



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:

All FHA Approved Mortgagees
All Direct Endorsement Underwriters
All FHA Roster Appraisers
All FHA Roster Inspectors
All FHA Approved 203(k) Consultants
All HUD Approved Housing Counselors
All HUD Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Transmittal: Handbook 4000.1

Issued: December 30, 2016

Effective Date: Multiple; See Below

1. This Transmits:

The incorporation of previously published updates to Handbook 4000.1, FHA Single Family Housing Policy Handbook.

2. Explanation of Materials Transmitted:

This revision to the FHA Single Family Housing Policy Handbook, or Handbook 4000.1 (Handbook), is being published to update existing sections.

III. SERVICING AND LOSS MITIGATION**A. Title II Insured Housing Programs Forward Mortgages****2. Default Servicing**

- HUD accepts conveyance of the Property, as evidenced by the payment of Part A of the claim from HUD to the Mortgagee. For [suspended claims](#), the Mortgagee remains responsible for the Property, and any loss or damage thereto, notwithstanding the filing of the deed to the Secretary for record, and such responsibility is retained by the Mortgagee until HUD regulations have been fully complied with.

ix. Reconveyance**(A) Definition**

A Reconveyance is a conveyance of a Property from HUD back to the Mortgagee due to the Mortgagee's failure to comply with HUD's conveyance requirements.

(B) Standard

If a Mortgagee fails to fully comply with the terms of the insurance contract, including HUD's conveyance requirements, HUD may:

- Reconvey title to the Mortgagee; and
 - cancel the Mortgagee's [claim for insurance benefits](#); and
 - request reimbursement for expenses incurred for acquisition, holding and Reconveyance, less any income received from the Property, from the date the deed to HUD was filed for record to the date of Reconveyance; or
- enter into a [Reconveyance Bypass Agreement](#) with the Mortgagee.

The Mortgagee may reapply for insurance benefits.

u. Deficiency Judgments

Where the mortgaged Property is sold at the foreclosure sale for less than the unpaid balance of the debt, HUD may seek a deficiency Judgment, unless prohibited by the terms of the Mortgage.

i. HUD-required Deficiency Judgments**(A) Mortgages Insured On or After March 28, 1988**

For Mortgages insured pursuant to Firm Commitments issued on or after March 28, 1988, or pursuant to direct endorsement processing when the Mortgagee's underwriter signed the credit worksheet on or after March 28, 1988, HUD may require the Mortgagee to pursue a deficiency Judgment. Where HUD requires the Mortgagee to pursue a deficiency Judgment, HUD will provide the Mortgagee with instructions and with its estimate of the FMV of the Property, less adjustments. Upon receipt of such notification, the Mortgagee must:

- tender a bid at the foreclosure sale in that amount; and
- attempt, in accordance with state law, to obtain a deficiency Judgment.

III. SERVICING AND LOSS MITIGATION**A. Title II Insured Housing Programs Forward Mortgages****3. Programs and Products**

(B) Mortgages Insured Before March 28, 1988

For Mortgages insured pursuant to Firm Commitments issued before March 28, 1988, or pursuant to direct endorsement processing when the Mortgagee's underwriter signed the credit worksheet before March 28, 1988, HUD may request the Mortgagee to pursue a deficiency Judgment.

ii. Procedures for Claims Without Conveyance of Title

Unless specifically requested by FHA, the Mortgagee is not required by FHA to pursue any deficiency Judgments in connection with CWCOT procedures.

iii. Assignment of Judgments**(A) When Filing a Claim for Insurance Benefits**

The Mortgagee must assign deficiency Judgments to HUD and transmit the Judgment to the NSC no later than 30 Days after the Judgment was obtained, if the Mortgagee filed a claim for mortgage insurance benefits.

(B) When Not Filing a Claim for Insurance Benefits

The Mortgagee may engage in Judgment collection activities if a claim for FHA insurance benefits is not filed.

3. Programs and Products**a. Adjustable Rate Mortgages**

See [Section 251 Adjustable Rate Mortgages \(ARM\)](#) for information on originating ARMs.

i. Definitions

The Change Date is the effective date of an adjustment to the interest rate, as shown in Paragraph 4(A) of the model [Adjustable Rate Note](#) form.

The Initial Index Figure is the most recent figure available before the Closing Date of the Mortgage.

The Current Index Figure is:

- the most recent index figure available 30 Days before the date of each interest rate adjustment, for Mortgages closed before January 10, 2015; and
- the most recent figure available 45 Days before the date of each interest rate adjustment, for Mortgages closed on or after January 10, 2015.