



RESIDENTIAL LOAN ADMINISTRATION COMMITTEE UPDATE

Dear Loan Administration Committee,

Welcome to the November LAC Update.

We would like to invite committee members for MBA's Servicing Solutions Conference & Expo. This Conference is THE event for mortgage servicing professionals. It's an annual tradition for hundreds of servicers of all backgrounds to gather at this conference to share information, connect with industry peers and discover new solutions for their organizations. We are excited to bring this conference back for 2025 in Dallas, featuring:

- Inspiration and information on the Main Stage
- Breakout session tracks that dive deep into the industry's top issues
- A busy exhibit hall showcasing the hottest tech and other products for servicers
- Opportunities to network with your peer group and make new connections

This conference experience is designed for all residential mortgage loan servicers, regardless of size and business model, including senior management, servicing managers and staff, default managers, customer service managers, attorneys, service providers and other vendors to the servicing industry.

You can register for the conference [here](#).

Best,

Brendan Kelleher



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MBA and LAC Working for You

I. Agency Servicing Comments, Letters, and Feedback Submitted

1. MBA Calls for Regulation X Servicing Reform Prioritization

In a guest column on [MBA NewsLink](#), MBA's Director of Loan Administration Brendan Kelleher called for the Consumer Financial Protection Bureau (CFPB) to prioritize Regulation X Servicing reform for next year. The column calls on the CFPB to finalize its proposed amendments to the mortgage servicing rules, but with improvements to encourage homeowner engagement.

Earlier this summer, the CFPB proposed amendments to the servicing rules under Regulation X that significantly alter the loss mitigation framework that governs the compliance procedures servicers must follow to provide borrowers with foreclosure protections during the loss mitigation process. The CFPB also proposes to prohibit servicers from recovering servicing fees and third-party costs, as well as a ban on advancing the foreclosure process in order to incentivize servicers to engage borrowers during their delinquency. While modernizing Regulation X has been a top priority for the mortgage servicing industry with the increased use of streamlined loss mitigation solutions in investor waterfalls, this incorrect framing would result in unfortunate and unhelpful outcomes.

MBA encourages the CFPB to finalize its proposal with improvements to motivate homeowners to contact their servicers and pursue loss mitigation assistance early in the default process. Echoing the sentiment of MBA's original [comments](#), MBA believes the CFPB must:

- Provide clear and reasonable parameters for servicers to determine when dual tracking protections begin and end under the new "loss mitigation review cycle";
- Reinstate Regulation X's existing "one review per delinquency" standard; and
- Eliminate the prohibition on fees.

2. MBA, Trades Call on FHFA to Rescind RCV Bulletins

On November 18, MBA, the American Bankers Association, and the Housing Policy Council sent a [letter](#) to the Federal Housing Finance Agency (FHFA) asking for Fannie Mae and Freddie Mac (the GSEs) to rescind the bulletins issued in February 2024 regarding property insurance verifications and to confirm that the current industry practice of verifying that an insurance policy pays claims on a replacement cost basis meets GSE requirements. The 2024 Bulletins created significant operational, legal, and consumer protection questions that the associated surveys fail to consider.



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The letter urges FHFA and the GSEs to engage first with the property and casualty insurance sector and if, after this engagement, additional information is needed, initiate a transparent and public Request for Information that clearly identifies any safety and soundness concerns. The letter also asks FHFA to recall the associated surveys currently being conducted with lenders, servicers, insurers, and trade groups.

State and Regulatory Servicing Updates

I. *Federal Housing Administration*

1. **FHA Proposes Permanent Loss Mitigation Waterfall**

On November 25, the Federal Housing Administration (FHA) [proposed](#) its highly anticipated permanent loss mitigation waterfall to the Single-Family [Drafting Table](#) for review and comment. A permanent waterfall for FHA has been a top priority for MBA's [Future of Loss Mitigation](#) workstream. FHA seeks to implement the lessons learned from the COVID-19 pandemic before the expiration of its temporary guidance in April 2025. While MBA will continue to review the details of FHA's extensive proposal, FHA's proposal appears to reflect much of the feedback MBA delivered through multiple rounds, including our comprehensive initial March 2024 [letter](#). Guidance topics include:

- Updates to repayment and forbearance policies;
- Changes to FHA's Home Retention Options;
- Home retention guardrails to ensure borrowers can sustain their monthly mortgage payments;
- Changes to FHA's Disposition Options to include an equity saver sale; and
- Consolidated SFDMS reporting.

MBA team will prepare a summary for the Loan Administration Committee. Comments are due Monday, December 23, 2024.

2. **FHA Extends New Face-to-Face Compliance Date**

FHA recently [extended](#) the effective date for mortgagees to comply with its new [rule](#), Modernization of Engagement with Borrowers in Default, to July 1, 2025. Originally effective January 1, 2025, FHA's extension provides servicers with additional time to implement the new procedures and guidance that FHA proposed to the drafting table in August 2024. Aligning with [recommendations](#) from MBA and other trades, servicers can continue to rely on two exceptions to FHA's longstanding in-person meetings requirement – the borrower does not reside in the property or the



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property is outside of a 200-mile radius. MBA will continue to monitor and communicate FHA's final guidance once published.

3. FHA Announces 'Show Me' Solution

On October 24, FHA proposed a long-awaited Mortgagee Letter (ML) to the Single-Family Drafting Table for public comment ([Nonjudicial Foreclosure Process for Mortgagees with Secretary-held Liens](#)) in response to the 8th Circuit's 2023 opinion in *Show Me State Premium Homes v. McDonnell*. The *Show Me State* decision held that a subordinate lien, such as an FHA partial claim, held by the United States must be extinguished by a *judicial* foreclosure sale. MBA has been engaged with FHA on this issue and recently provided feedback to this ML.

FHA's proposed ML allows servicers to resume the nonjudicial foreclosure process. FHA's proposed ML follows their interim guidance recently published in [ML 2024-17](#), which allowed servicers to request that the Department of Housing and Urban Development (HUD) release the Secretary-held lien in the event the non-judicial foreclosure sale resulted in no surplus funds. This announcement follows MBA's advocacy requesting that FHA address *Show Me* shortly after the 8th Circuit's July 2023 decision, given the high volume of partial claims servicers and borrowers completed during the COVID-19 pandemic.

Similar to interim guidance, the ML allows servicers to request that HUD release its secretary-held lien following a nonjudicial foreclosure sale. To do so, servicers must provide HUD notice of its intent to proceed with the nonjudicial foreclosure sale through EVARS (which includes a certification component) and collect surplus funds on HUD's behalf where required. Servicers have five business days to remit surplus funds to HUD after receiving the proceeds. Servicers must also submit an EVARS request to proceed through the judicial foreclosure process where the preferred method of foreclosure is the nonjudicial process. Documenting the EVARS request will allow servicers to exclude the additional time to complete the judicial process from the Reasonable Diligence Timeframe. Servicers are also permitted to request reimbursement for attorneys' fees that exceed the maximum allowable fee provided a cost breakdown is submitted.