Single Family Loan Sale (SFLS) Participating Servicer Training

April, 2014

Introduction

- ☐ SFLS SUPPORT TEAM
  - ❑ HUD Staff
    - ■ Asset Sales Office (ASO)
    - ■ Single Family Insurance Claims
    - ■ Office of Single Family Accounting (SFA)
    - ■ Office of General Counsel (OGC)
  - ❑ Contractors
    - ■ Program Financial Advisor (PFA)
    - ■ Transaction Specialist (TS)
    - ■ Risk Manager

Introduction

□ Asset Sales Team (AS0)

- ◻ John Lucey, Director of Asset Sales
- ◻ Erik Cribbs, Acting Deputy Director of Asset Sales
- ◻ Marlene Robinson, SFLS Project Manager
- ◻ Nikeisha Joyner-Wiggins, Financial Analyst

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Training Agenda

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- ☐ Overview of P-Servicer Responsibilities
- ☐ Preparation of the Loan List
- ☐ Preferred Pooling Eligibility Criteria
- ☐ Claims without Conveyance of Title
- ☐ Submission of Due Diligence Materials
- ☐ Claim Submission
- ☐ Interim Servicing and Servicing Transfer
- ☐ Post-Award Reporting
- ☐ Summary of Updated Procedures

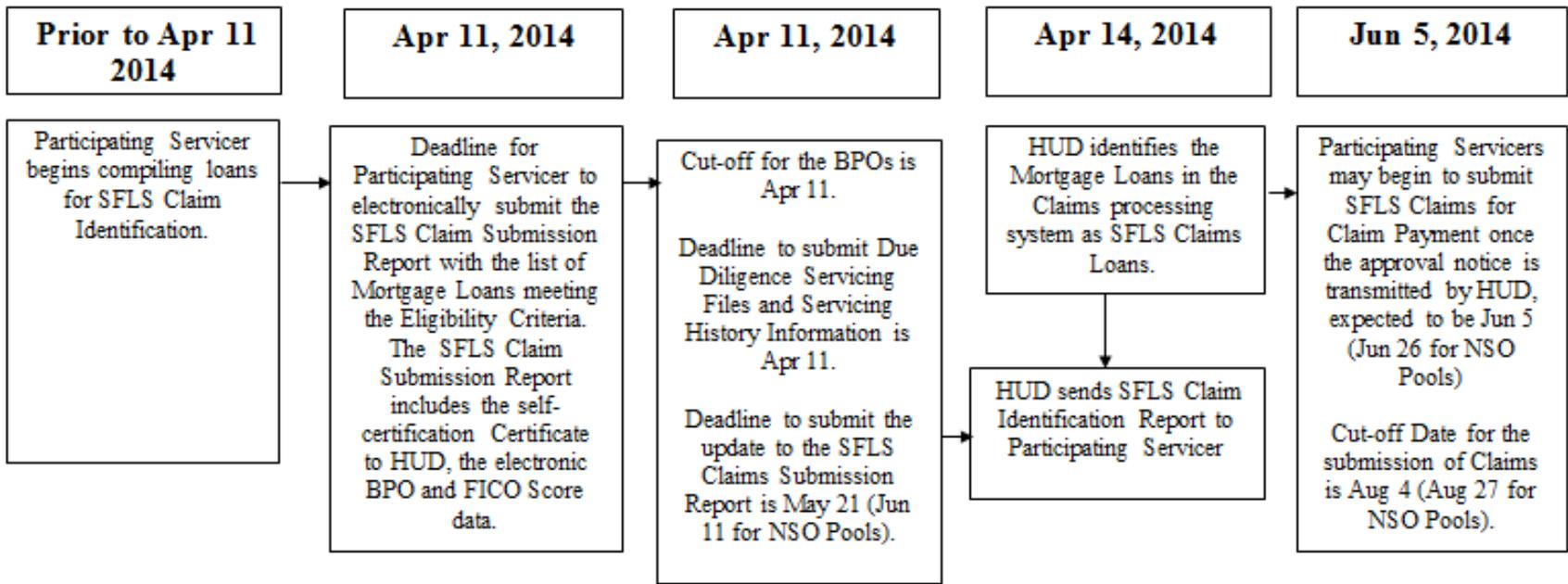# Overview of P-Servicer Responsibilities

P-Servicer's SFLS Process

- ☐ Step 1: Execute Participating servicer Agreement (PSA) and Interim Servicing Agreement (ISA)
- ☐ Step 2: Identify Eligible Loans
- ☐ Step 3: Prepare Due Diligence Materials
- ☐ Step 4: Submit Claims
- ☐ Step 5: Post-Claim Servicing
- ☐ Step 6: Transfer Documents & Servicing
- ☐ Step 7: Post Sale Reporting

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Exhibit B: SFLS Claim Identification Process Overview*

Prior to Apr 11 2014	Apr 11, 2014	Apr 11, 2014	Apr 14, 2014	Jun 5, 2014
Participating Servicer begins compiling loans for SFLS Claim Identification.	Deadline for Participating Servicer to electronically submit the SFLS Claim Submission Report with the list of Mortgage Loans meeting the Eligibility Criteria. The SFLS Claim Submission Report includes the self-certification Certificate to HUD, the electronic BPO and FICO Score data.	Cut-off for the BPOs is Apr 11. Deadline to submit Due Diligence Servicing Files and Servicing History Information is Apr 11. Deadline to submit the update to the SFLS Claims Submission Report is May 21 (Jun 11 for NSO Pools).	HUD identifies the Mortgage Loans in the Claims processing system as SFLS Claims Loans. HUD sends SFLS Claim Identification Report to Participating Servicer	Participating Servicers may begin to submit SFLS Claims for Claim Payment once the approval notice is transmitted by HUD, expected to be Jun 5 (Jun 26 for NSO Pools) Cut-off Date for the submission of Claims is Aug 4 (Aug 27 for NSO Pools).

* As noted above the schedule for the Mortgage Loans in NSO Pools is slightly different in some instances. Unless you are notified, your loan will not be in an NSO Pool.

8 Preparation of the Loan List

Claims Identification

- ☐ Self-Certification: P-Servicers are responsible for identifying mortgage loans and screening them for eligibility

- ☐ Self Certification Process:

  - ◼ Loans must be eligible at the time of submission of Claim Submission File and as of the Claim Date, including Loss Mitigation requirements

  - ◼ Participating servicer certifies that the loan has met the eligibility criteria as set forth in the Participating Servicer Agreement (PSA) and the Desk Guide

  - ◼ HUD issues the Claim Identification Report with the Claim Identification Date required to submit a claim

Select Eligibility Criteria

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Criteria	Eligibility Requirement
Collateral Type	Single Family 1-4 Unit Dwelling
Unpaid Principal Balance	No Less Than $20,000
Default	• Six full payments due and unpaid, or • At least three full payments past due and the Participating Servicer has determined the Property is vacant or abandoned. • If loan was permanently modified in connection with a Loss Mitigation Option, the loan as modified must meet the delinquency requirements.
Mortgaged Property	- Is not a condemned property, - Has not been seized by the United States Department of Justice, and is not otherwise the subject of a seizure order - Has not sustained any Surchargeable Damage.

Select Eligibility Criteria (cont)

Criteria	Eligibility Requirement

Mortgage Loan	• Not previously offered for SFLS unless non-delivery occurred as a result of:
	    • additional loss mitigation actions offered by Participating Servicer,
	    • Surchargable Damage (that has been subsequently repaired),
	    • a bankruptcy action, or litigation (that has been subsequently resolved).
	• Not subject to pending litigation related either to the origination of the Mortgage Loan or the underlying Mortgaged Property securing the Mortgage Loan; and
	• Not subject to an Indemnification Agreement or other settlement agreement setting for specific obligations with respect to Mortgage Loan unless such obligations have been fully satisfied.

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Select Eligibility Criteria (cont)

Criteria	Eligibility Requirement
Risk Scoring	• Risk Scoring is no longer a required criteria
Foreclosure	• No foreclosure sale has been scheduled for a date prior to Aug 15, 2014 (Sept 5, 2014 for Mortgage Loans in a NSO Pool). • There has been no foreclosure or pre-foreclosure sale, and no deed-in-lieu of foreclosure has been accepted. • The first legal action under applicable law to commence (or institute) foreclosure is no longer a criteria.
Bankruptcy	• If the mortgage loan is a Bankruptcy Loan with a confirmed repayment plan under Chapter 13 of the United State Bankruptcy Code, the mortgagor is not current under the terms of that plan.

Select Eligibility Criteria (cont)

Criteria	Eligibility Requirement
Loss Mitigation	For the current default P-Servicer, per regulations at 24 C.F.R. §§ 203.501 and 203.605 and FHA Handbooks and Mortgagee Letters, has: . Evaluated all FHA Loss Mitigation Home Retention Options (Special Forbearance, FHA-HAMP and Loan Modification); and . Evaluated all FHA Loss Mitigation Non-Retention Options (Pre-Foreclosure Sale, and Deed-in-Lieu of Foreclosure); <u>and</u> *<u>A claim may not be submitted unless P-Servicer has determined Borrower to be ineligible for any Loss Mitigation or such appropriate Loss Mitigation Options have been attempted and failed.</u>*

Preferred Pooling Eligibility Criteria

- □ Preferred Pooling Eligibility Criteria (Preferred Criteria) has been established by HUD for loan not included in NSO Pools:
  - ◻ Eligible loans that do not meet the Preferred Criteria may be submitted.
  - ◻ The likelihood of non-Preferred Criteria loans meeting HUD's reserve price may be significantly decreased, and they may not be awarded.
  - ◻ Due Diligence and BPO Reimbursement expenses will not be reimbursed for loans that are not awarded and/or do not result in a SFLS assignment claim. (But see Claims without Conveyance of Title option below)

- □ The Preferred Criteria is as follows:
  - ◻ The Mortgaged Property is occupied;
  - ◻ Loan to Value (LTV) ratio for the loan is not less than 87.5 percent; and
  - ◻ Loan has not exceeded the Maximum Missed Payments limit for the state in which the Mortgaged Property is located.

Preferred Eligibility Criteria Definitions

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Criteria	Definition
Occupancy Status:	A loan is considered occupied if: • As of the SFLS Claim Submission Report Date, the P-Servicer has determined the property is not vacant or abandoned per the Initial and Visual Inspection requirements in 24 C.F.R. § 203.377 and Handbook 4330.1 Rev-5; and • The BPO inspection determined that the property is occupied (Column CB of the SFLS Claim Submission Report).
LTV Ratio:	Whether a loan's LTV is less than 87.5% is determined by: • Dividing the Unpaid Principal Balance (Column H of the SFLS Claim Submission Report) by the BPO Value (Column CL – the value that corresponds to the BPO_Market_Time in Column CF).
Maximum Missed Payments:	This criteria is determined by reference to: • The number of payments past due (Missed Payments) as of the SFLS Claim Submission Report; and • The maximum allowed per the state-by state Maximum Missed Payments Chart in the PSA and Desk Guide (Section 2.2).

Preferred Criteria Table

Maximum Missed Payments Table
For Preferred Pooling Eligible Mortgage Loans Only

State	Max Missed Payments (in months)	State	Max Missed Payments (in months)	State	Max Missed Payments (in months)
AK	14	MA	29	PA	28
AL	18	MD	25	PR	35
AR	18	ME	35	RI	20
AZ	20	MI	22	SC	20
CA	19	MN	19	SD	19
CO	18	MO	16	TN	18
CT	30	MS	20	TX	18
DC	35	MT	27	UT	20
DE	28	NC	22	VA	18
FL	36	NJ	34	TX	18
GA	21	ND	12	UT	20
HI	21	NE	24	VA	18
IA	26	NH	17	VI	N/A
ID	17	NM	25	VT	33
IL	29	NV	31	WA	22
IN	28	NY	41	WI	25
KS	18	OH	26	WV	15
KY	24	OK	22	WY	13
LA	23	OR	21		

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Claims without Conveyance of Title

- If notified that loans are not awarded, Insurance Claims pursuant to the Claims without Conveyance of Title (CWCOT) procedures at 24 C.F.R. § 203.368 and as amended in the PSA may be pursued as an option.

- To submit a CWCOT claim, P-Servicer must be a participant in the CWCOT Demonstration Program or execute the participation agreement (see Appendix 10 of the Desk Guide).

- For loans first offered in a SFLS pool, participation in CWCOT is governed by simplified procedures in Section 2.04(b) of the PSA, which supersede the procedures in HUD Handbooks 4330.1 and 4330.4.

- For CWCOT claims submitted for Preferred Criteria loans HUD will pay the full Claim Payment (including Approved Reimbursable Expenses per the PSA) plus any applicable Auction Service Fee, less the winning bid amount.

- For CWCOT claims submitted for loans not meeting the Preferred Criteria the Due Diligence and BPO Reimbursement Expenses will not be reimbursed.

18

Submission of Due Diligence Materials

Prepare Due Diligence Materials

P-Servicers were to deliver the following materials by April 11, 2014:

- ◻ SFLS Claim Submission File (Aggregate Loan Database) including Current Credit Scores & Brokers Price Opinions (BPOs) data fields

- ◻ BPO report in a .pdf format

- ◻ Electronic Collateral Files

- ◻ Electronic Payment Histories and Servicing Comments

Submit update to the SFLS Claim Submission File electronically on May 21, 2014 (June 11, 2014 for loans in a NSO Pool).

- ◻ Use the file layout provided in Appendix 3 of DG

- ◻ Only include loans where data has changed since the original submission such as UPB, escrows, last payment, paid through date, etc.

- ◻ For any loans being dropped because paid in full or no longer eligible, include them in a separate worksheet of the update and label them clearly as needing to be removed from the sale.

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Claim Submission File

- Due: Apr 11, 2014
- Format: Microsoft Excel
- File contents:
  - Origination Data
  - Current Loan Data
  - Credit Score Data
  - BPO Data
  - Underwriting Ratios
  - Most Recent Employment Data and As-Of Date
  - Bankruptcy Data
  - Foreclosure Data

File Layout (See Appendix 3 of Desk Guide)

(portion of over 100 fields)

Column	Data Element	Definition
A	Pool	Mortgage Loan Pool to which Loan has been Assigned for SFLS 2013-2 – This field will be populated by the Transaction Specialist
B	FHA_CASE	FHA Case Number
C	Current_UPB	Current Unpaid Principal Balance
D	Current_Scheduled_PI_Payment	Current Scheduled Principal and Interest Payment
E	Current_Interest_Rate	Current Interest Rate
F	Paid_To_Date	The day, month, and year through which the mortgage is paid, without regard to when the payment was made
G	Date_Last_Paid	The day, month, and year on which the last mortgage payment was made, without regard to when the payment was due
H	Amount_Last_Paid	Amount of Last Payment
I	Paid_Last_Twelve_Months	Sum of payments made in the last 12 months
J	Escrow_Balance	Escrow Balance
K	Fixed_Variable	Is interest rate fixed or adjustable?
L	Origination_Date	Origination Date
M	Original_Balance	Original Balance
M	First_Payment_Date	First Payment Date
O	Maturity	Maturity Date
P	Original_Term	Original Term (Months)
Q	Remaining_Term	Remaining Months to Maturity
R	Payment_Frequency	Payment Frequency
S	Modified	Has Loan Been Modified?
T	Modification_Date	Date of Latest Modification
U	Modification_First_Pay_Date	Modified First Payment Date
V	Note	Note in File?
W	Mortgage	Mortgage in File?

Claim Submission File:
Data Format

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Date Element	Description	Format – Example
Payment_Frequency	Payment Frequency	Monthly, etc.
Note	Note in File?	YES/NO
Mortgage	Mortgage in File?	YES/NO
Title	Title in File?	YES/NO
Borrower_Current_Income	Borrower's current income (monthly)	$ Amount
Lien_Position	Lien Priority of Subject Mortgage	First, Second, etc.
Paid_Last_Twelve_Months	Total Payments Made in the Last 12 Months	$ Amount
Insurance_Proceeds	Insurance Proceeds	$ Amount
Service_Complete	Date Foreclosure Complaint was Served; Initiation of Foreclosure	Date (MM/DD/CCYY)
Judgment_Entered	Date Foreclosure Judgment is entered by the court	Date (MM/DD/CCYY)
Sale_Scheduled	Scheduled foreclosure sale date	Date (MM/DD/CCYY)
BPO_Market_Time	Marketing time for normal sale	Number

FICO and BPO Calculations

- Borrower1_Current_Average_Credit_Score
  - Calculated by averaging available credit scores.
  - If only one credit score is available, the average will be equal to that score.
- BPO_Value: SFLS 2014-2 BPO_Value will be equal to the value for the Marketing Time. For example
  - BPO_90_Day_Marketing_Value: $90,000
  - BPO_120_Day_Marketing_Value : $95,000
  - BPO_180_Day_Marketing_Value : $100,000
  - BPO_Market_Time: 120
  - **BPO_Value: $95,000**

Claim Submission File:
Ratio Calculations

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Data Field	Definition	Reference Point	Calculation
Frontend_Ratio	Monthly Principal Interest Taxes and Insurance (PITI) payment divided by monthly Income	Origination	Monthly PITI /Monthly Income
Backend_Ratio	Monthly PITI and minimum monthly payments from liabilities divided by the monthly income	Origination	(Monthly PITI + Minimum Monthly Payments)/ Monthly Income
Frontend_Ratio_LossMit	Monthly PITI payment divided by monthly Income– Most recent completed underwriting	Most Recent Underwriting	Monthly PITI/Monthly Income
Backend_Ratio_LossMit	Monthly PITI and minimum monthly payments from liabilities divided by the monthly income Most recent completed underwriting.	Most Recent Underwriting	(Monthly PITI + Minimum Monthly Payments)/ Monthly Income

Ratio Calculations

FHA Case Number "123-456789"	
Monthly Income	5,000
Monthly (PITI) Payment	1,550
Credit Card(s) Payment	200
Auto Loan(s) Payment	200
Other Consumer Debt Obligations	200
All Primary Mortgage Debt	1,550
All Consumer Debt	2,150

Ratio	Definition of Numerator	Ratio Calculation
Frontend Ratio	All Primary Mortgage Debt	1,550/5,000= 31%
Backend Ratio	All Household Debt	2,150/5,000 =43%

Document Submission Platforms

☐ Due Diligence Documentation may be submitted on CD, DVD, or hard drive via overnight mail; or by posting using File Transfer Protocol (FTP).

  ◘ Mailing Address:

    Jen Remare

    Assistant Vice President

    The Debt Exchange, Inc.

    133 Federal Street, 10th Floor

    Boston, MA 02110

  ◘ FTP Site: Generated for each P-Servicer as arranged with the TS

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Ordering FICO Scores and BPOs

- ☐ FICO Scores: Electronic data included in the ALD
  - ◻ 3 Scores: From Equifax, Experian, and TransUnion
- ☐ BPOs: Electronic data included in the ALD &

  PDF file to include photographs

  - ◻ Order from high quality vendors that can provide the BPOs in the required timeframe

  - ◻ Provide "as is" and repaired values at 90, 120, and 180 days marketing time, <u>not distressed valuations</u>

  - ◻ Provide average market time for area
- ☐ Due date for FICOs and BPOs was April 11, 2014

BPO Requirements - Appendix 5

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1. The name of the entity requesting the BPO	10. Neighborhood values – indicate the high and low values for the neighborhood
2. The FHA case number	11. Urban, suburban, or rural location
3. The date the BPO was completed	12. Property values: increasing, stable, decreasing
4. Company, address and name of BPO preparer	13. Comment on supply for the market
5. Phone and fax number and e-mail address of BPO preparer	14. Comment on demand for the market
6. Years of experience of BPO preparer	15. Describe property condition

7. Following information on subject property
 	
   o   Street address, city, state and zip code
   o   Occupied or vacant
   o   Style
   o   Beds
   o   Baths
   o   Rooms
   o   Garage (one, two, etc garage)
   o   Lot size
   o   Age
   o   Square footage
   o   Condition
   o   Basement (full, finished, partially finished, none)
   o   Framed, brick, stucco, manufactured housing or other
   o   Single-family, multifamily, condominium, townhouse or other
	16. Following information on current comparable properties listed for sale, and recent comparable properties sold:
	
	   o Style
	   o Beds
	   o Baths
	   o Rooms
	   o Garage (one, two, etc garage)
	   o Lot size
	   o Age
	   o Square footage
	   o Condition
	   o Basement (full, finished, partially finished, none)
	   o Proximity of comps to subject property
	   o List price
	   o Comments
	   o For recent comparable sold properties:
	      ▪ Sale price
	      ▪ Sold date

8. Describe area/neighborhood	17. Photographs of the house, and neighborhood

9. Provide following values for 1) projected sales price; 2) suggested list price; 3) estimate of suggested repairs for each value:
 	
   o   As is (at 90, 120, and 180 days marketing time)
   o   Average market time for area
   o Repaired value (at 90, 120, and 180 days marketing time)	

Imaged File Organization

- Folders named by FHA Case Number
  - Example: 📁 123-456789
- Individual files named and organized using the following convention:

Name	Date modified
📄 123_456789_All Other Loan Documents.pdf	3/25/2013 9:35 AM
📄 123_456789_Current BPO.pdf	3/25/2013 9:35 AM
📄 123_456789_Loss Mitigation.pdf	3/25/2013 9:35 AM
📄 123_456789_Mortgage.pdf	3/25/2013 9:35 AM
📄 123_456789_Note.pdf	3/25/2013 9:35 AM
📄 123_456789_Original Appraisal.pdf	3/25/2013 9:35 AM
📄 123_456789_Title Insurance.pdf	3/25/2013 9:35 AM

- EXCLUDE Personally Identifiable Information (PII) in all imaged loan files EXCEPT the note, mortgage and title policy
- Do not submit blank or duplicate documents

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Recommended Format of Servicing and Payment History Files

- Preferred Format: Microsoft Excel (.xls, or xlsx)
  - If Excel format is not possible, submit in another machine readable format such as .txt or .csv
  - Do not use .pdf
- Payment History Files
  - Individual Payment History File for each loan
  - Example:
    - 123-456789_Payment History.xlsx
  - Each Servicer must provide a data dictionary for their payment history data fields
- Servicing Comment Files
  - Bulk Servicing Comment Files
  - Each row in the Excel file contains the FHA Case Number

30 Claim Submission

Claim Submission Requirements

Claims may submitted after award if the following conditions are met:

- The loan has a SFLS Claim Identification Date

- The loan is on the list of awarded loans (Award Report)

- The loan continues to meet the loan eligibility criteria

- A BPO in the appropriate format was obtained

- The P-Servicer has ensured that the correct holder and servicer identifiers appear in the Single Family Insurance System (SFIS)

- Assignment Claims must be submitted using the Electronic Data Interchange (EDI)

- HUD-27011, <u>Single-Family Application for Insurance Benefits</u>, including Parts A, B, C, D, E, along with all supporting documentation must be entered into the P260 Lender Portal Form

- Cut-off date for claim submission: Aug 6, 2014 (Aug 27 for NSO Pools)

Detailed claim instructions are provided in Section 5.2 of the Desk Guide

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Interest Curtailment

- Curtailment Date Instructions are provided in Appendix 8 of the Desk Guide

Basis for Curtailment	Associated Curtailment Rules	Extension Possible
Miss First Legal Action to Foreclose	Curtailed to six months or earlier as required due to vacancy	Yes
Fail to Report First Legal Action to Single Family Default Monitoring System (SFDMS)	Reduced by 30 days for each missed reporting cycle	No
Fail to Meet State-based Reasonable Diligence Timeframe	Number of months in the state Reasonable Diligence Time Frame after the date on which first legal was taken	Yes

- HUD Reasonable Diligence Time Frames ("Foreclosure Time Frames") were published as Attachment 2 to Mortgagee Letter 2005-30
- For information on proper reporting of first legal action, see Mortgagee Letters 2005-30 and 1997-18

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Extension of Foreclosure Deadlines

In accordance with PSA Section 4.01(o) of the PSA:

□ HUD will grant Participating Servicer an extension of the six-month deadline to take the first legal action to initiate foreclosure, or the Reasonable Diligence Time Frames, as appropriate, for a loan that was included on the SFLS Claim Identification Report prior to expiration of the six-month deadline or the Reasonable Diligence Time Frame, as applicable.

□ The extension shall be for the number of days Participating Servicer spent attempting to process the Insurance Claim through the Sale provided that:

(i) the loan was eligible as of the SFLS Claim Submission Report Date but later became ineligible; or

(ii) the Mortgage Loan was not awarded; and Participating Servicer failed to meet the first legal action to initiate foreclosure deadline or Reasonable Diligence Time Frames set forth in Mortgagee Letter 2013-38, Attachment 1, as the direct result of the its attempt to process the related Insurance Claim through the Sale.

□ HUD will grant this extension to allow Participating Servicer to complete an action pursuant to the CWCOT procedures in the PSA or 24 C.F.R. § 203.355 and avoid curtailment of debenture interest when such curtailment would occur solely as the result of a delayed foreclosure sale in order to comply with the terms of the PSA.

Early Claim Submission

- Access to EDI available as of May 5, 2014
  - P-Servicer may begin entering claims information
  - Claims submitted between May 5 and the earliest Claim Submission Date are placed in Electronic Funds Transfer (EFT) hold status.
- Earliest Anticipated Claim Submission: June 5, 2014 (June 26 for NSO)
  - P-Servicer claims may be submitted and monitored via EDI
  - Claim Submission Results:
    - Paid
    - Suspended
    - EFT Hold Status
- Additional Claim Submission Guidance – PSA Section 8.19:
  "Unless and to the extent to do so would be inconsistent with the provisions of this Agreement (including the Desk Guide), Participating Servicer shall follow and remain subject to all provisions of HUD's rules and regulations, HUD Handbook 4330.4 Rev. 1, and other issuances relating to the filing of FHA mortgage insurance claims."

Interim Servicing and Servicing Transfer

Post Claim Servicing

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- During the interim servicing period, the P-Servicer services the loans on behalf of the purchaser

Claim Date	Post Claim Servicing	Servicing and File Transfer

- Post Claim Servicing begins on the claim date
- Servicing must be performed in accordance with the Interim Servicing Agreement (Exhibit C to the PSA)

Post Claim Servicing

Post Claim Servicing Fee: The Purchaser will pay a post servicing fee for loans not transferred within 45 days of the claim date

The post claim servicing fee is paid each month, in arrears, based on the Mortgage loan status detailed below

Mortgage Loan Status	Monthly Post Claim Servicing Fee
Non-performing	65 basis points (bp) divided by 12
Performing	25 bp divided by 12
REO	$60 per REO

Sample Computations

Non-performing loans with an aggregate Unpaid Principal Balance (UPB) of $10,000,000: $10,000,000 x 0065 (basis points or bp) = $65,000/12 = $5,417

Performing loans with an aggregate UPB of $10,000,000: $10,000,000 x .0025(bp) = $25,000/12 = $2,083

25 REO Assets: 25 x $60 = $1,500

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Transfer Documents and Servicing

□ P-Servicer must prepare Goodbye letters for each borrower

□ P-Servicer coordinates with the New Servicer to perform a file and servicing transfer

□ Collateral files delivered to parties whom HUD shall direct within 10 days of purchaser settlement, anticipated July 6 and Aug 15, 2014 (July 27 and Sept 5, 2014 for NSO Pools)

□ P-Servicer must perform a servicing system to servicing system transmittal of mortgage loan information for all mortgage loans transferred to the New Servicer

Goodbye Letters

- ☐ Must be prepared and sent in accordance with RESPA, TILA, and state law

- ☐ Must include the following information:

  - ◘ Specific Mortgage Loan for which servicing is being transferred.

  - ◘ Name, address and contact information, including phone number, of the Participating Servicer.

  - ◘ Name, address and contact information, including phone number, of the New Servicer.

  - ◘ Effective date of the servicing transfer.

  - ◘ This statement:

    "As a result of your default on your Mortgage Loan, we made a claim for payment on the FHA mortgage insurance. In connection with that claim, we assigned your Mortgage Loan to FHA. FHA sold your Mortgage Loan to [WINNING BIDDER], which is now the new owner of your Mortgage Loan. In connection with that sale, the servicing to your Mortgage Loan will be transferred, as set forth herein, to [INSET NAME OF NEW SERVICER]. As a result of the assignment of your Mortgage Loan to HUD, the payment by FHA of the FHA mortgage insurance claim and the subsequent sale and assignment of your Mortgage Loan to [WINNING BIDDER], the FHA mortgage insurance on your Mortgage Loan was terminated and no further mortgage insurance premiums are due by you."

  - ◘ Notice to the Mortgagor that FHA mortgage insurance premium may be reinstated in the event the Mortgage Loan is repurchased.

Assignments and Endorsements

- Assignments and Endorsements are delivered with the collateral files
- Note
  - Each mortgage note is endorsed as of the Claim Date to HUD (on the mortgage note and not by allonge)
  - If the original mortgage note is not available, the P-Servicer prepares an Assignment of Lost Note Affidavit
- Mortgage
  - P-Servicer prepares an assignment to HUD
  - P-Servicer prepares a second assignment to the purchaser
- Note and mortgage are sent to the purchaser
- HUD grants limited power of attorney to the purchaser to execute endorsements and assignments
- Templates include in Exhibit A to the PSA

41 Post-Award Reporting

A. Loans Removed for Loss Mitigation:

FHA Case Number	Date of Contact with Borrower	Type of Loss Mitigation Offered (indicate any and all)	Forbearance Repayment Plan	Special Forbearance	Modification	FHA-HAMP	Pre-foreclosure Sale	Deed in lieu	Other - specify

B. Loans Removed for Reasons Other than Loss Mitigation:

FHA Case Number	Reason for Removal from the Sale (including whether the reason was due to loss of eligibility after the date of the SFLS Claim Submission Report–A)

Due 30 business days after P-Servicer's last SFLS Claim Submission

43 Program Updates

Program Updates

DEFAULT: To satisfy the default eligibility requirement:

- ◻ Loan must be six full payments due and unpaid; or
- ◻ At least three full payments past due and the Participating Servicer has determined the Property is vacant or abandoned.
- ◻ If loan was permanently modified in connection with a Loss Mitigation Option, the loan as modified must meet the delinquency requirements

LOSS MIT: For the current default P-Servicer, per regulations at 24 C.F.R. §§ 203.501 and 203.605 and FHA Handbooks and Mortgagee Letters, has:

- ◻ Evaluated all FHA Loss Mitigation Home Retention Options (Special Forbearance, FHA-HAMP and Loan Modification); and
- ◻ Evaluated all FHA Loss Mitigation Non-Retention Options (Pre-Foreclosure Sale, and Deed-in-Lieu of Foreclosure); and

A claim may not be submitted unless it has been determined Borrower is ineligible for any Loss Mitigation or such appropriate Loss Mitigation Options have been attempted and failed.

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Program Updates

- □ OTHER ELIGIBILITY UPDATES
    - ◘ Eligibility criteria must be satisfied as of the SFLS Claim Submission Report date and continue to meet requirements as of the Claim Date
    - ◘ The first legal action for foreclosure is no longer required
    - ◘ Risk Scoring is no longer a required criteria
- □ Preferred Pooling Eligibility Criteria (Preferred Criteria) has been established by HUD:
    - ◘ Due Diligence and BPO Reimbursement expenses will not be reimbursed for loans that are not awarded and/or do not result in a SFLS assignment claim
    - ◘ The Preferred Criteria is as follows:
        - ■ The Mortgaged Property is occupied;
        - ■ LTV ratio for the loan is not less than 87.5 percent; and
        - ■ Loan has not exceeded the Maximum Missed Payments limit for the state in which the Mortgaged Property is located.

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Program Updates

- ☐ Claims without Conveyance of Title (CWCOT) procedures may be pursued as an option If notified that loans are not awarded
  - ❑ For loans first offered in a SFLS pool, participation in CWCOT is governed by simplified procedures
  - ❑ For CWCOT claims submitted for loans meeting the Preferred Criteria the Due Diligence and BPO Reimbursement Expenses will be reimbursed
- ☐ Other Updates:
  - ❑ BPO_Value: SFLS 2014-2 BPO_Value will be equal to the value for the Marketing Time
  - ❑ P-Servicer prepare Goodbye letters for each borrower, purchasers will provide Hello letters
  - ❑ HUD-27011, <u>Single-Family Application for Insurance Benefits,</u> including Parts A, B, C, D, E, along with all supporting documentation must be entered into the P260 Lender Portal Form

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Questions

Questions should be directed to the ASO as follows:

- ☐ Phone: 202-708-2625

- ☐ E-mail: assetsales@hud.gov

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