



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

July 30, 2004

MORTGAGEE LETTER 2004 - 30

TO: ALL APPROVED MORTGAGEES

ATTENTION: SINGLE FAMILY SERVICING MANAGERS

SUBJECT: LOSS MITIGATION PERFORMANCE SCORES

The purpose of this Mortgagee Letter is to announce the FY 2003 annual lender [performance scores for loss mitigation](#). The scoring follows the same format as FY 2002 in that those mortgagees who are servicing loans under multiple HUD IDs, will receive only one aggregate score for FY 2003. A lender's performance, as referenced by these scores, will directly affect loss mitigation incentive payments, certain claim reimbursement and delegated program authorities. Prior guidance on the annual performance scores was provided in Mortgagee Letters 96-61, 97-21, 98-9, 99-06, 2000-11, 2001-08, 2002-11 and 2003-06.

The FHA's lender performance score for FY 2003 measures two components of a lender's loss mitigation performance: The lender's success in holding down its default rate (25 percent of overall score), and its actual costs compared to its potential costs to FHA (75 percent of overall score) relative to other lenders in each of the 118 insuring districts as defined by the first three digits of the FHA case number.

For a lender's performance to be scored within an insuring district, the lender must have serviced at least 50 mortgages, reported at least one default, and received at least one dollar of claim payment in the year. A lender's national score is the weighted average of its area scores.

A lower score indicates better performance. A lender's national score will receive a bonus, if its portfolio contains above-median proportions of one or more of the following: first-time homebuyers, minority borrowers, or borrowers in underserved areas.

Lenders are grouped and scored by their total number of FHA-insured mortgages in all eligible insuring districts. Those lenders servicing 100,000 or more mortgages are considered high-volume lenders and are included in the first group. Lenders servicing between 10,000 and 100,000 mortgages are considered medium-high-volume and are included in the second group. Lenders servicing between 1,000 and 10,000 are considered medium-low volume and are included in the third group. Finally, lenders servicing less than 1,000 mortgages are considered low-volume lenders and are included in the fourth group.

Lenders scoring within the top 25th percentile (based on the number of scored loans) of each group are eligible for the following increased loss mitigation incentives:

1. An additional \$100 payment for each Special Forbearance Agreement executed on or after September 1, 2004.
2. Pre-foreclosure sale time-frames may be extended an additional two months without prior HUD approval.
3. Automatic reimbursement of 75 percent of the foreclosure costs on Part B claims received after August 31, 2004, for mortgages endorsed on or after February 1, 1998. Lenders who are not within the top 25th percentile will be reimbursed 67 percent of the foreclosure costs on Part B for claims received after August 31, 2004, for mortgages endorsed on or after February 1, 1998.

All lenders will be reimbursed two-thirds of the foreclosure costs on Part B claims for mortgages endorsed before February 1, 1998.

The Department will continue to score performance on a fiscal-year basis. Eligibility for these increased incentives will continue until the publication of new performance scores. Also, FHA will use these scores in selecting lenders for Quality Assurance reviews. While FHA recognizes that these scores do not define all aspects related to loss mitigation performance, we are confident that they do help to identify opportunities for improvement in lender performance.

The attached compilation of the lender performance scores is based on input from the lending and servicing industry. If there are any questions or comments regarding the scoring process, please send them via the Internet to: hsg-lossmit@hud.gov. Also, please visit FHA's Loss Mitigation Page on the World Wide Web to view the tables that summarize the scores by lender and business area. The Web Page address is <http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>.

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[Attachment](#)