ANNOUNCEMENTS

**HQ Personnel Update:** Genger Charles has officially been promoted to General Deputy Assistant Secretary. Genger had been filling the role in an acting capacity for the last year and has been critical in both day-to-day operations as well as policy formulation. Her dedication to achieving our mission has allowed us to deliver on several key priorities, and her relationships with many of you are invaluable. As both an advisor and a member of the senior leadership team, Genger will continue to be a source of industry knowledge, advice, and guidance for FHA and the Office of Housing.

POLICY DEVELOPMENTS

SINGLE FAMILY HOUSING

*Are You Registered for Electronic Appraisal Delivery Portal Onboarding?*
Onboarding to the Federal Housing Administration's (FHA) Electronic Appraisal Delivery (EAD) portal is well underway. A web-based technology that enables mortgagees to electronically transmit appraisal data and reports to FHA prior to loan endorsement, the EAD portal promotes quality up-front appraisal data. Mortgagees should register now for their chosen onboarding phase, even if it is later in the schedule or if their chosen phase is tentative. If plans change, mortgagees can easily reschedule their onboarding to a different available phase using the instructions in FHA Connection's (FHAC) Electronic Appraisal Delivery Sign Up screen.


New Standards for Energy Efficient Homes Policy and DOE’s Home Energy Score
On September 30, 2015, the Federal Housing Administration (FHA) published Mortgagee Letter 2015-22, New Standards for Energy Efficient Homes (EEH) “Stretch Ratio” Policy: Incorporating the Department of Energy’s (DOE) Home Energy Score. The new standards for EEH recognize the cost savings of an energy efficient home when qualifying a borrower, and complement FHA’s robust set of existing energy efficiency underwriting flexibilities and programs. EEH stretch ratios are permitted for FHA’s Title II forward mortgage products and programs, and make it easier to manually qualify borrowers on a purchase, refinance, or rehabilitation of a home with energy efficient components.
New and Revised EEH Provisions in Mortgagee Letter 2015-22

Mortgagee Letter 2015-22 updates FHA’s EEH minimum energy efficiency standard to the most recent International Energy Conservation Code (IECC) adopted by the Department of Housing and Urban Development (HUD) for mortgages on new construction. The Mortgagee Letter also adds the use of the DOE’s Home Energy Score option for existing homes utilizing any FHA Title II forward mortgage product or program.

The new option builds on FHA’s existing EEH program, which allows for a borrower’s income qualifying ratios to be “stretched,” or increased, by two percentage points above the standard limits for homes that meet minimum energy efficiency standards. By incorporating the use of the DOE’s Home Energy Score, the EEH program now offers a low-cost, reliable method for estimating the energy use of a home. The score uses a systematic approach to provide a reliable and scientifically-based analysis of a home’s energy characteristics and overall energy efficiency, using a ten-point scale. This means that mortgagees can offer qualified borrowers the ability to:

- Borrow slightly more when they buy or refinance a home with a Home Energy Score of six or higher; or
- Finance slightly more to purchase a new construction home that meets HUD’s IECC standards.

Mortgagee Letter 2015-22 contains important details for mortgagees, including but not limited to:

- Eligibility for stretch ratios on new construction;
- Applying stretch ratios on existing homes;
- Obtaining a Home Energy Score;
- Required documentation; and
- Scenarios for applying stretch ratios.

Policies in Mortgagee Letter 2015-22 are effective for case numbers assigned on or after January 25, 2016. These policies have been incorporated into both the online and portable document format (PDF) Single Family Housing Policy Handbook 4000.1.


EEH and FHA’s Energy Efficient Options Toolkit

FHA’s partnership with the DOE and its incorporation of the DOE’s Home Energy Score is one example of multiple FHA efforts to continually evaluate its toolkit of energy efficiency products and programs. EEH stretch ratios can be applied across FHA’s Title II forward mortgage products and programs, including its existing energy efficient options toolkit of products:

- **Energy Efficient Mortgage (EEM) Program** (SF Handbook 4000.1, Section II.A.8.a) allows borrowers to finance up to five percent of the appraised value of a home to invest in energy efficiency improvements, as long as the energy savings is more than the cost of the improvements financed. To qualify for an EEM, energy efficient improvements must be based on recommendations from a home energy assessment that is conducted by a qualified Energy Rater or Assessor. Qualified Energy Raters/Assessors must be certified as one of the following:
— Building Performance Institute Building Analyst Professional;
— Building Performance Institute Home Energy Professional Energy Auditor; or

- **203(k) Rehabilitation Mortgage Insurance Program** (SF Handbook 4000.1, Section II.A.8.a), which allows borrowers to purchase or refinance a home and include the financing of rehabilitation costs – all in one loan. Rehabilitation costs can include those incurred for energy efficiency improvements, such as insulation or double-pane windows.

- **Solar and Wind Technologies policies** (SF Handbook 4000.1, Section II.A.8.m), which allow borrowers to add the cost of a new solar- or wind-driven energy system improvement to the loan amount under certain conditions.

- **Weatherization policy in all FHA standard products and programs** (SF Handbook 4000.1, Section II.A.8.I), which allows borrowers to finance up to $3,500 to pay for basic weatherization items, such as thermostats and insulation.

- **Automatic Extension to HUD’s Initiation of Foreclosure Timeline**
  On October 1st, 2015, the Federal Housing Administration (FHA) published Mortgage Letter 2015-21, *Automatic Extension to HUD’s Initiation of Foreclosure Timeline*. This Mortgagee Letter provides guidance relating to HUD’s regulatory requirement for mortgagees to utilize a Loss Mitigation Option or initiate foreclosure within six months of the date of default. Specifically, this Mortgagee Letter establishes two new automatic extensions to HUD’s initiation of foreclosure timelines. These new extensions are related to “Loss Mitigation Denial” and “Federal Regulation.” In addition to these new extensions, this Mortgagee Letter reiterates the existing eight automatic extensions available to servicers.

  The updates in this Mortgagee Letter are in direct alignment with new standards designed to comport with Consumer Financial Protection Bureau (CFPB) guidance to which servicers must adhere. These policies are effective for all FHA-insured mortgages in default on or after October 1, 2015.


- **New Single Family Mortgagee Compliance Manager**
  On October 1st, 2015, the Federal Housing Administration (FHA) published Mortgagee Letter 2015-23, *FHA’s New Single Family Mortgagee Compliance Manager*, to introduce Information Systems & Networks Corporation (ISN), HUD’s new mortgagee compliance manager (MCM), and to provide the contractor’s mailing address and contact information.

  As of October 1, 2015, ISN assumed all pre- and post-conveyance MCM activities, including:

  - Requests for Extension of Time to Convey;
  - Processing of Occupied Conveyances;
  - Approval of reimbursable expenses for preservation and protection Over-Allowables (including Home Equity Conversion Mortgages [HECMs]);
- Requests to Convey with Surchargeable Damage;
- Title Reviews and Deed/Document Execution;
- Pre-conveyance Inspections;
- Claim Reviews (Parts A, B, C, and D); and
- Administrative Remedies (Monetary Demand, Offsets & Re-conveyances).

- Electronic copies of all requests, notices, information, and documentation regarding pre- and post-conveyance activities can be uploaded through HUD’s P260 Lender Portal at: https://www.hudp260.com/Pages/Resources/hudtraining_mm3_lenders.aspx

**Foreclosure Policy and Procedural Changes for HUD Title II Forward and Reverse Mortgages**

On October 1, 2015, the Federal Housing Administration (FHA) published Mortgage Letter 2015-24, *Single Family Foreclosure Policy and Procedural Changes for HUD Title II Forward Mortgages and Reverse Mortgages*. This Mortgagee Letter updates HUD’s Reasonable Diligence timeframes, Schedule of Allowable Attorney Fees for all jurisdictions, and Cash for Keys’ Relocation allowance. These updates are necessary to help align FHA’s foreclosure timelines with the industry’s experience in all states across the country. In addition, the guidance in this directive provides greater clarity and/or more information to mortgage servicers.

**Effective Dates**

Beginning January 1, 2016, the policies in this Mortgagee Letter supersede all prior Reasonable Diligence timeframes, Attorney Fee schedules, and Cash for Keys’ Relocation allowances, including those outlined in Mortgagee Letters 13-38 and 02-13.

- The updated Reasonable Diligence timeframes are effective for all cases in which the First Legal Action to initiate foreclosure occurs on or after January 1, 2016. Attachment 1 to Mortgagee Letter 15-24 outlines the timeline of First Legal Action and Reasonable Diligence timeframes by state. HUD expects its lenders to comply with all federal, state, and local laws when prosecuting foreclosures and pursuing possession actions.

- The updated Schedule of Attorney Fees reflects rising legal costs and helps to better align HUD’s schedule of attorney fees with those of the industry. The new fees are effective for all cases in which any of the following actions occurs on or after January 1, 2016:
  - First legal action to foreclose is initiated;
  - Bankruptcy clearance is undertaken;
  - Possessory action has begun; or
  - Deed-in-lieu of foreclosure is recorded.

- The Cash for Keys’ Relocation allowance is being raised to $3,000 per property (from $2,000) to provide a greater incentive for occupants to voluntarily vacate a property. The new allowance is effective for all FHA-insured mortgages for which a foreclosure sale or non-conveyance transaction is scheduled on or after January 1, 2016.

Proposed Rule for Updating HUD’s Single Family Property Disposition Regulations

On October 2, 2015, the Department of Housing and Urban Development published a proposed rule in the Federal Register, Docket No. FR-5776-P-01 – Disposition of HUD-Acquired Single Family Properties; Updating HUD’s Single Family Property Disposition Regulations. The rule proposes changes to 24 CFR Parts 200 and 291, aligns Federal Housing Administration (FHA) regulatory authority with its business operations, and provides flexibility, which is necessary to address potential shifts in the housing market that could impact acquisition volume.

Public comments are due by December 1, 2015. For full details on HUD’s property disposition proposed rule, view the Federal Register publication at: https://www.federalregister.gov/articles/2015/10/02/2015-24837/disposition-of-hud-acquired-single-family-properties-updating-huds-single-family-property


Payment of Taxes Liens And Other Types Of Liens on FHA Acquired Single Family Properties and Points of Contact

On October 15th, 2015, the Office of Single Family Housing published two related Federal Register Notices:

- Federal Housing Administration (FHA): Points of Contact for Lienholders to Ensure Payment of Taxes Liens and Other Types of Liens on FHA Acquired Single Family Properties; and
- Federal Housing Administration (FHA): Points of Contact to Ensure Payment of Taxes and Homeowners Association Fees and Other Property Charges That Have Not Arisen to Lien Status on FHA Acquired Single Family Properties

The complementary Federal Register Notices establish specific points of contact for lienholders and taxing authorities and others for the management and disposition of HUD-acquired single family properties, and are authorized under the National Housing Act (12 U.S.C. 1710g).

- Links to Federal Register Notices:


FHA Single Family Mortgage Insurance Maximum Time Period for Filing Insurance Claims, etc.


This Notice withdraws part of the proposed rule, published on July 6, 2015 (80 FR 38410), that proposed to establish a maximum time period within which an FHA-approved mortgagee must file a claim with FHA for insurance benefits, and to revise HUD’s policies concerning the curtailment of interest and the disallowance of certain expenses incurred by a mortgagee as a result of the mortgagee’s failure to timely initiate foreclosure or timely take such other action that is a prerequisite to submission of a claim for insurance.
This withdrawal covers only the portion of the proposed rule that would have established the maximum time period within which an FHA-approved mortgagee must file a claim with FHA for insurance benefits. Specifically, HUD withdraws the proposed provisions §§ 203.317a and 203.372, and proposed revision to § 203.318. HUD will publish in the Federal Register any revised maximum time period for claim filing provisions in a proposed rule and solicit public comment on it.

Quick Links


**Extension of Certain Timeframes in Mortgagee Letter 2015-11**

On October 16th, 2015, the Federal Housing Administration (FHA) issued Mortgagee Letter 2015-26, *Extension of Certain Timeframes in Mortgagee Letter 2015-11, Loss Mitigation Guidance for Home Equity Conversion Mortgages (HECMs) in Default due to Unpaid Property Charges*. The purpose of this Mortgagee Letter is to provide mortgagees with an extension through January 18, 2016 to the timeframes provided in ML 2015-11 to submit a due and payable request and to the timeframe to take First Legal Action where the mortgagee is actively reviewing the borrower for loss mitigation in accordance with ML 2015-11.

All other provisions in Mortgagee Letter 2015-11 became effective April 23, 2015, and remain in effect.


**FHA Guidance on the Implementation of the CFPB’s, “Know Before You Owe,” TILA-RESPA Integrated Disclosure rule**

On October 16th, 2015, the Federal Housing Administration (FHA) announced that it is providing mortgagees and other interested stakeholders with information on its position on the implementation of the Consumer Financial Protection Bureau’s (CFPB), “Know Before You Owe,” TILA-RESPA Integrated Disclosure (TRID) rule. This information is located on the Lender Performance web page on HUD.gov.


**Court of Competent Jurisdiction To Foreclose Liens on FHA-Owned Properties**

On October 16th, 2015, the HUD Office of General Counsel issued an interpretive rule. The Federal Housing Administration (FHA) generally acquires title to single family properties when it pays mortgage insurance benefits to approved mortgagees. FHA’s activities in managing and marketing the properties it acquires include paying real estate taxes referred to as ad valorem taxes (a tax based on the value of the property) and special assessments. For properties in condominiums or planned unit developments, FHA also pays homeowners’ association or condominium association fees. FHA’s activities in managing and marketing the properties it acquires include paying real estate taxes referred to as ad valorem taxes (a tax based on the value of the property) and special assessments. For properties in condominiums or planned unit developments, FHA also pays homeowners’ association or condominium association fees. During the period over which an insured lender forecloses and FHA becomes the owner of the property, taxes or other fees may become due and payable. With lenders conveying close to 100,000 properties annually to FHA, bills for taxes and fees may be past due and payable at the time of FHA’s acquisition and suits are brought for payment of taxes and fees. This rule provides HUD’s interpretation of the “sue and be sued” clause contained in section 1, Title I of the National Housing Act. This rule provides that, in the case of an action brought against HUD to foreclose on a lien arising out of unpaid taxes or fees, the term “court of competent jurisdiction” as used in section 1 of the National Housing Act refers to a United States District Court.

MULTIFAMILY HOUSING

**MIP for FY 2016 Announced**
On October 2nd, 2015, in accordance with HUD regulations, HUD announced the mortgage insurance premiums (MIPs) for Federal Housing Administration (FHA) Multifamily, Health Care Facilities, and Hospital mortgage insurance programs that have commitments to be issued or reissued in FY 2016. FY 2016 MIPs are the same as in FY 2015.

**Implementation of Electronic Submission of Davis-Bacon Wage Rate Certifications**
On October 5th, 2015, the Department of Housing and Urban Development (HUD) introduced a new method for submission of Davis-Bacon Prevailing Wage Payroll Certifications that are to be completed by construction contractors and submitted to the Labor Enforcement Field Staff at HUD. The objective is to automate the payroll review process through a subscription Commercial Off The Shelf (COTS) web-based service for federally funded and/or assisted construction projects receiving HUD grants, loans, loan guarantees and/or insurance to improve HUD’s Davis-Bacon oversight and compliance.

**RAD Revised Notice (Notice) Provides Program Including Eligibility And Selection Criteria, Revision 2**
On October 8th, 2015, the Offices of Multifamily Housing and Public and Indian Housing issued a revised notice with regard to the final implementation of the RAD program.

**RAD Quick Reference Guide**
On October 9, Multifamily posted the updated RAD Quick Reference Guide online. The guide provides instructions to owners converting their projects to PBRA authorized under RAD. The updated guide provides information on continuing Family Self Sufficiency (FSS) programs at PBRA properties. As current FSS participants will continue to be eligible for FSS once their housing is converted under RAD, guidance is provided for an owner to obtain the escrow amount by creating a miscellaneous adjustment on the property’s HAP voucher. The guide also updates all references to the newly published RAD Notice PIH-2012-32 (HA), REV-2. Note: This guide does not apply to RAD conversions to Project Based Voucher (PBV) assistance.

**2016 Operating Cost Adjustment Factors (OCAFs) Published**
On October 13th, 2015, the Operating Cost Adjustment Factors (OCAF) for 2016 were published in the Federal Register. These factors are used for adjusting or establishing Section 8 rents under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), as amended, for projects assisted with Section 8 Housing Assistance Payments. The factors are effective February 11, 2016.

**Use of Arrest Records in Housing Decisions**
The Office of Multifamily Housing issued guidance for Public Housing Agencies (PHAs) and Owners of Federally-Assisted Housing on Excluding the Use of Arrest Records in Housing Decisions.
HOUSING COUNSELING

*Latest Edition of “The Bridge” housing counseling newsletter:*

MANUFACTURED HOUSING

*Notice of Deadlines for Installers’ Licenses Under the HUD Manufactured Housing Installation Program*

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended, is intended to protect the quality, safety, durability, and affordability of manufactured homes. In order to accomplish those objectives, the Act requires HUD to establish and implement manufactured home installation programs for States that choose not to operate their own installation programs. Among other things, HUD’s installation program for these States includes the training and licensing of manufactured home installers. HUD has recently begun providing the training that would qualify individuals to apply to obtain a manufactured home installation license. As a result, this notice advises that installers wishing to install manufactured homes in States where HUD administers their installation program that they will be required to apply for and obtain a HUD Installer’s License.

HEALTHCARE PROGRAMS

*MIP for FY 2016 Announced*

On October 2nd, 2015, in accordance with HUD regulations, HUD announced the mortgage insurance premiums (MIPs) for Federal Housing Administration (FHA) Multifamily, Health Care Facilities, and Hospital mortgage insurance programs that have commitments to be issued or reissued in FY 2016. FY 2016 MIPs are the same as in FY 2015.

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*Financial Statement Filing Extension Announced For Owners With 6/30/15 Fye Date Applies To Section 232*

The global extension for submitting financial statements posted on HUD’s Real Estate Assessment Center (REAC) Financial Assessment of Multifamily Housing (FASS) system website (here) pertains to owners who have projects insured under Section 232. The posting pertains to BOTH Section 232 and Multifamily properties, even though Section 232 is not mentioned specifically in the posting.

Below is the language from the REAC FASS website:
Global Extension for Owners with 6/30/15 Fiscal Year Ends

A recent security breach at the U.S. Department of Census has caused the Federal Audit Clearinghouse (FAC) to be taken down. As a result, submissions of Data Collection Forms and reporting packages are not able to be made. **FAC originally provided an extension until October 31, 2015, but they’ve since extended the due date to December 31, 2015.** Since the HUD Agreed-Upon procedures engagement performed on FASS submissions includes procedures comparing information in the Data Collection Form to the information submitted to HUD via FASS, **HUD is extending the due date for financial statements with fiscal year ending June 30, 2015, until December 31, 2015. This is a global extension and will apply to all submissions including owner certified and audited.**

This may also impact December 31, 2014 audit submissions facing the 9 month A-133 filing deadline which the **FAC extended to December 31, 2015.** If needed, those auditees should file for an extension electronically using the FASSUB.


**Post-Closing Documents- Transaccess CDs**

Please note that ORCF’s electronic documents provider has changed from PSL Inc. to the Nolan Group. The HUD Attorney Closing Checklists have been updated ([Refinances here](#), New Construction/Sub Rehab/Blended Rate [here](#)). Please pay special attention and continue to send in CDs or PDF copies per the checklist instructions. - Links to Checklists:


***If you currently do not receive the Monthly Review and would like to, please email HousingPDAS@hud.gov and request to be added to the distribution list.***