyed by will or operation of law to the mortgagor’s estate or heirs (including a surviving spouse who is not obligated on the HECM note) that party (or parties if multiple heirs) may satisfy the HECM debt by paying the lesser of the mortgage balance or 95% of the current appraised value of the property.

HUD’s regulations at 24 CFR 206.125(c) state, in part, that “[i]f the mortgage is due and payable at the time the contract for sale is executed, the borrower may sell the property for at least the lesser of the mortgage balance or five percent under the appraised value” (i.e., 95% of the appraised value of the mortgaged property). HUD interprets the word “sale” to include any **post-death** conveyance of the mortgage property (even by operation of law) to the borrower’s estate or heirs (including a surviving spouse who is not obligated on the HECM note). A loan payoff that occurs simultaneously with or immediately following such a post-death conveyance will be regarded as a sale transaction for purposes of section 206.125(c).

Counselors are advised that they should be adhering to the provisions of 206.125(c) and all other applicable HUD requirements. This is also addressed in the Frequently Asked Questions (FAQ), question 10, dated April 23, 2013 and posted on HUD's website at the following address:

http://portal.hud.gov/hudportal/documents/huddoc?id=hecm-svg_faqs.pdf

HUD will issue a formal revision to the HECM protocol in the future to insure consistency with 24 CFR 206.125(c) in the future. If you have any question regarding this notification, please email housing.counseling@hud.gov.

Training Opportunities

Title: FHA Loss Mitigation Training (Raleigh, NC) **ON-SITE TRAINING**

Date/Time: Thursday, June 20 from 9:00am - 4:00pm Eastern

Registration Link: <http://www.hud.gov/emarc/index.cfm?fuseaction=emar.registerEvent&eventId=1755&update=N>

Location: 971 Harp Street; Raleigh Housing Authority Building; Raleigh, NC 27604

Description: This is a chance for classroom training provided by HUD. The intended audience for this training is HUD Approved Counseling Agencies, Servicing Lenders and Nonprofits. We will discuss the new changes on the FHA Loss Mitigation waterfall and explain eligibility for each of the Loss Mitigation tools.

Special Instructions: You must complete the HUD Registration form to attend the training. Registration is limited so please register early. Training is free and lunch is on your own. Bring a calculator to the training. If you have any questions please email William.J.Snelling@hud.gov

Title: The FHA Appraisal (Kansas City, KS) **ON-SITE TRAINING**

Date/Time: Thursday, June 20 from 8:30am – 4:30pm Central

Registration: <http://www.hud.gov/emarc/index.cfm?fuseaction=emar.registerEvent&eventId=1767&update=N>

Location: 400 State Avenue; Room 507; Kansas City, KS 66101-2406

Description: This FREE one-day class discusses FHA appraisal requirements including FHA Appraisal Protocol, updates to FHA appraisal policy, as well as equips attendees with the knowledge to determine property eligibility. This course provides a refresher to seasoned FHA appraisers, as well as provides valuable information to appraisers new to the FHA roster. Attendees will receive 7 hours of continuing education acceptable for the State of Kansas.

Special Instructions: This is a spillover class based on the popularity of the June 19 class. A minimum number of people must register in order for the class to take place. Class size is limited; first-come, first served. On the day of the class, check-in begins at 8:00 a.m. Class begins promptly at 8:30 a.m. local time. Registration is required.

Questions? E-mail us at denverhoc-pudtraining@hud.gov.

Title: FHA Loss Mitigation Training (Birmingham, AL) **ON-SITE TRAINING**

Date/Time: Thursday, July 25 from 8:30am to 4:00pm Eastern

Registration Link: <http://www.hud.gov/emarc/index.cfm?fuseaction=emar.registerEvent&eventId=1757&update=N>

Location: 6701 Crestwood Boulevard; JCEO Festival Center; Birmingham, AL 35210

Description: This is a chance for classroom training provided by HUD. The intended audience for this training is HUD Approved Counseling Agencies, Servicing Lenders and Nonprofits. We will discuss the new changes on the FHA Loss Mitigation waterfall and explain eligibility for each of the Loss Mitigation tools.

Special Instructions: You must complete the HUD Registration form to attend the training. Registration is limited so please register early. Training is free and lunch is on your own. Bring a calculator to the training. If you have any questions please email Carol.B.Nix@hud.gov

ADDITIONAL FHA EVENTS AND TRAINING OPPORTUNITIES CAN BE FOUND AT: <http://bit.ly/FHAevents>