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Explanation of Portfolio Data Reconciliation

Starting with Mortgagee Letter 2003-17 and continuing with Mortgagee Letters 2004-34, 2005-11 and 2005-42, lenders have been on notice to reconcile their portfolios. But what exactly does this mean?

Portfolio data reconciliations consist of comparing a list of FHA cases in your servicing system with a list from HUD's system of record.

Once you have compared the two files, there are two possible outcomes:

- I. The two files are the same. At this time, your reconciliation is completed. You should keep track of this internally for audit purposes.
- II. The two files are not the same. You need to resolve these discrepancies.
 - 1) There are active FHA cases in your system that are not reflected as active in HUD's system.
 - ✓ Are they loans that have not been endorsed yet? If so, this is most likely a timing issue. Check back later to make sure these match.
 - ✓ Are they loans that were never endorsed? If so, they are not actually FHA-insured loans. If you are unsure why they were not endorsed, please contact the applicable Homeownership Center (HOC) by calling 1-800-Call-FHA.
 - ✓ If you have cases that you show as active in your portfolio that do not appear on the list, you can email sfdatarequests@hud.gov to obtain more information in regard to who the current servicer and/or holder of record is per HUD's records.
 - 2) There are active FHA cases in HUD's system that are not in your system.
 - ✓ Are they loans that your institution originated or serviced at one time? Most likely a Mortgage Record Change (MRC) was not filed or was not correctly filed. Please file the MRC in FHA Connection.
 - ✓ Are they loans that were on your system but paid in full (PIF) or otherwise closed? Report the termination in FHA Connection.
 - ✓ Are they loans that you have no record of whatsoever? Search County records, do title searches, check MERS - use whatever resources are at your disposal to discover the correct disposition of the case(s) in question.
 - 3) After discrepancies are resolved, your reconciliation is completed, and you should keep track of this internally for audit purposes.

This list is not all-inclusive. While data reconciliation is particularly important for servicers that have merged with other servicers, acquired or sold portfolios, all servicing lenders are required to reconcile their system with HUD's systems on a regular basis. It is important to ensure that both the holder of record and the servicer of record are correct for each case. The reconciliation process will help to avoid potential issues involving Quality Assurance Reviews/Findings, Claim Payments, or MIP payments.