



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

04/06/2011

## **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?

A portfolio data reconciliation consists of comparing a list of FHA Case numbers (loans) in your servicing system with a list from HUD's system of record (the HUD file can be pulled from FHA Connection if you have less than a couple hundred FHA loans, or you can request a portfolio reconciliation data file by writing to [sfdatarequests@hud.gov](mailto:sfdatarequests@hud.gov)).

Once you have compared the two files, there are three things that can happen:

1. The two files are the same: Congratulations! Your reconciliation is done. Please send an email to [sfdatarequests@hud.gov](mailto:sfdatarequests@hud.gov) with Portfolio Reconciliation xxxxx as the subject line (with xxxxx being your 5-digit lender ID) and the word "Done" as the body of the message.
2. There are loans in your system that are not in HUD's system:
  - a. Are they loans that have not been endorsed yet? If so, this requires no action and is merely a timing issue.
  - b. 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.
  - c. Are they listed in FHA Connection/Neighborhood Watch with another institution as the Holder/Servicer? Get the Holder/Servicer corrected.
3. There are loans in HUD's system that are not in your system:
  - a. Are they loans that your institution originated or serviced at one time? A Mortgage Record Change was not filed or was not correctly filed. Please file the MRC. Follow the instructions in the Quick Start Guide: Single Family Servicing Functions on the FHA Connection website; click on the Mortgage Record Changes link.
  - b. Are they loans that were on your system but paid in full (PIF) or otherwise closed? File a termination in FHA Connection. Full directions are on the FHA Connection website, and can be accessed from the homepage.
  - c. 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 loan(s) in question.

This list is not all-inclusive. When you are done, please proceed to the instructions above for situation 1.

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 loan. The reconciliation process will help to avoid potential issues involving Quality Assurance Reviews/Findings, Claim Payments, or MIP payments.