

HUD Housing & FHA Monthly Review



This month we are introducing the "HUD Office of Housing & FHA Monthly Review". It is the first edition of what will become a monthly round-up of the most important policy developments and announcements happening in the Office Housing and FHA.

ANNOUNCEMENTS

***NEW* Neighborhood Stabilization Outcomes (NSO) Sale Scheduled for November 5!**

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/comp/asset/sfam/sfls

FHA TURNS 80!

Signed in to law as part of the National Housing Act in 1934 the FHA celebrated its 80th anniversary last month.

As part of the FHA's 80th anniversary The White House hosted a celebration event last month to highlight these years of success. The celebration was emceed by FHA Commissioner Carol Galante and included a morning welcome by then Secretary Shaun Donovan and two panel discussions with a focus on the historical role the FHA has played and the future role of the FHA. Attendees also screened a video commemorating the FHA's success.

Between the panel discussions HUD Assistant Secretary for Policy Development and Research Dr. Cathy O'Regan released an issue brief laying out FHA's mission in the single-family mortgage market and presents its historical role in meeting immediate and emerging challenges over its history.

Quarterly Report on FHA Single Family Loan Sales is Posted

The Single Family Loan Sales (SFLS) Program includes eleven sales beginning with SFLS 2010. The Neighborhood Stabilization Outcome (NSO) component of the program was introduced in SFLS 2012-3, which also coincided with the introduction of a new name for FHA's SFLS transactions, Distressed Asset Stabilization Program (DASP or SFLS-DASP). All SFLS Program transactions have a post-sale requirement that Purchasers avoid finalizing any foreclosure actions for six months for properties that are owner-occupied unless there are extenuating circumstances.

DASP sales are ongoing. Under DASP, loans are segregated into two types of pools: the National/Regional pools; and the Neighborhood Stabilization Outcome (NSO) pools, which are secured by properties



FHA 80th Commemorative Video:

<https://www.youtube.com/watch?v=mpEALrJRerQ&feature=youtu.be&app=desktop>

HUD PD&R Paper:

<http://www.huduser.org/portal/publications/fha/fhaat80.html>

Full DASP Report here:

<http://portal.hud.gov/hudportal/documents/huddoc?id=report082814.pdf>

in a limited geographic area and have specific servicing requirements designed to encourage outcomes that help stabilize neighborhoods. Purchasers of NSO pools are required to achieve neighborhood stabilizing outcomes on no less than 50% of the loans in each NSO pool they purchase. These acceptable outcomes include re-performance, rental to a borrower, gift to a land bank, sale to an owner occupant without marketing the asset as real estate owned (REO) or a loan payoff. By adding the NSO component to the SFLS Program, the Program strengthens its strategic focus on community stabilization.

POLICY DEVELOPMENTS

SINGLE FAMILY HOUSING

New Sections of SF Policy Handbook to Post for Feedback

Today, the Federal Housing Administration (FHA) posted two draft 203(k) sub-sections that support the Application through Endorsement section of its draft Single Family Housing Policy Handbook (SF Handbook) for stakeholder review and feedback:

- (1) The draft 203(k) Rehabilitation Mortgage Insurance Program product sheet contains policy for mortgages insured under the FHA Section 203(k) program. These requirements are applied in addition to the 203(b) guidelines. The two types of 203(k) Rehabilitation Mortgages – Standard and Limited (formerly Streamlined) – both follow the guidance in this product sheet, unless otherwise noted.
- (2) The draft 203(k) Consultant sub-section contains the policy requirements for an FHA-approved 203(k) Consultant to perform the consultant functions in conjunction with the origination of a 203(k) mortgage.

The content of the two, draft 203(k) sub-sections, as well as supporting information, is now posted for review and feedback on the SF Drafting Table. We invite stakeholder feedback on these SF Handbook sections from Thursday, August 28 through Monday, September 29, 2014.

In the last two weeks of July and through the month of August, new sections of the Single Family policy handbook posted for feedback. Chapters included: Business With FHA—FHA Lenders and Mortgagees and Quality Control, Oversight and Compliance, FHA Appraiser Roster Eligibility Requirements, the Appraiser Oversight and Compliance, the Appraiser Requirements for Performing FHA Appraisals, including property eligibility requirements; and the Appraisal Report and Data Delivery Requirements.

- *Single Family Drafting Table*
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/SFH_policy_drafts
- *SF Handbook Structure Diagram*
http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_POLI_HB_FRMWK.PDF

Extension of Temporary Approval Provisions for Condominium Projects

Late August, the U.S. Department of Housing and Urban Development (HUD) issued Mortgagee Letter (ML) 2014-17 and Notice H 2014-11, which announced an extension of the condominium project approval guidelines issued in ML 2012-18, dated September 13, 2012. These guidelines, which were set to expire on August 31, 2014, have been extended through August 31, 2016.

Additional Information

The extension is effective for all condominium project approvals, recertifications, annexations or reconsiderations submitted for review as of the date of this directive. The ML and Housing Notice do not make any changes to the policy originally announced in ML 2012-18 or in the *Condominium Project Approval and Processing Guide* attached to ML 2011-22.

Additional condo documents:

- Review ML 2014-17 - *Extension of Temporary Approval Provisions for the Federal Housing Administration (FHA) Condominium Project Approval Process*, at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee
- Review Notice H 2014-11 - *Extension of Temporary Approval Provisions for the Federal Housing Administration (FHA) Condominium Project Approval Process*, at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg
- Review ML 2012-18 at: <http://portal.hud.gov/hudportal/documents/huddoc?id=12-18ml.pdf>
- ML 2011-22 at: <http://portal.hud.gov/hudportal/documents/huddoc?id=11-22ml.pdf>
- *Condominium Project Approval and Processing Guide* at: <http://portal.hud.gov/hudportal/documents/huddoc?id=11-22mlguide.pdf>

Call the FHA Resource Center at **1-800-CALLFHA (1-800-225-5342)** if you have questions. Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at **1-800-877-8339**.

FHA to Eliminate "Post Payment" Interest Charges

Tuesday August 26, the Office of Single Family Asset Management published the Final Rule for Handling Prepayments Eliminating Post-Payment Interest Charges in the Federal Register. This rule revises FHA's regulations that allow an FHA-approved mortgagee to charge the mortgagor interest through the end of the month in which the mortgage is being paid. The final rule allows mortgagees to charge interest only through the date the mortgage is paid, and prohibits the charging of interest beyond that date.

Additional "Post Payment" Interest Charges Docs:

- Press Release http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2014/HUDNo_14-104
- Federal Register <https://www.federalregister.gov/articles/2014/08/26/2014-20214/federal-housing-administration-fha-handling-prepayments-eliminating-post-payment-interest-charges>

FHA: Adjustable Rate Mortgage Notification Requirements and Look-Back Period for FHA-Insured Single Family Mortgages

Adjustable Rate Mortgage Notification Requirements and Look-Back Period for FHA-Insured Single Family Mortgages On Tuesday August 26, the Office of Single Family Program Development published the Final Rule for Adjustable Rate Mortgage Notification Requirements and Look-Back Period for FHA-Insured Single Family Mortgages in the Federal Register which becomes effective January 10, 2015. This rule revises FHA's regulations governing its single family adjustable rate mortgage (ARM) program to align FHA interest rate adjustment and notification regulations with the requirements for notifying mortgagors of ARM adjustments, as required by the regulations implementing the Truth in Lending Act (TILA), as recently revised by the Consumer Financial Protection Bureau (CFPB). The final rule requires that an interest rate adjustment resulting in a corresponding change to the mortgagor's monthly payment for an ARM have a 45-day look-back period. The final rule also requires that the mortgagee of an FHA-insured ARM comply with the disclosure and notification requirements of the 2013 TILA Servicing Rule, including at least a 60-day but no more than 120 day advance notice of an adjustment to a mortgagor's monthly payment.

- Federal Register <https://www.federalregister.gov/articles/2014/08/26/2014-20215/federal-housing-administration-fha-adjustable-rate-mortgage-notification-requirements-and-look-back>

Electronic Retention of Foreclosure-Related Documentation

On Wednesday July 23, the Office of Single Family Housing published a Mortgagee Letter which provides guidance on the retention of foreclosure-related documents in servicing files stored electronically. This ML will be effective for all foreclosures, associated with FHA-insured mortgages, occurring on or after October 1, 2014.

- <http://portal.hud.gov/hudportal/documents/huddoc?id=14-16ml.pdf>

indenture agreement to include language in the trust indenture requiring excess funds remaining after FHA's claim payment to be returned to FHA. When a mortgagee finances mortgages through the issuance and sale of tax-exempt bonds or through bond anticipation notes, the mortgagee uses funds from the FHA insurance claim to pay off the remaining bond debts. Excess funds must now be returned to HUD.

- <https://www.federalregister.gov/articles/2014/07/29/2014-17742/federal-housing-administration-fha-multifamily-mortgage-insurance-capturing-excess-bond-proceeds>

MULTI FAMILY HOUSING

Capital Needs Assessments (CNA) e-Tool

On Tuesday August 26, the Office of Multifamily Housing distributed and published a memo from the Deputy Assistant Secretary that will alert stakeholders to a significant move to electronic submissions for Capital Needs Assessments. This project is an electronic Capital Needs Assessment for Multifamily lenders and assessors. This is a joint effort by HUD and USDA.

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

Section 202/811 Processing Guidance Updates On

Friday August 22, the Office of Multifamily Housing published a Housing Notice updating Processing Guidance for the Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities Programs. The purpose of the Notice is to provide revised procedures pertaining to processing activities after selection of Section 202 and Section 811 applications for fund reservations including mixed-finance transactions.

- <http://portal.hud.gov/hudportal/documents/huddoc?id=14-10hsgn.pdf>

Capturing Excess Claim Proceeds Final Rule

On Wednesday July 30, the Office of Multifamily Housing published a final rule directing mortgagees that finance projects using a project-specific trust

HEALTHCARE PROGRAMS

OMB Approved 232 Documents Are Available On Hudclips

Revised Section 232 documents which include edits resolving scrivener's errors and updated OMB form information are posted on HUDClips for immediate use. In February HUD posted a notice requesting comments related to the Section 232 documents (FR-5752-N-22). The Notice provided for and solicited comment on: the possibility of electronic submission, changes made to the Intercreditor Agreement, and to the entire proposed collection of information. HUD received comments from several commenters in response. All responses were considered by HUD and many suggested revisions were adopted. The suggested revisions included some substantive changes which are summarized online. The documents were then sent to Office of Management and Budget (OMB) for review and approval. OMB has now approved the entire collection.

- 232 Substantive Changes Link: *(word document)*
<http://intraportal.hud.gov/hudportal/documents/huddoc?id=JulEmailBlast072314.docx>
- Redline Comparison of Changed Documents
http://portal.hud.gov/hudportal/HUD?src=/federal_housing_administration/healthcare_facilities/residential_care/final_232_documents