



**TO: All FHA-Approved Mortgagees;
All Other Interested Stakeholders in FHA Transactions**

NEWS AND UPDATES

To adjust policies to address the unique circumstances resulting from the COVID-19 pandemic, the Federal Housing Administration (FHA) is announcing the following policy changes:

- Temporary Waiver of Quality Control (QC) Requirements for Early Payment Defaults
- Temporary Partial Waiver of QC Requirements for Field Reviews of Appraisals
- COVID-19 Impact on Mortgagee Compare Ratios

See below for details.

Temporary Waiver of QC Requirements for Early Payment Defaults

Today, FHA issued a [temporary waiver](#) of its [Single Family Housing Policy Handbook 4000.1 \(SF Handbook\)](#) to temporarily suspend the requirement that mortgagees select and review all Early Payment Defaults (EPDs) on a monthly basis. An EPD refers to all mortgages that become 60-days delinquent within the first six payments.

As a result of the COVID-19 National Emergency, FHA has observed a significant increase in EPDs nationwide. Most are likely caused by loss of employment and/or income due to the public health emergency, and not the result of non-compliance with FHA Single Family origination and underwriting requirements. Therefore, FHA is providing mortgagees with flexibility by temporarily waiving its requirements found in SF Handbook, Sections V.A.3.a.i(C) and V.A.3.a.iv(B)(2).

With this waiver, mortgagees are not required to conduct quality control (QC) reviews of EPDs that would have been selected as part of a mortgagee's May, June, or July 2020 QC selections. Mortgagees must continue to meet all other loan-level QC requirements in SF Handbook, Section V.A.3. For example, mortgagees must select FHA-insured loans for review via random and discretionary sampling methods that meet the conditions described in Section V.A.3.a.iv. These random and discretionary samples may include EPDs.

[Quick Links](#) (Use a different web browser if you encounter problems opening documents in Internet Explorer)

- View the temporary waiver of QC requirements for Early Payment Defaults on the Waivers page at: https://www.hud.gov/program_offices/administration/hudclips/waivers/
- Access the online and PDF versions of the Single Family Housing Policy Handbook 4000.1 on the Housing Handbooks web page at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh

Temporary Partial Waiver of QC Requirements for Field Reviews of Appraisals

Today, FHA issued a [temporary partial waiver](#) of its [Single Family Housing Policy Handbook 4000.1 \(SF Handbook\)](#) to provide mortgagees with flexibility related to quality control (QC) field reviews of appraisals.

Considering the social distancing requirements in place in many areas of the country, mortgagees may be unable to conduct targeted field reviews of appraisals on 10 percent of FHA-insured mortgages selected for the monthly post-closing QC sample. Therefore, FHA is providing mortgagees with flexibility by temporarily waiving part of its requirements found in SF Handbook, Section V.A.3.c.ii(C)(1)(b).

With this waiver, mortgagees are permitted to use third-party tools as an alternative to field reviews of appraisals. Mortgagees must continue to meet all other appraisal QC requirements in SF Handbook, Section V.A.3.c.ii(C). For example, mortgagees must conduct desk reviews of appraisals following the standards described in Section V.A.3.c.ii(C)(1)(a).

This temporary partial waiver applies to QC reviews currently in process and for cases selected as part of a mortgagee's May, June, or July 2020 QC selections.

Quick Links (Use a different web browser if you encounter problems opening documents in Internet Explorer)

- View the temporary partial waiver of QC requirements for field reviews of appraisals on the Waivers page at: https://www.hud.gov/program_offices/administration/hudclips/waivers/
- Access the online and PDF versions of the *Single Family Housing Policy Handbook 4000.1* on the Housing Handbooks web page at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh

COVID-19 Impact on Mortgagee Compare Ratios

FHA has observed a significant increase in default and claim rates nationwide, which it attributes to the financial impacts of the COVID-19 National Emergency. This increase may be impacting the Compare Ratios displayed in the Neighborhood Watch Early Warning System (Neighborhood Watch). While FHA is unable to remove any loans in default or claim status from Neighborhood Watch Compare Ratio calculations, including loans in forbearance for borrowers affected by the COVID-19 National Emergency, FHA will consider the impact of the COVID-19 National Emergency as a relevant mitigating factor when a mortgagee's Compare Ratio is above the designated threshold.

FHA uses Compare Ratios to determine whether termination or suspension of certain mortgagee authorities is warranted under the Credit Watch Termination and Lender Insurance (LI) Program monitoring processes. The regulations set forth in 24 CFR § 202.3(c)(2) and 24 CFR § 203.4(d) provide flexibility to consider relevant mitigating factors in deciding whether to terminate a mortgagee's origination, underwriting and/or LI authority.

FHA encourages mortgagees to continue monitoring Compare Ratios closely, and to apply QC flexibilities only to the extent necessary.

Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at: www.hud.gov/answers.

- E-mail the FHA Resource Center at: answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

FHA INFO Archives:	Visit the FHA INFO Archives to access FHA INFO messages issued from 2012 to the present.														
Subscribe/Unsubscribe Instructions:	To subscribe to the Single Family FHA INFO mailing list you can use this link: FHA INFO or send a request by email to: answers@hud.gov Bulk subscriptions: To sign up your entire office or a large group, send the list of email addresses (in the format below) to: answers@hud.gov aaa@xyz.com bbb@xyz.com ccc@xyz.com To Unsubscribe follow the unsubscribe instructions on that page.														
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[HUD COVID-19 Resources and Fact Sheets](#)