



FHA INFO #21-23

April 19, 2021

Updated *Servicing and Loss Mitigation* Section of Handbook 4000.1 Publishes

Today, the Federal Housing Administration (FHA) announced the publication of the *Servicing and Loss Mitigation* section (Section III) of the *Single Family Housing Policy Handbook* 4000.1 ([Handbook 4000.1](#)). These updates strengthen FHA's loss mitigation approaches for struggling borrowers while streamlining key requirements for servicers. Read today's [Press Release](#).

In addition, the policy revisions align with industry standards, and reduce and update outdated requirements and processes. These changes will improve outcomes for borrowers facing financial hardship and reduce the burden on both borrowers and servicers.

The *Servicing and Loss Mitigation* section also incorporates policy and process improvements identified by FHA, and through industry feedback received from its July 14, 2020, posting on the [Single Family Housing Drafting Table](#).

Key updates to and benefits of this section will include:

- A revised loss mitigation waterfall that allows servicers to review struggling borrowers for a permanent FHA Home Affordable Modification Program (FHA-HAMP) home retention option without a lengthy forbearance. This approach has been proven to be highly effective at helping borrowers avoid redefault and foreclosure;
- Streamlined documentation requirements to avoid unnecessary delays and to align more closely with standard industry servicing practices, including removing signature requirements on Trial Payment Plans; and

A revised structure for certain allowable costs and fees that corresponds with fee structures used by other industry participants.

To provide mortgagees sufficient time to implement the policies and processes announced in the *Servicing and Loss Mitigation* section of Handbook 4000.1, the updates to HUD's policies will become effective 120 days after today's publication, unless otherwise noted.

Mortgagees may begin to implement these updates to HUD's policies immediately but must begin doing so no later than August 17, 2021.

The changes in this section are not highlighted as many sections have been simplified and moved. Mortgagees should review the updated *Servicing and Loss Mitigation* section in its entirety. A redline version of Handbook 4000.1 is available on the [Single Family Housing Policy Handbook 4000.1 Information page](#) on hud.gov to aid in the review.

Other Changes in Handbook 4000.1

In addition to the many revisions throughout the *Servicing and Loss Mitigation* section, Handbook 4000.1 also includes the incorporation of various policy guidance implemented through Mortgagee Letters and appendices since the most recent November 18, 2020 update. Stakeholders are encouraged to thoroughly review the updated Handbook 4000.1 — as well as the Handbook Transmittal — to familiarize themselves with the revisions.

Industry Webinar

In the coming days, a prerecorded webinar that details the updates to the *Servicing and Loss Mitigation* section of Handbook 4000.1 will be posted on the [FHA Single Family Events and Training](#) web page. Once available, access information will be communicated via FHA INFO.

Quick Links

- Online or PDF versions of Handbook 4000.1:
https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgq
- Office of Single Family Housing Drafting Table:
https://www.hud.gov/program_offices/housing/sfh/SFH_policy_drafts
- Single Family Housing Policy Handbook 4000.1 Information Page:
https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
- Single Family Events and Training:
https://www.hud.gov/program_offices/housing/sfh/events

Need Support? Contact the FHA Resource Center.

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

About FHA INFO

FHA INFO is a publication of the Federal Housing Administrations (FHA), Office of Single Family Housing, U.S. Department of Housing and Urban Development, 451 7th Street, SW, Washington, DC 20410. We safeguard our lists and do not rent, sell, or permit the use of our lists by others, at any time, for any reason.

Visit the [FHA INFO Archives](#) to access FHA INFO messages. For additional information and resources, visit the FHA Single Family Housing main page on [HUD.gov](#)

Stay Connected with the Office of Housing and the Federal Housing Administration:



SUBSCRIBER SERVICES:

[Manage Subscriptions](#) | [Unsubscribe All](#) | [Help](#)

This email was sent using GovDelivery Communications Cloud on behalf of the Office of Housing and the Federal Housing Administration, U.S. Department of Housing and Urban Development, 451 7th St. SW, Washington, DC 20410

