



U.S. Department of Housing and Urban Development
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<http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>

**NATIONAL SERVICING CENTER (NSC)
STANDARD OPERATING PROCEDURE (SOP)**

May 24, 2011

**FHA MORTGAGEE HOLDER CORRECTIONS REQUESTS
DATA QUALITY DATA REQUIREMENTS FOR SERVICING LENDERS**

ISSUE:

Servicer requires assistance regarding the correction of a holder of record or servicer change that must be made where the holder is no longer in business or is not cooperative.

The Federal Housing Administration (FHA) is concerned that FHA-approved lenders – both holders and servicers – have not been managing and/or servicing their portfolios or performing according to their Quality Control Plan Procedures. The purpose of this document is to clarify what is and is not acceptable as documentation for Mortgage Record Change requests to supplement what is contained in ML 2005-42 and ML 2011-02.

NOTE TO SERVICERS:

Please be aware that the instructions below are issued by HUD's System Management/Data Quality Division, which has jurisdiction over Holder/Servicer changes. The National Servicing Center is providing them as a courtesy to servicing lenders to aid in understanding how to correct holder/servicer issues. Please do not contact the National Servicing Center for assistance with the below instructions; please contact system.management@hud.gov.

LENDER PROCESS:

FHA will accept the following documentation for Mortgage Record Changes (MRC):

1. Recorded documents showing the beneficial interest in the property
2. If the mortgage had been registered in MERS at origination, documentation from MERS showing a complete audit trail of the holders of record which identifies the requesting mortgagee as the holder of record at the time the request for the MRC is made (MIN and Milestone Summary Reports), or
3. If the mortgage was not set up in MERS, but was recorded, a complete audit trail of all recorded assignments ending with a recorded assignment to the requesting mortgagee, or
4. If the mortgage was recorded in MERS sometime after origination, a combination of recorded assignments and the MERS documentation confirming that the requesting mortgagee is the legal holder of record, or
5. Recorded Copies of the purchase and sale agreement (with the subject mortgage listed). However, each loan should be recorded separately for the benefit of the homeowner. If foreclosure has been completed, a recorded copy of the deed, conveying title to the requesting mortgagee will be acceptable.

FHA will not accept ANY of the following items for any Mortgage Record Changes (MRC):

- 1. Any documentation that is sent hard copy or fax. All requests must be sent to SystemManagement@hud.gov.**
- 2. Encrypted or secured emails, under ANY circumstances.**
- 3. Copies of a Goodbye/Hello Letter sent to the Mortgagor**
- 4. Any unrecorded document including but not limited to Purchase and Sale agreement, Deed of Trust, Satisfaction of Mortgage, Assignment of Mortgage,**
- 5. Payment histories**
- 6. Any print out or screen captions from lender computer systems**
- 7. Recorded documents that does not specifically identify the case in question**
- 8. Any request with more than 10 changes per email will not be processed unless a bulk transfer of 200 or more is requested for mergers, portfolio consolidation, or assignments of loans**

The effective date of any mortgage record change request will be the recorded date on the document or the date specified on the recorded document. FHA reserves the right to audit any and all documentation submitted at a later time.

Lenders who request a Mortgage Record Change with an effective date two years prior to the request, are required to submit a revised Quality Control Plan (ML 2011-02) with your request in addition to: (1) a letter on corporate letterhead with a corporate officer's original signature stating what caused the loan not to be in compliance; (2) a statement demonstrating due diligence activities such as a detailed account of attempts to resolve the issue such as the contacts with the holder of record to date and the corrective action taken going forward (policy changes); and (3) documentation acceptable to FHA in accordance with this notification.

The Quality Control Plan must be in compliance with ML 2011-02 and also:

- 1. Identify the contact information for responsible parties that ensure compliance**
- 2. Provide a report of the Quality Control review and follow-up that includes the review findings and actions taken, and the procedural information (such as the percentage of loans reviewed, basis for selecting loans, and who performed the review)**
- 3. Identify training plans that ensure accurate data is submitted in FHA Connection for new and existing staff**

FHA may take action against lenders for violating FHA/HUD requirements which appear to be an indication of systemic problems. Actions may include, but are not limited to: (1) requesting a copy of the lender's Quality Control Plan; (2) withdrawing a lender's FHA approval; (2) imposing civil money penalties; (3) probation or suspension; and 4) issuing letters of reprimand.

Mortgagees found to be non-compliant with the aforementioned policies will be reported to the Office of Lender Activities and Program Compliance, the National Servicing Center and the Mortgagee Review Board for proper action. Mortgagee Letter(s) will be issued shortly, however lenders are to comply immediately.

Questions? SystemManagement@hud.gov