

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 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In addition, the policy revisions align with industry standards, and reduce and update outdated requirements and processes.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 re-default 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 policies will become effective 120 days after today's publication, unless otherwise noted. Mortgagees may begin to implement these updates to HUDs 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.