



MORTGAGE BANKERS ASSOCIATION

April 19, 2019

Gisele Roget
Deputy Assistant Secretary, Single Family Housing
Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20140

Re: FHA Single Family Housing Policy Handbook Updates

Dear Ms. Roget,

Recently, FHA released updates to its Single Family Housing Policy Handbook (Handbook). This was the first update since 2016 and was made effective immediately without providing time for review or implementation. While FHA indicated that the updates were incorporating policies already in effect, some of the updates appear to be new policy changes that will require changes to servicer operating systems, policies and procedures, and additional staff training.

Additionally, there appears to be an error in the updated FHA HAMP calculation. New language in section III.A.2.k.v(B)(2) Borrower Qualifications states that a borrower's front-end ratio must be **at or less than 31 percent**. This directly contradicts the waterfall in section III.A.2.j.ii(C)(1) and would result in borrowers in less financial distress being eligible for a modification, while more distressed borrowers would be ineligible.

It also appears that new policies have been added that were not communicated in a prior Mortgagee Letter. For example:

- In section III.A.2.K.ii(B) Home Retention Options – Forbearance Plans, Mortgagees now “must” offer forbearance plans where previously they “may” offer them.
- Section III.A.2.i.iii(A)(1) Borrower’s Financial Information also added new responsibilities for mortgagee review and validation of a borrower’s finances. Previous guidance called for a credit report or “other verification that the Mortgagee deems appropriate.” The new language states that the “Mortgagee must review and validate the Borrower’s financial information and qualifying status to determine there is no deliberate manufacturing or misrepresentation of the Borrower’s financial information or other qualifying status. Deliberate manufacturing or misrepresentation of financial information or qualifying status by the Borrower, will disqualify the Borrower from participation.”

These examples underscore the need for an adequate period of time to review Handbook updates in order to assess what operational changes, if any, may be needed. As of the date of this letter, the FHA HAMP error has yet to be corrected, putting mortgagees in a precarious position with respect to certification.

MBA has previously requested FHA to provide at least 45 days for mortgagees to review any updates or revisions to the Handbook. We also want to stress again the importance of redlined versions to allow for faster and easier review. While FHA highlights “new” language, a side-by-side comparison with the previous version is required to show deleted language and gain a full understanding of the practical application of the change. MBA urges FHA to provide a list of all of changes to existing policy— including those through omission — when it publishes revisions to the Handbook.

MBA recognizes the tremendous effort by FHA to centralize its policy requirements into the Single Family Housing Policy Handbook. However, a more transparent process with adequate time for review and implementation is vital for mortgagees to ensure compliance. MBA looks forward to working collaboratively with FHA as it continues to update and revise the Handbook—a project that has great potential benefits for those that participate in the FHA program. If you have any questions about the material provided, please feel free to contact Sara Singhas, Director of Loan Administration, at ssinghas@mba.org or (202) 557-2826.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Mills". The signature is fluid and cursive, with a large initial "P" and "M".

Pete Mills,
Senior Vice President
Residential Policy and Member Services
Mortgage Bankers Association