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**To:** Clients and Friends

**From:** David F. Dulock

**Subject:** FHA Updates Handbook 4000.1 Section III, Servicing and Loss Mitigation

On April 19, 2021, the Federal Housing Administration (FHA) announced the publication of its update to the Servicing and Loss Mitigation section of the FHA *Single Family Housing Policy Handbook* 4000.1 (04/19/21). This update streamlines many standard operational requirements for mortgage servicers, including revising FHA's loss mitigation home retention "waterfall" so that servicers can more quickly offer effective loss mitigation home retention options to borrowers in danger of losing their homes to foreclosure. Additional changes streamline and enhance many servicing requirements to provide more consistency with industry practices and reduce barriers to servicing FHA-insured single family mortgages.

The changes 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;
- 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.

The update changes have been made throughout Section III – Servicing and Loss Mitigation - pages 614 through 894 of *Single Family Housing Policy Handbook* 4000.1 (04/19/21).

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