



MORTGAGE BANKERS ASSOCIATION

April 11, 2016

Ivery Himes  
Director, Single Family Asset Management  
Federal Housing Administration (FHA)  
U.S. Department of Housing and Urban Development  
451 7th Street SW  
Washington, DC 20410

Dear Ivery,

Thank you for the continued work that you and your team have put into the Servicing Section of the Single Family Handbook (Handbook) and recent mortgagee letters. We also appreciate the opportunity to attend the handbook overview meeting in Oklahoma City last month. As you requested, MBA has compiled a list of questions/issues where our members believe additional clarity is important and helpful to allow servicers to provide the best customer care to FHA borrowers.

Please note that while we hope this list is as comprehensive as possible, it is likely that other issues will be identified over time. As other points of clarification present themselves, we will communicate them to you and your team. It is important that we maintain an ongoing, collaborative dialogue regarding enhancements and updates to FHA's Handbook as the iterative process of amending the Handbook continues. This letter is the result of thoughtful consideration of the extensive work done by FHA and we appreciate the constructive conversations throughout the process of the issuance of the mortgage letter and the Handbook.

The attached documents outline these requests for clarification in detail. The first document, attached as Appendix A, lists the identified top priority issues for MLs 16-02, 03, 04 and the Handbook version released on February 19, 2016. To aid your team, we also have attached a comprehensive chart as Appendix B that notes these "priority" issues by their location in the March 14<sup>th</sup> version of the Handbook and also includes additional items that our members have flagged for possible clarification.

We believe it would be useful to call out four particular items that have generated the most commentary from our members following the release of the mortgagee letters and the Handbook. These issues are:

1. The March 14<sup>th</sup> Update to Handbook

As we were compiling questions for review as requested, HUD made additional updates to the servicing section of the Handbook that were announced on the Handbook's effective date, effective immediately. The published updates included adding an apparent new reconveyance standard: "If a Mortgagee fails to *fully* comply *with the*

*terms of the insurance contract, including HUD's conveyance requirement.*<sup>1</sup> (Added text in italics.)

As an initial matter, “the insurance contract” is not a defined term. We note that HUD does not have regulatory authority to re-convey for failure to “fully comply” with “the terms of the insurance contract.” At most, HUD’s authority to reconvey is limited to one regulatory subpart of the broader FHA regulations. We strongly urge HUD to remove the additional language and revert to the February 19, 2016 Handbook version for this section.

MBA is also deeply concerned that this apparently significant policy change was made with no notice to the industry and was made effective on the date it was published. As we requested in our comments to the initial proposed servicing section, MBA urges HUD to provide a list of all of changes to existing policy— including those through omission — when it publishes revisions to the Handbook. After publishing, HUD should allow at least 45 days for servicers and others to provide input on the revisions. Providing a post-publication review will allow servicers to work with HUD to reconcile any possible issues with the comments and provide time for implementation.<sup>2</sup>

## 2. The Treatment of Over-Allowables

Given that grass cut season has commenced, one of the most pressing issues that we need clarity on is whether the calculation of the \$5,000 cap excludes work completed per over allowable (“OA”) approval from HUD’s MCM contractor. We understand and acknowledge that HUD provided verbal guidance during the Subcommittee meeting at the servicing conference in Orlando that the cap included all work completed, including work that required an OA approval. We respectfully request that HUD re-evaluate this position for two reasons:

- Language exists in ML 2016-02 that indicates that the policy writer may have intended to exclude work that required OA approval and
- The increase in OA bids on a go-forward basis will likely surpass the operational capacity of HUD’s contractor

ML 2016-02 defines the “Maximum Property Preservation Allowance” as “... a pre-approved reimbursement for the aggregate of all P&P expenses that do not exceed the line item allowable listed on the Property Preservation Allowances schedule.” The use of the term “that do not exceed the line item allowable” may indicate that the writer of this policy intended to apply the \$5,000 only to those items that DID NOT require an OA bid submission. Further, the explanatory chart in the “Over-allowable Expense Requests” section of ML 2016-02 describes the total P&P expenses by excluding items

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<sup>1</sup> Handbook 4000.1 III(A)(2)(t)(ix)(B). This new standard is inconsistent with the definition provided in Handbook for reconveyance, which is “a reconveyance is a conveyance of a Property from HUD back to the Mortgagee due to the Mortgagee’s failure to comply with **HUD’s conveyance requirements.**” Handbook 4000.1 III(A)(2)(t)(ix)(A).

<sup>2</sup> We also offer an administrative recommendation with regard to HUD’s publication of guide updates. The February and March 2016 updates to the Handbook were published with highlighted text for any new or modified section. It would be helpful if HUD’s contractor, Allregs, could publish actual redlined versions where the reader can easily see what text is new or modified. The highlighting helps but the reader still has to do a side-by-side comparison of two different versions to see exactly what changed.

claimed on form HUD-27011, Part C. It is reasonable to assume then that HUD's intent was to exclude certain P&P expenses from the \$5,000 cap.

The manner in which HUD defines the \$5,000 maximum property preservation allowance will result in OA bid submissions not previously required by FHA rules. The industry is concerned about the immediate and ongoing impact this will have on the ability of HUD's contractor to manage the increased volume. Further, this will surely strain the operational capacity of servicers and their field service vendors. The \$5,000 cap will be quickly reached with only completion of routine maintenance completed at a property per the requirements of ML 2016-02. In fact, two large field service providers estimate they will need to submit over-allowable requests for over 20,000 properties for the upcoming grass cut season alone.

To illustrate this challenge, Appendix C, included in this transmission, provides real-loan examples across six different states demonstrating how quickly P&P expenses can accumulate. In all cases, approximately half of the allowable cap was spent in the first month following vacancy. Due to ongoing inspections, grass cuts and vandalism, the \$5,000 cap was reached well ahead of the conveyance timeline and would result in numerous OA bid submissions prior to conveyance.

### 3. Trial Payment Plans

MBA reiterates its concern with the conflict between the FHA definition of trial payment plan (TPP) failure and CFPB regulations providing borrowers who have made TPP payments with a reasonable period of time to comply with other TPP requirements. The CFPB's rules require<sup>3</sup> that the servicer give a borrower at least 14 days to accept or reject a loss mitigation option received 90 days or more before a foreclosure sale. Between 90 days and 37 days, a servicer must give a borrower at least 7 days. This regulation is intended to set a minimum floor for servicers to provide at least a specified amount of time for a borrower to accept a plan. While a servicer who provides a borrower with TPP documents for signature at least two weeks before the signature is required would comply with this portion of the rule, the conflict still exists and would occur as follows:

- 1) TPP Agreement Sent to Borrower on March 15
- 2) First TPP Payment Due on April 1
- 3) TPP Agreement "Due" on April 15<sup>th</sup>
- 4) Borrower does not return signed agreement but makes payment on April 30.<sup>4</sup>
- 5) Borrower "fails" per HUD Rules for not returning trial payment plan by April 30.

Per the Handbook, a borrower who submits a payment on the last day of the month should have that payment accepted. Also per the Handbook a servicer must fail the borrower if they have not submitted a trial payment plan by that day ("within the month

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<sup>3</sup> 1024.41(e)(1)

<sup>4</sup> While we use the last day of the month for purposes of an example, the potential conflict continues the closer to the end of the month that the borrower pays because CFPB's "reasonable" time requirement **begins** after the payment is made.

the payment is due”). That directly contradicts the CFPB rule that a borrower who submits the payment owed on the TPP “shall be provided a reasonable period of time to fulfill any remaining requirements of the servicer for acceptance of the trial loan modification plan beyond the deadline established pursuant to paragraph (e)(1) of this section.” Thus, under the current Handbook guidance, a servicer could not provide that “reasonable period of time” to a borrower that pays on the last day of the month but has not submitted an executed TPP agreement.

It has been suggested that the servicer could “fail” the borrower on April 15<sup>th</sup> in the hypothetical above for failure to return the signed TPP. This is not a workable solution under the current Handbook as FHA would not allow the failure to have occurred or be reported until the last day of the month. As a threshold matter, this could discourage borrowers from making payments and returning the signed agreement when they would still—by regulation—be required to be accepted. This is potentially misleading to consumers. Such a practice would also expose servicers to potential audit risk as any subsequent investigation would not be able to determine the actual parameters of the TPP. To maximize borrower protections, servicers must establish the due date for the return of the signed TPP to coincide with FHA’s time period for failure.

Additionally, the timeframe for meeting Trial Payment Plan requirements does not provide for delays in receiving payment and/or signed agreements from borrowers in bankruptcy. Particularly in Conduit Jurisdictions, there may be delays in receiving both payments and/or signed agreements due to the requirement of working through Trustees and the courts. HUD does not seem to provide any flexibility here, unlike the GSEs<sup>5</sup> and or the Department of Treasury through its Making Home Affordable regulations.<sup>6</sup>

#### 4. Bankruptcy

Similarly, HUD’s automatic extension for recommencing foreclosure for Chapters 11, 12, or 13 is based on the date that the payments under the Bankruptcy Plan became 60 days delinquent. The automatic extension should begin based on the relief of stay and not tied to payments being past due. Trustees make plan payments and often hold payments for months before making them. Borrowers have no control over when the trustee makes the payments and could be current on their post-petition mortgage payments even if the trustee has not made plan payments.

### **Conclusion**

Thank you again for the time and attention you have devoted to these matters. We look forward to any clarification you can offer on the attached issues. We also look forward to working collaboratively as HUD continues to update and revise the Handbook—a project that has great potential benefits for those that participate in the FHA program. If

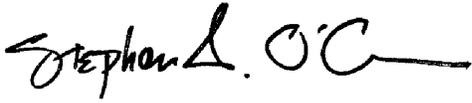
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<sup>5</sup> See page 7, Freddie Mac Servicing Bulletin 2014-15, at <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bl1416.pdf>

<sup>6</sup> See page 128, Making Home Affordable Program, Handbook for Servicers of Non-GSE Mortgages version 5.0 available at [https://www.hmpadmin.com/portal/programs/docs/hamp\\_servicer/mhahandbook\\_5.pdf](https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_5.pdf)

you have any questions about the material provided, please feel free to contact Justin Wiseman at (202) 557-2854 or [Jwiseman@mba.org](mailto:Jwiseman@mba.org).

Sincerely,

A handwritten signature in black ink that reads "Stephen A. O'Connor". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Stephen A. O'Connor  
Senior Vice President, Public Policy & Industry Relations  
Mortgage Bankers Association

## APPENDIX A

### HUD ML 2016-02 Clarification Requests

1. Maximum Property Preservation Allowance

*The Maximum Property Preservation Allowance is a pre-approved reimbursement for the aggregate of all P&P expenses that do not exceed the line item allowable listed on the Property Preservation Allowances schedule (Appendix A).*

Please confirm the calculation of the \$5000 cap excludes work completed per over allowable approval from HUD's MCM contractor.

2. Conveyance of Properties without Prior HUD Approval

*The mortgagee may convey properties without prior written approval if the property is in conveyance condition, with no Surchargeable Damage, and the aggregate of all allowable property P&P expenses does not exceed the Maximum Property Preservation Allowance and claimed P&P costs do not exceed the line-item Property Preservation Allowances.*

Please confirm that servicers are not required to seek prior approval to convey a property when the maximum property cap has been exceeded and HUD or its contractor has approved work via over allowable approval. Over allowable approvals from HUD or its contractor should constitute pre-approval to convey with those incurred costs over the maximum property preservation allowable of \$5000.

3. Vacant property inspections are required to be performed every 25-35 days. However, the claims handbook section refers to inspections "performed for each 30-day cycle..."

Please reconcile the language in the claims section and confirm HUD's intent is to ensure monthly inspections are completed within the 25-35 day timeframe regardless of occupancy status.

4. The mortgagee must ensure that all equipment, fixtures, and appliances present at the FTV Property Inspection *and associated with origination collateral* remain in the property..."

Please confirm appliances not present at FTV, *regardless of whether they were associated with origination collateral*, are not required to be replaced prior to conveyance.

5. Over allowable requests are required when:

- Initial efforts to eliminate the mold or organic growth and to remove moisture are ineffective and additional treatments are needed to remove moisture and prevent mold and moisture damage; or
- The mold or organic growth poses a potential health and safety hazard.

Where the mold or organic growth poses a potential health and safety hazard, the mortgagee must submit two independent bids for mold remediation.

Please confirm that an over allowable request can be submitted without the need for two independent bids for full remediation in situations in which the mold can be treated or cleaned for an amount above the allowable of \$300 in Appendix A.

6. ML 2016-02 is silent on eviction allowables and process. ML 2008-31 stated, "If a Mortgagee is required by local law to remove trash and debris from the property as part of an eviction and the Mortgagee has no control over the timing of removal, the costs for removing the items are considered eviction expenses and are not subject to the debris removal cost guidelines". The 2010-18 FAQ guidance provided the following questions and answers:

77) Please provide clarification that eviction man hours and/or sheriff directed services are not to be included in the max cap for a property.

**Answer**—The eviction process has not changed. Man hours are not included in the \$2,500 property cap.

78) The reimbursement rate for evictions is not defined. Please confirm the allowable rate will remain at \$20 per man hour?

**Answer**—Yes, that rate will remain \$20/man hour."

Please incorporate the prior guidance and confirm that servicers should continue to remove debris associated with an eviction per man hour at \$20 per man hour, as required by local law enforcement and that such eviction costs are not included in the max cap for a property.

7. Appendix A is very detailed with regard to the allowable limits per unit or calendar year or life of the loan but does not contain reference to cleaning refrigerators, freezers, and toilets.

Please confirm that the allowables for cleaning of the refrigerator/freezer or toilet should be applied as "per unit" or "each." Note that most properties only have 1 refrigerator, so multiples should be an exception.

8. HUD has always honored over allowable approvals for work completed and bid after the fact due to emergent conditions or local laws requiring immediate completion, such as debris removal due to excessive amount posing a code violation.

Please confirm that servicers do not need over allowable approval to protect the property and that work completed prior to the approval date is reimbursable subject to appropriate supporting documentation.

9. The industry is appreciative of the expanded allowables, including the "actual cost to register and comply with all VPR ordinance requirements." However, fees in some

jurisdictions are in excess of \$1000 which will significantly limit the servicer's ability to perform necessary work at time of initial secure. For example, the city of Minneapolis is \$6948 and St. Paul is \$2025.

As the initial registration fee is not controllable by the servicer, please clarify that VPR ordinance and registration fees should be excluded from the calculation of the \$5000 property cap.

10. The first column heading on the over allowable table is confusing: *If Total P&P Expenses Minus Excluded Line Items Claimed on form HUD-27011, Part C is:*

Please change the heading to read "If claimed property preservation expenses are:"

## HUD ML 2016-03 Clarification Requests

### 1. Reasonable Diligence Compliance: Related to Self-Curtailment

*Mortgagees are responsible for self-curtailment of interest and property expenses on single-family claims when Reasonable Diligence timeframes or reporting requirements are not met.*

- What are the specific regulations that provide FHA with the authority to curtail property expenses for failure to meet reasonable diligence? Note that FHA defines property expenses as excluding real estate taxes and hazard insurance premiums.
- Please confirm whether the effective date is the same as the effective date for the Reasonable diligence timeframes or just for cases in which the first legal is filed on or after 1/1/16.
- Please clarify what expenses are considered “property expenses”? Please confirm that property expenses do not include attorney fees and costs, MIP or eviction costs in addition to real estate taxes and hazard insurance premiums.
- Please clarify whether the reporting requirements are limited to the 68 reporting for the foreclosure first legal action where the interest and expenses are curtailed when the requirement is not met. If not, please confirm that delay in reporting SFDMS does not result in curtailment of expenses for operating or preserving the property, or removing debris from the property.

### 2. Effective Date - Reasonable Diligence

The updated Reasonable Diligence timeframes are effective for all cases in which the **deadline for taking** First Legal Action to initiate foreclosure occurs on or after January 1, 2016.

This language is significantly different from previous guidance which based the effective date on the date the first legal action was actually filed.

### 3. Reasonable Diligence Timeframe Delay due to Bankruptcy

The timeframe for recommencing foreclosure varies based on the Chapter under which the bankruptcy is filed as provided below:

- For a Chapter 7 bankruptcy, HUD automatically grants an extension through the date that is 90 days **after the date of the release of stay**;
- For Chapter 11, 12, or 13 bankruptcies, HUD automatically grants an extension through the date that is 90 days **from the date that the payments under the Bankruptcy Plan became 60 days delinquent**

This language is inconsistent with the Handbook section on Prohibition of Foreclosure due to Bankruptcy: *If federal bankruptcy does not permit commencement of foreclosure within the standard six-month timeframe, or requires foreclosure to be discontinued, the Mortgagee must commence or, if applicable, recommence foreclosure **within 90 Days after the applicable release of stay or bankruptcy discharge date.***

The automatic extension should begin based on the relief of stay and not tied to payments being past due. Trustees make plan payments and often hold payments for months before making them. Borrowers have no control over when the trustee makes the payments and could be current on their post-petition mortgage payments even if the trustee has not made plan payments.

#### 4. Attachment 3 Schedule of Attorney Fees

Attachment 3 includes non-judicial foreclosure fees for MD and UT and judicial foreclosure fees for HI and SD. However, Attachment 1 provides Reasonable Diligence timeframes for both Judicial and Non Judicial actions in these states.

Please provide attorney fees for both judicial and non-judicial foreclosure actions in MD, UT, HI and SD.

#### 5. Example 5

In this example, possessory action should have been initiated by February 9, 2014 but was not initiated until February 19, 2014. The example states that the curtailment date on form HUD-27011, Item 31 (Mortgagee Reported Curtailment date) should be February 19, 2014.

Please confirm that the correct the curtailment date should be 2/9/14.

#### 6. Example 6

Date of Possession and Acquisition of Marketable Title was acquired by the mortgagee on December 29, 2013, and the mortgagee had 30 days from that date (i.e., until January 28, 2014) to convey the property to HUD. The deed to HUD was not filed for recording until February 28, 2014. Accordingly, the mortgagee's failure to timely convey the property to HUD requires a curtailment of interest to January 28, 2014, and this date must be reflected on form HUD-27011, Item 31 (Mortgagee Reported Curtailment Date).

Example 6 indicates a curtailment date is required due to failed conveyance timeframe; however, this may result in an error code. Per 4330.4 2-10, the date in Item 31 should never be equal to or later than the date in Item 9.

#### 7. Reasonable Diligence Requirements

Attachment 1 lists Nebraska's normal method of foreclosure as judicial and Petition as the first legal action. However, the primary method of foreclosure in Nebraska is non-judicial and the first legal action required to commence a non-judicial foreclosure is the Recording of the Notice of Default. Neb. Rev. Stat. §§ 76-1006, 76-1008

#### 8. Delays and Compliance with Reasonable Diligence Timeframes

*When certain delays in completing foreclosure and acquiring possession are caused by circumstances beyond the mortgagee's control, the mortgagee may obtain an extension to Reasonable Diligence timeframes. The period of time associated with delays in completing the*

foreclosure process may be excluded from the calculation of the time to complete foreclosure when HUD has granted an extension or permitted the use of an automatic extension.

However, the Handbook states: *When circumstances beyond the Mortgagee's control occur, the Mortgagee may treat delays in completing the foreclosure process as exceptions to the Reasonable Diligence Timeframes and may exclude such delays when calculating the time to complete a foreclosure if an extension has been granted by HUD.*

Please amend the Handbook to reflect that granted extensions are not necessary for delays beyond a servicers control such as court or mediation delays or other automatic extensions.

## HUD ML 2016-04 Clarification Requests

1. The Mortgagee Letter is effective for all FHA-insured mortgages in default on or after October 1, 2015.

Please confirm that this includes all loans with a default date of 10/1/15 or after.

2. HUD provides an automatic 90-day extension to the initiation of foreclosure timeline for those cases in which the mortgagee needs additional time to comply with the appeals process required by the CFPB. The 90-day extension begins on the date the mortgagee denies loss mitigation and sends the borrower the notice required under CFPB regulations.

The appeal process does not begin until the borrower responds to the denial. The borrower has 14 days from the denial to appeal. Further, the servicer has 30 days to formally respond to the borrower appeal. In the case where a borrower exercises their right to an appeal, foreclosure is prohibited until the servicer formally responds to the borrower's appeal.

Please clarify that the 90 day extension begins from the date the servicer formally responds to the borrower's appeal and not from the point of loss mitigation denial.

3. Where a federal regulation requires a delay in the initiation of foreclosure and such delays are not otherwise covered by any other available automatic extensions, the mortgagee must initiate foreclosure no later than 90 days after the expiration of the time during which foreclosure is prohibited.

SFDMS reporting does not support a code for Federal Regulation. Will the SFDMS codes be updated to reflect a code or will a current code be designated?

## Handbook 2.12.16

### 1. SCRA: Obligations and/or Liabilities Prior to Entering into Active Military Service FHA (6% Interest Rate Cap – Duration)

The February 2016 version of the Handbook states that *Obligations or liabilities incurred by a servicemember ... must not bear interest at a rate in excess of 6 percent per year during the period of military service and **nine months thereafter**, in the case of an obligation or liability consisting of a Mortgage, trust deed, or other security in the nature of a Mortgage.*

However the version released on 6/24/15 states prohibits interest at a rate in excess of 6 percent during the period of military service **and one year thereafter**, in the case of an obligation or liability consisting of a mortgage, trust deed, or other security in the nature of a mortgage

Please confirm that the prohibition of interest in excess of 6 percent extends one year after the period of military service.

### 2. Reasonable Diligence Timeframe (CA)

The February 2016 version of the Handbook lists the Reasonable diligence timeframe for California as 11 months. However, ML 16-03 lists the timeframe as 12 months.

Please confirm that the timeframe is 12 months.

### 3. Modification Borrower Qualifications

For Loan Modifications and FHA HAMP, the February 2016 version of the Handbook requires a mortgagee to ensure that *the **Borrower** has recently experienced a verified loss of income or increase in living expenses*

However, [ML 13-32](#) referred to the **household or mortgagor(s)**' verifiable loss of income or increase in living expenses.

Please clarify that mortgagees consider the **household or mortgagor(s)** loss of income or increase in living expenses. Failure to use household income/expenses will decrease number of eligible borrowers.

### 4. Trial Payment Plan Failure

The Handbook states that a Borrower has failed the TPP when one of the following occurs:

- The Borrower does not return the executed TPP Agreement within the month the first trial payment is due;
- The Borrower vacates or abandons the Property; or
- The Borrower does not make a scheduled TPP payment by the last Day of the month it was due.

CFPB regulations (12 CFR 1024.41) state that a borrower who does not satisfy the servicer's requirements for accepting a trial loan modification plan, but submits the payments that would be owed pursuant to any such plan within [the regulatory time requirements] shall be provided a reasonable period of time to fulfill any remaining requirements of the servicer for acceptance of the trial loan modification plan beyond the deadline established pursuant to [the regulatory time requirements]. The CFPB regulations also require a servicer to give a borrower at least 14 days to accept or reject a loss mitigation option received 90 days or more before a foreclosure sale and at least 7 days for applications received between 90 days and 37 days.

A clear conflict emerges if the borrower pays on last day of month because the CFPB rule is so prescriptive: "a borrower...shall be provided a reasonable period of time." This "reasonable period of time" runs per the rule following receipt of a payment while the FHA timelines run concurrently, allowing either receipt of a signed plan or acceptance of payment by the end of the month. Thus, when payment is received on the last day of month, that borrower fails per FHA rules the next day because they have not returned an executed TPP agreement within the month the first trial payment is due.

While a servicer who provides a borrower with TPP documents for signature a least two weeks before the signature is required would comply with this portion of the rule, the conflict still exists and would occur as follows:

- 6) TPP Agreement Sent to Borrower on March 15
- 7) First TPP Payment Due on April 1
- 8) TPP Agreement "Due" on April 15<sup>th</sup>
- 9) Borrower does not return signed agreement but makes payment on April 30.<sup>7</sup>
- 10) Borrower "fails" per HUD Rules for not returning trial payment plan by April 30.

Per the Handbook, a borrower who submits a payment on the last day of the month should have that payment accepted. Also per the Handbook a servicer must fail the borrower if they have not submitted a trial payment plan by that day ("within the month the payment is due"). That directly contradicts the CFPB rule that a borrower who submits the payment owed on the TPP "shall be provided a reasonable period of time to fulfill any remaining requirements of the servicer for acceptance of the trial loan modification plan beyond the deadline established pursuant to paragraph (e)(1) of this section." Thus, under the current Handbook guidance, a servicer could not provide that "reasonable period of time" to a borrower that pays on the last day of the month but has not submitted an executed TPP agreement. It has been suggested that the servicer could "fail" the borrower on April 15<sup>th</sup> in the hypothetical above for failure to return the signed TPP. This is not a workable solution under the current Handbook as FHA would not allow the failure to have occurred or be reported until the last day of the month. As a threshold matter, this could discourage borrowers from making payments and returning the signed agreement when they would still—by regulation—be required to be accepted. This is potentially misleading to consumers. Such a practice would

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<sup>7</sup> While we use the last day of the month for purposes of an example, the potential conflict continues the closer to the end of the month that the borrower pays because CFPB's "reasonable" time requirement **begins** after the payment is made.

also expose servicers to potential audit risk as any subsequent investigation would not be able to determine the actual parameters of the TPP. To maximize borrower protections, servicers must establish the due date for the return of the signed TPP to coincide with FHA's time period for failure.

Additionally, in cases of bankruptcy, particularly in Conduit Jurisdictions, there may be delays in receiving both payments and/or signed agreements due to the requirement of working through Trustees and the courts. HUD does not seem to provide any flexibility here, unlike the GSEs ([see page 7 in the attached Freddie Bulletin](#)) and MHA (see page 141 / physical page 128 in the following:

[https://www.hmpadmin.com/portal/programs/docs/hamp\\_servicer/mhahandbook\\_5.pdf](https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_5.pdf))

## 5. Definition of full payment

The Handbook defines a partial payment as *any amount less than full amount ... including late charges and amounts advanced on behalf of borrower.*

CFPB regulations (1026.36(c)(1)(i)) define a periodic payment as an amount sufficient to cover principal, interest, and escrow (if applicable) for a given billing cycle. *A payment qualifies as a periodic payment even if it does not include amounts required to cover late fees, other fees, or non-escrow payments a servicer has advanced on a consumer's behalf.*

## 6. Application of Payments

Application of Partial Payments Totaling a Full Monthly Payment

(A) Standard: When Partial Payments held for disposition total a full monthly payment, the Mortgagee must apply these payments to the Borrower's account, after deduction of amounts due to the Mortgagee for Late Charges and refunds of Mortgagee advances.

This application of Partial Payments as a full monthly installment advances the date of the oldest unpaid installment, but not the date on which the account first became Delinquent.

Definition of full monthly payment/ posting to late charges first is inconsistent with CFPB Servicing rules (TILA) which consider a payment to advance the due date if it is inclusive of PITI but not late fees.

## 7. Manufactured Housing Review

The Handbook requires a mortgagee to cure title defects prior to foreclosure referral:

- review each Property at the time of foreclosure referral to determine if the collateral for the Mortgage is a Manufactured Home; and
- ensure that the Manufactured Home title has been surrendered or canceled **prior to referring to foreclosure.**

However, [ML 12-11](#) permitted title defects to be cured prior to foreclosure. The foreclosure process is used to cure the title problem. As drafted there is no reasonable way to cure the defect.

## 8. Obligations and/or Liabilities Prior to Entering Into Active Military Service

The Handbook lists the following as Required Documentation:

- a written notice;
- a copy of military orders calling the service member to military service; and
- orders further extending military service, if any.

While (C) Verification of Military Service appears to allow use of a DMDC, it is not clear that a DMDC can be used to satisfy the documentation requirements.

Please confirm that a DMDC can be used to satisfy the documentation requirements.

## 9. SCRA

Mortgagee Is Not Notified of SCRA Applicability:

Where the servicemember does not notify the Mortgagee of their eligibility for SCRA protection and submits a reduced payment, the Mortgagee must:

- attempt to contact the Borrower or representative to determine whether the Borrower is on Active Duty; and
- return insufficient payment if appropriate explanation is not provided and otherwise in compliance with HUD guidance.

The requirement to attempt contact will add a significant burden to servicers. It would require a servicer to attempt to contact everyone that submits insufficient payment because they will not have information on which Borrowers may be covered by SCRA. Additionally, the requirement to return insufficient payments will create problems for timely application of borrower payments since payment will not accumulate to advance the due date.

## Appendix B

**FHA SERVICING HANDBOOK 4000.1 version 3.14.16  
Issues for clarification**

	Issue	Page #	HB 3/14/16	Existing Policy or Law	Comments
1	<b>Definition of Partial Payment</b>	545	A partial payment is any amount less than full amount ... including late charges and amounts advanced on behalf of borrower.	CFPB: 1026.36(c)(1)(i) Periodic payments. No servicer shall fail to credit a periodic payment to the <a href="#">consumer's</a> loan account as of the date of receipt, except when a delay in crediting does not result in any charge to the <a href="#">consumer</a> or in the reporting of negative information to a consumer reporting agency, or except as provided in paragraph <a href="#">(c)(1)(iii)</a> of this section. A periodic payment, as used in this paragraph <a href="#">(c)</a> , is an amount sufficient to cover principal, interest, and escrow (if applicable) for a given <a href="#">billing cycle</a> . A payment qualifies as a periodic payment even if it does not include amounts required to cover late fees, other fees, or non-escrow payments a servicer has advanced on a <a href="#">consumer's</a> behalf.	Definition of partial payment is inconsistent with CFPB rules.
2	<b>Application of Payments</b>	572	<p>Application of Partial Payments Totaling a Full Monthly Payment</p> <p>(A) Standard: When Partial Payments held for disposition total a full monthly payment, the Mortgagee must apply these payments to the Borrower's account, after deduction of amounts due to the Mortgagee for Late Charges and refunds of Mortgagee advances.</p> <p>This application of Partial Payments as a full monthly installment advances the date of the oldest unpaid installment, but not the date on which the account first became Delinquent.</p>		Definition of full monthly payment/ posting to late charges first is inconsistent with CFPB Servicing rules (TILA) which consider a payment to advance the due date if it is inclusive of PITI but not late fees. HUD's definition may result in delinquency, late charges, and negative credit reporting for borrowers that have accumulated enough funds in suspense to make a full contractual payment but have outstanding fees and advances that prevent the due date from advancing.
3	<b>Definition of "Re-Default" for Purposes of</b>	577	A Re-Default is a mortgage Default occurring within six months <i>after reinstatement</i> or the successful use of a permanent Home Retention Option	Previous MLs referenced increased collection efforts only for re-defaults following formal loss mitigation.	The Handbook differs from previous guidance with regard to increased collection activities upon re-default. Please confirm that

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	<b>Collection Activities</b>				increased collection efforts are only triggered by defaults following formal loss mitigation, not general reinstatement.
4	<b>Inspection Frequency</b>	583  587	Mortgagee must perform Occupancy Follow-Ups and, if necessary, Occupancy Inspections every 25-35 Days from the last inspection until the occupancy status is determined  The Mortgagee must perform Vacant Property Inspections every 25-35 Days after the FTV Property Inspection	The Claims handbook (p824) notes states that mortgagees can request reimbursement for costs for up to 13 inspections per calendar year, with one Inspection performed for each 30-day cycle...	Please confirm HUD's intent is to ensure monthly inspections are completed within the 25-35 day timeframe regardless of occupancy status.  Do the 13 inspections per year include both occupied and vacant inspections?
5	<b>Water Supply</b>	586	Mortgagees are required to pressure-test water supply at initial secure.		A pressure test requires the plumbing lines to be free of water, which is the winterization process. Can the pressure test be completed and claimed for reimbursement at time of winterization, so long as plumbing inspection is documented at the initial secure?
6	<b>Requesting Extension through EVARS</b>	601+	For Formal Forbearance Plans that would run past the deadline to initiate foreclosure, the Mortgagee must request an extension of time in EVARS (601)  Should additional time be needed to complete a DIL or to initiate foreclosure, Mortgagees must submit a request for an extension of time to the NSC via EVARS (645)  HUD does not provide automatic extensions for completion of a DIL; the Mortgagee must submit any request for extension of time for completion of a DIL to the NSC for HUD approval via EVARS (662) For additional time extensions, and for extensions of time for any other reason not listed above, the Mortgagee must request the extension via EVARS prior to the expiration of the existing timeframe (663)  For delays beyond the 90-Day timeframe outlined above, the Mortgagee must request an extension of time from HUD via EVARS (669)		There are multiple references to requesting extensions through EVARS in the Handbook, however EVARS is not used to submit extension requests.
7	<b>Modification Borrower Qualifications</b>	602	(2) Borrower Qualifications	In order to qualify for a Loan Modification, a defaulting mortgagor must meet all of the following criteria <a href="#">(ML 13-32)</a> :	Household v. borrower loss of income or increase in living expenses. Failure to use household income/expenses will decrease number of eligible borrowers.

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			<p>The Mortgagee must ensure that the Borrower meets the following eligibility criteria for a Loan Modification:</p> <p>The <b>Borrower</b> has recently experienced a verified loss of income or increase in living expenses.</p>	The <b>household or mortgagor(s)</b> has experienced a verifiable loss of income or increase in living expenses;	
8	<b>SFB-Unemployment Agreement</b>	<b>+604</b>	The Mortgagee must prepare an SFB-Unemployment Agreement that provides for ... <b>a minimum of 12 months for re-employment</b>		We are concerned that the requirement of a minimum of 12 months for re-employment will cause affordability issues for some borrowers.
9	<b>FHA HAMP Borrower Qualifications</b>	<b>608</b>	<p>The Mortgagee must ensure that the Borrower meets the following eligibility criteria for the FHA-HAMP Option:</p> <ul style="list-style-type: none"> <li>• <b>Borrower</b> recently experienced a verified loss of income or increase in living expenses &amp; all Borrowers on the Note have signed &amp; submitted hardship affidavits attesting to &amp; describing the hardship.</li> </ul>	<p>In order to qualify for FHA-HAMP, a defaulted mortgagor or a mortgagor facing imminent default must meet all of the following criteria:</p> <ul style="list-style-type: none"> <li>• The <b>household or mortgagor(s)</b> has experienced a verifiable loss of income or increase in living expenses;</li> </ul>	Similar Issue with wording. Borrower v. household income/expenses.
10	<b>Trial Payment Plan Failure</b>	<b>611</b>	<p>The Borrower has failed the TPP when one of the following occurs:</p> <ul style="list-style-type: none"> <li>• The Borrower does not return the executed TPP Agreement within the month the first trial payment is due;</li> <li>• The Borrower vacates or abandons the Property; or</li> <li>• The Borrower does not make a scheduled TPP payment by the last Day of the month it was due.</li> </ul>	<p>12 CFR 1024.41 states borrower who does not satisfy the servicer's requirements for accepting a trial loan modification plan, but submits the payments that would be owed pursuant to any such plan within [the regulatory time requirements] <u>shall be provided a reasonable period of time to fulfill any remaining requirements</u> of the servicer for acceptance of the trial loan modification plan beyond the deadline established pursuant to [the regulatory time requirements].” CFPB’s regulatory time requirements require the servicer to give a borrower at least 14 days to accept or reject a loss mitigation option received 90 days or more before a foreclosure sale. Between 90 days and 37 days, a servicer must give a borrower at least 7 days.</p>	<p>A clear conflict emerges if the borrower pays on last day of month because the CFPB rule is so prescriptive: “a borrower...shall be provided a reasonable period of time.” This “reasonable period of time” runs per the rule <i>following</i> receipt of a payment while the FHA timelines run concurrently, allowing either receipt of a signed plan or acceptance of payment by the end of the month. Thus, when payment is received on the last day of month, that borrower fails per FHA rules the next day because they have not returned an executed TPP agreement within the month the first trial payment is due.</p> <p>In cases of bankruptcy, particularly in Conduit Jurisdictions, there may be delays in receiving both payments and/or signed agreements due to the requirement of working through Trustees and the courts. HUD does not seem to provide any flexibility here, unlike the GSEs (<a href="#">see page 7 in the attached Freddie Bulletin</a>) and MHA (see page 141 / physical page 128 in the following: <a href="https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_5.pdf">https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_5.pdf</a>)</p>
11	<b>Partial Claims – Payoff quote</b>	<b>624</b>	The Mortgagee remains responsible for servicing the FHA-HAMP Partial Claim until the debt and security instruments are legally recorded in the appropriate jurisdiction and delivered to HUD. Mortgagees must <b>notify HUD when the first Mortgage is being paid in full or refinanced</b> in		Our understanding is that notification occurs at the end of the month via SFDMS reporting but this is not how the Handbook reads. Servicers may not have a system indicator for partial claims completed by a prior servicer.

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			order for HUD to provide a payoff figure on a Partial Claim. <b>HUD's Servicing Contractor must be contacted to request a payoff quote on the outstanding Partial Claim.</b>		<p>Please clarify how and when a mortgagee is required to notify HUD that a payoff or refinance is being completed on a loan with a partial claim.</p> <p>Please clarify that the borrower or authorized party should contact the Servicing Contractor. If the mortgagee is expected to contact the Servicing Contractor, please clarify whether this applies to any outstanding partial claim ever completed on the loan, regardless of whether a prior servicer completed the partial claim.</p>
12	<b>Automatic Extension - PFS</b>	<b>639</b>	<p>HUD provides an automatic two-month extension <b>to the deadline to initiate foreclosure for completion of a PFS transaction</b> under the following conditions:</p> <p>the Mortgagee has an "A" TRS II/Tier 1 score under HUD's TRS II; or there is a signed Contract of Sale, but settlement has not occurred by the end of the fourth month following the date of the Borrower's Approval to Participate in the PFS Program.</p>		<p>The language <b>"to the deadline to initiate foreclosure for completion of a PFS transaction"</b> implies that foreclosure must be initiated within 60 days when in fact the 60 day extension is to the PFS marketing period. If, after the 60 day extension the PFS falls through, Mortgagees are provided a 90-day extension to initiate foreclosure. (see page 645)</p> <p>We suggest HUD clarify the language as follows:</p> <p>HUD provides an automatic two-month extension <b>to the deadline to initiate foreclosure for completion of to complete a PFS transaction</b> under the following conditions...</p>
13	<b>Foreclosure Moratorium - Presidentially Declared Disaster Areas</b>	<b>662</b>			There is no reference in the Handbook to the distinction between FEMA Individual Assistance and Public Assistance categories nor is there guidance for situations in which the borrower confirms they are not impacted despite being located in a declared area.
14	<b>Manufactured Housing Review</b>	<b>664</b>	<p>(G) Manufactured Housing Review Due to the title evidence requirements for Manufactured Housing, the Mortgagee must:</p> <ul style="list-style-type: none"> <li>review each Property at the time of foreclosure referral to determine if the collateral for the Mortgage is a Manufactured Home; and</li> <li>ensure that the Manufactured Home title has been surrendered or canceled prior to referring to foreclosure.</li> </ul>	<p>ML 2012-11: Clarification Regarding Title Approval at Conveyance (06/20/12)</p> <p>HUD requires additional documentation in the title evidence for all manufactured homes. Specifically, there must be evidence that:</p> <ul style="list-style-type: none"> <li>The manufactured home is attached to the land,</li> <li>The manufactured home is classified and taxed as real estate, and</li> </ul>	<p>HB ver 2/12/16 requires curing the title defect prior to referring to foreclosure versus identifying a title issue and resolving prior to foreclosure. The foreclosure process is used to cure the title problem. As drafted there is no reasonable way to cure the defect. See previous policy <a href="#">ML 12-11</a>.</p>

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				<ul style="list-style-type: none"> <li>In accordance with the jurisdictional requirements, the manufactured home title has been surrendered or purged</li> </ul>	
15	<b>Self-Curtailment of Interest and Property Expenses</b>	664	Mortgagees are responsible for self-curtailment of interest and property expenses on single-family claims when Reasonable Diligence timeframes or reporting requirements are not met.		<ul style="list-style-type: none"> <li>What are the specific regulations that provide FHA with the authority to curtail property expenses other than failure to meet the conveyance deadline? Note that FHA defines property expenses as excluding real estate taxes and hazard insurance premiums.</li> <li>Please confirm whether the effective date is the same as the effective date for the Reasonable diligence timeframes or just for cases in which the first legal is filed on or after 1/1/16.</li> <li>Please clarify what expenses are considered “property expenses”? Please confirm that property expenses do not include attorney fees and costs, MIP or eviction costs in addition to real estate taxes and hazard insurance premiums.</li> <li>Please clarify whether the reporting requirements are limited to the 68 reporting for the foreclosure first legal action where the interest and expenses are curtailed when the requirement is not met. If not, please confirm that delay in reporting SFDMS does not result in curtailment of expenses for operating or preserving the property, or removing debris from the property.</li> </ul>
16	<b>Reasonable Diligence Extensions</b>	668	When circumstances beyond the Mortgagee’s control occur, the Mortgagee may treat delays in completing the foreclosure process as exceptions to the Reasonable Diligence Timeframes and may exclude such delays when calculating the time to complete a foreclosure <u>if an extension has been granted by HUD.</u>	<b>ML:</b> When certain delays in completing foreclosure and acquiring possession are caused by circumstances beyond the mortgagee’s control, the mortgagee may obtain an extension to Reasonable Diligence timeframes. <u>The period of time associated with delays in completing the foreclosure process may be excluded from the calculation of the time to complete foreclosure when HUD has granted an extension or permitted the use of an automatic extension.</u>	The language used in the Handbook implies that HUD must affirmatively grant an extension. The language used in the ML is more accurate. Please revise the Handbook language to match the ML language.
17	<b>Bankruptcy Extensions</b>	669	<ul style="list-style-type: none"> <li>For a Chapter 7 bankruptcy, HUD automatically grants an extension through the date that is 90 days <b>after the date of the release of stay</b>;</li> <li>For Chapter 11, 12, or 13 bankruptcies, HUD automatically grants an extension through the date that is 90 days <b>from the date that the payments under the Bankruptcy Plan became 60 days delinquent</b></li> </ul>		<p>This language is inconsistent with the Handbook section on Prohibition of Foreclosure due to Bankruptcy: <i>If federal bankruptcy does not permit commencement of foreclosure within the standard six-month timeframe, or requires foreclosure to be discontinued, the Mortgagee must commence or, if applicable, recommence foreclosure within 90 Days after the applicable release of stay or bankruptcy discharge date.</i></p> <p>The automatic extension should begin based on the relief of stay and not tied to payments being past due. Trustees make plan payments and often hold payments for months before making them. Borrowers have no control over when the trustee makes the payments and</p>

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					could be current on their post-petition mortgage payments even if the trustee has not made plan payments.
18	<b>Property Preservation</b>	<b>678</b>	The Maximum Property Preservation Allowance is \$5,000 per property. The Maximum Property Preservation Allowance is a pre-approved reimbursement for the aggregate of all P&P expenses that do not exceed the line item allowable listed on the Property Preservation Allowances schedule (Appendix A).		Please confirm the calculation of the \$5000 cap <u>excludes</u> work completed per over allowable approval from HUD's MCM contractor.  Do inspection fees or VPR fees count towards the \$5,000 cap?
19	<b>Over allowable table</b>	<b>679</b>	Over allowable table first column heading is confusing. This column heading states: "If Total P&P Expenses Minus Excluded Line Items Claimed on form HUD-27011, Part C is:"		The industry believes that this is description of P&P expenses is confusing. We recommend that HUD change the description. Suggested text: "If claimed property preservation expenses are".
20	<b>Ponds or Gardens</b>	<b>684</b>			What is HUD's expectation once small ponds are drained?
21	<b>Mold Remediation</b>	<b>684</b>	Over allowable requests are required when "Initial efforts to eliminate the mold or organic growth and to remove moisture are ineffective and additional treatments are needed to remove moisture and prevent mold and moisture damage; or The mold or organic growth poses a potential health and safety hazard." When mold poses a potential health or safety hazard, mortgagees are required to provide at least 2 bids for remediation.		Please confirm that an over allowable request can be submitted without the need for two independent bids for full remediation in situations in which the mold can be treated or cleaned for an amount above the allowable of \$300 in Appendix A.
22	<b>Appliances and Fixtures</b>	<b>685</b>	The mortgagee must ensure that all equipment, fixtures, and appliances present at the FTV Property Inspection and associated with origination collateral remain in the property...		Please confirm appliances not present at FTV, <i>regardless of whether they were associated with origination collateral</i> are not required to be replaced prior to conveyance.  Is it HUD's intent to receive all properties into REO with standard kitchen appliances, such as the refrigerator?
23	<b>Conveyance – Condition of Title</b>	<b>696</b>	<b>HUD regulations list certain specific and common exceptions to title to which HUD will not object...</b>		We are not aware of any such list. Please provide the list or citation to the list of specific and common exceptions to title to which HUD will not object.

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24	<b>Reconveyances</b>	<b>703</b>	If a Mortgagee fails to fully comply with the terms of the insurance contract, including HUD's conveyance requirements, HUD may ... Reconvey title to the mortgagee...		<p>The references in 203.361 ("subject to compliance with the regulations in <u>this part</u>") and 203.363 ("If, for any reason, the mortgagee fails to comply with the regulations in <u>this subpart</u>") are explicitly to Subpart B which includes the property preservation and conveyance requirements, the traditional basis for reconveyance.</p> <p>The "insurance contract" is not a defined term but is commonly understood to be inclusive of all FHA regulations. Absent a contrary definition of "insurance contract" promulgated by regulation, HUD does not have the authority to re-convey for failure to "fully comply" with "the terms of the insurance contract" as written in the March 14 amendment. We strongly urge HUD to remove the additional language and revert to the February 19, 2016 Handbook version for this section.</p>
25	<b>Obligations and/or Liabilities Prior to Entering Into Active Military Service</b>	<b>733</b>	<p>(B)(1)(b) Required Documentation: ...no later than 180 days after the date of their termination or release from military service:</p> <ul style="list-style-type: none"> <li>• a written notice;</li> <li>• a copy of military orders calling the service member to military service; and</li> <li>• orders further extending military service, if any.</li> </ul>	<p>Ginnie Mae announced that a DMDC certificate is equivalent to Military Orders (APM 14-13).</p> <p><i>"Effective immediately, Ginnie Mae will begin accepting a borrower's Status Report Pursuant to service members Civil Relief Act (Status Report) generated by the Department of Defense Manpower Data Center (DMDC) as evidence of Military Orders for the purposes of providing Issuers reimbursement for interest rate relief provided to service member borrowers. Issuers are required by the SCRA to provide relief to service members with eligible loans with an interest rate above 6%."</i></p> <p>Pres. Obama also announced a partnership initiative that encourages mortgagees to proactively identify active duty service members based on the DMDC database and provide outreach to notify them of their SCRA benefits.</p>	While (C) Verification of Military Service appears to allow use of a DMDC, it is not clear that a DMDC can be used to satisfy the documentation requirements.
26	<b>Obligations and/or Liabilities Prior to Entering Into Active Military Service</b>	<b>733</b>	<p>(B)(1) Interest Rate Cap</p> <p>(a)Standard. Obligations or liabilities incurred by a servicemember... must not bear interest at a rate in excess of 6 percent per year during the period of military service <b>and nine months thereafter...</b></p>	<p>HB ver 6/24/15 p 669</p> <p>(a) Standard. An obligation or liability bearing interest at a rate in excess of 6 percent per year that is incurred by a servicemember... shall not bear interest at a rate in excess of 6 percent ... during the period of military service <b>and one year thereafter...</b></p>	Handbook version 3/14/16 appears inaccurate in reference to nine months.

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27	SCRA	734	<p>Mortgagee Is Not Notified of SCRA Applicability: Where the servicemember does not notify the Mortgagee of their eligibility for SCRA protection and submits a reduced payment, the Mortgagee must:</p> <ul style="list-style-type: none"> <li>• attempt to contact the Borrower or representative to determine whether the Borrower is on Active Duty; and</li> <li>• return insufficient payment if appropriate explanation is not provided and otherwise in compliance with HUD guidance.</li> </ul>		<p>Adds significant burden to servicer – must attempt to contact everyone that submits insufficient payment because won't know who might be SCRA</p> <p>Returning payment versus retaining the payment in suspense will create problems for timely application of borrower payments since payment will not accumulate to advance the due date.</p>
28	Attorney Fees	968+	Appendix 4		App 4 includes non-judicial foreclosure fees for MD and UT and judicial foreclosure fees for HI and SD. However, App 5 provides Reasonable Diligence timeframes for both Judicial and Non Judicial actions in these states. Please provide attorney fees for both judicial and non-judicial foreclosure actions in MD, UT, HI and SD.
29	Reasonable Diligence Timeframe (CA)	971	CA Reasonable diligence timeframe = 11 months	ML 16-03: CA Reasonable diligence timeframe = 12 months	Handbook should be revised to reflect 12 month timeframe.
30	Effective Date for Reasonable Diligence Timeframes	971	The updated Reasonable Diligence timeframes are effective for all cases in which <i>the deadline for taking First Legal Action to initiate foreclosure</i> occurs on or after January 1, 2016.		The language used in ML 2016-03 is different than all previous guidance which has been based on when first legal action is actually filed. Is the effective date for Reasonable Diligence intended to be based on the first legal deadline?
31	Allowable limits: Refrigerators	974	Appendix 6.0 is very detailed with regard to the allowable limits per unit or calendar year or life of the loan. However, there are two exceptions – cleaning refrigerators, freezers, and toilets.		Please confirm that the allowables for cleaning of the refrigerator/freezer or toilet should be applied as “per unit” or “each.” Note that most properties only have 1 refrigerator, so multiples should be an exception.
32	Utilities	976	Appendix 6 allows for actual costs as invoiced by power and utility entities		Mortgagees are often required to pay accumulated lienable balances in excess of \$1000 that are carried over from a prior mortgagor. This can significantly limit a servicer's ability to perform necessary work at the time of the initial secure. We request HUD exclude these utility costs and transfer fees from the \$5000 property cap.
33	Eviction expenses	N/A	Neither the Handbook nor ML 2016-02 include guidance for expenses and debris removal associated with evictions.	ML 2008-31 stated, “If a Mortgagee is required by local law to remove trash and debris from the property as part of an eviction and the Mortgagee has no control over the timing of removal, the costs for removing the items are considered eviction expenses and are not	Please incorporate the prior guidance and confirm that servicers should continue to remove debris associated with an eviction per man hour at \$20 per man hour, as required by local law enforcement

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				<p>subject to the debris removal cost guidelines". The 2010-18 FAQ guidance provided the following questions and answers:</p> <p>"77) Please provide clarification that eviction man hours and/or sheriff directed services are not to be included in the max cap for a property.  <b>Answer</b>–The eviction process has not changed. Man hours are not included in the \$2,500 property cap.</p> <p>78) The reimbursement rate for evictions is not defined. Please confirm the allowable rate will remain at \$20 per man hour?  <b>Answer</b>–Yes, that rate will remain \$20/man hour."</p>	<p>and that such eviction costs are not included in the max cap for a property.</p> <p>Please confirm how to claim debris removal at time of eviction – by the cubic yard allowable or by the man hours in prior guides.</p>
34	<b>Over allowables – emergent conditions</b>	N/A			<p>Please confirm that HUD will honor over allowable approvals for work completed and bid after the fact due to emergent conditions or local laws requiring immediate completion, such as debris removal due to excessive amount posing a code violation.</p> <p>Please confirm that servicers do not need over allowable approval to protect the property and that work completed prior to the approval date is reimbursable subject to appropriate supporting documentation.</p>
35	<b>Example – Calculation of curtailment of interest</b>	N/A		<p>ML 16-03 Example 5</p> <p>Mortgagee met the reasonable diligence requirements to initiate, report, and complete the foreclosure action. However, action to acquire possession of the property was not initiated within 30 calendar days of foreclosure completion. The foreclosure was completed on January 10, 2014, so the mortgagee had 30 days (i.e., until February 9, 2014) to initiate possessory action. As the mortgagee did not initiate possessory action until February 19, 2014, a curtailment of interest is required and the date of February 19, 2014 would have to be reflected on form HUD-27011, Item 31 (Mortgagee Reported Curtailment date).</p>	<p>In this example, possessory action should have been initiated by February 9, 2014 but was not initiated until February 19, 2014. The example states that the curtailment date on form HUD-27011, Item 31 (Mortgagee Reported Curtailment date) should be February 19, 2014.</p> <p>Please confirm that the correct the curtailment date should be 2/9/14.</p>
36	<b>Example – Calculation of</b>	N/A		<p>ML 16-03 Example 5</p>	<p>Example 6 indicates a curtailment date is required due to failed conveyance timeframe; however, this may result in an error code.</p>

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	<b>curtailment of interest</b>			Date of Possession and Acquisition of Marketable Title was acquired by the mortgagee on December 29, 2013, and the mortgagee had 30 days from that date (i.e., until January 28, 2014) to convey the property to HUD. The deed to HUD was not filed for recording until February 28, 2014. Accordingly, the mortgagee's failure to timely convey the property to HUD requires a curtailment of interest to January 28, 2014, and this date must be reflected on form HUD-27011, Item 31 (Mortgagee Reported Curtailment Date).	Per 4330.4 2-10, the date in Item 31 should never be equal to or later than the date in Item 9.
37	<b>Formal Forbearance – Definition of Failure</b>	<b>N/A</b>	The Handbook does not include a definition of failure of formal forbearances nor any deadlines for borrowers to return a signed agreement.		FHA should define what constitutes failure for purposes of formal forbearance plans and should add an additional automatic extension of 90 days for formal forbearances.