



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

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

June 18, 2004

MORTGAGEE LETTER 2004-23

TO: ALL APPROVED MORTGAGEES

SUBJECT: Enhancements to the Neighborhood Watch Early Warning System

This mortgagee letter announces enhancements made to the Neighborhood Watch Early Warning System since the issuance of Mortgagee Letter 03-15, Enhancements to the Neighborhood Watch Early Warning System, dated September 17, 2003.

Background

Neighborhood Watch is a web-based software application that permits all FHA-approved mortgagees to analyze their own and others' early default and claim performance. The system is designed to highlight exceptions, so that potential problems are readily identifiable. Neighborhood Watch is primarily a tool that identifies lenders and loan characteristics within various geographic areas that have a high incidence of single family insured mortgages becoming 90 days or more delinquent within the first two years of loan origination.

Once authorized to use Neighborhood Watch (following completion of the FHA Connection Registration Form), mortgagees can select the Neighborhood Watch link located on the "Single Family FHA" screen of the FHA Connection to begin using the application. The website address for the FHA Connection is <https://entp.hud.gov/clas/index.html>.

Enhancements

Improvements made to Neighborhood Watch are released periodically each year. A message is displayed on the main Neighborhood Watch screen that informs users to view the "What's New" option in the Help menu for a description. Following are the enhancements to Neighborhood Watch that have been made since the issuance of Mortgagee Letter 03-15.

October 16, 2003

- Added Areas Approved for Business to the Branch Office detail display in Lender Details.
- Expanded the Lender Summary display in Lender Details to show counts of lender branch offices where the Origination Approval Agreement was terminated under HUD's Credit Watch Termination Initiative. This also included a drill down capability to display

each terminated branch identification number, the effective date of the termination, and the associated Field Office jurisdiction.

- Added a loan level drill down from the Current Default count on the Loss Mitigation – Current Defaults display.
- Linked lender staff user identification numbers to the lender's tax identification number so that lenders with multiple FHA lender identification numbers can access the loan details for all of its FHA lender identification numbers.

February 26, 2004

- Added Direct Endorsement Lender to the Mortgagee Type window from Early Warnings All Lenders/Areas and Single Lender selections. Both summary and loan level displays are available. This feature provides counts and loan level information for the loans that a Direct Endorsement lender originated and underwrote, as well as the loans that it underwrote for its Loan Correspondents.
- Provided lenders with access to the All Appraisers/Areas and Single Appraiser views from Early Warnings.
- Enhanced the Case Status query to include the Gift Letter Source and the Gift Letter Amount. Case Status now identifies if a loan is a HECM, and displays the Mortgage Insurance Premium amount and the Maximum Claim amount.

May 13, 2004

- Enhanced the Direct Endorsement Lender selection in Early Warnings to include a drill down on the Retail and Sponsored counts.
- Added an All Appraisers by Lender selection to All Appraisers/Areas.
- Modified the Case Status query to include a limited view for indemnifying lenders on cases that have been refinanced by another lender and the indemnification has not expired.

If you have any questions about this system, please access the feedback option in the Neighborhood Watch Early Warning System and send us your questions or comments. If you are unable to access this feature, please contact the Office of Lender Activities and Program Compliance, Quality Assurance Division at (202) 708-2830.

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner