

**Home Equity Reverse Mortgage Information
Technology
(HERMIT)**

HERMIT System Changes – Release 5.4

Release Date: 09/19/17

Document Date: 09/07/17

September 2017

Version 1.0

HERMIT SYSTEM CHANGES – RELEASE 5.4

INTRODUCTION

The Home Equity Reverse Mortgage Information Technology (HERMIT) software release version 5.4 consists of the following system changes as follows:

Table of Contents

1.0 – D & P W/ HUD APPROVAL TIMELINE CHANGES	2
1.1 Due & Payable w/ HUD Approval new “Default Reasons” and Categorization	2
1.2 Due & Payable w/ HUD Approval timeline “step” changes	2
1.3 New Document Types	3
1.4 Other Due & Payable w/ HUD Approval timeline changes	3
2.0 – D & P W/O HUD APPROVAL TIMELINE CHANGES	4
3.0 AUTO CURTAILMENT SYSTEM CHANGES	4
3.1 “Notification to HUD of Default”, D&P with HUD Approval Timeline	4
3.2 “Notification to HUD of Default”, D&P w/o HUD Approval Timeline	4
3.3 “Notification Sent to Borrower of D&P”	5
3.4 “First Legal”	6
3.5 “Notify HUD of 1 st Legal”	6
3.6 “Foreclosure Sale Appraisal”	7
3.7 “Eviction Curtailment Event”	7
3.8 “Claim Filing”	7
4.0 – CHANGES TO MIP LATE CHARGES AND PENALTY INTEREST	7
5.0 – NEW CONTACT TYPES	8
6.0 – DISBURSEMENT LATE CHARGES PAID BY SERVICER	9
7.0 – CLOSING COST CANNOT EXCEED 11% OF THE SALES PRICE	9
8.0 – CAP CLAIM AMOUNT AT MAXIMUM CLAIM AMOUNT	10
9.0 – LIMIT CERTAIN EXPENSES IN SECTION 305 TO 2/3 PAYMENT	10
10.0 – CASH FOR KEYS TRANSACTION CODE	11
11.0 – DEBENTURE INTEREST (DBI) ON SHORT SALE	11
12.0 – STOP MIP COLLECTION	11
13.0 – ASSIGNED: LOSS MITIGATION – DEED IN LIEU TIMELINE CHANGES	13
14.0 – DMF ENHANCEMENTS	13
14.1 – HERMIT DMF Report	14
14.2 – HERMIT DMF Audit Tracking	15
14.3 – HERMIT DMF Auto Note	15
14.4 – HERMIT DMF Assigned Loans Only	15

HERMIT SYSTEM CHANGES – RELEASE 5.4

If you have any questions regarding the functionality of the software release, please contact the HERMIT Help Desk at 561-899-2610 or at servicingsupport@hermitsp.com. If you have any policy related questions, please send an email to HUD at answers@hud.gov.

1.0 – D & P W/HUD APPROVAL TIMELINE CHANGES

D & P w/HUD Approval timeline changes: There are several changes to the D&P w/HUD Approval timeline to include: 1) new default reasons, 2) new timeline steps, 3) new document types, and 4) new timeline steps that are dependent on a specific default reason. Highlights include reporting “Missed Property Charges”, “Mailed Missed Payment Notice to Borrower” and “Missed Payment Notice” letter which will require upload of the actual PDF letter sent to the borrower.

1.1 Due & Payable w/HUD Approval new “Default Reasons” and Categorization

HERMIT has added new “Default Reasons” to Due & Payable w/HUD Approval Timeline. In addition, the Default Reasons are categorized to determine if the default reason is applicable to “Missed Property Charges”. When applicable to “Missed Property Charges”, additional steps are required to be completed.

Default Reasons for D&P w/HUD Approval

Default Reason	New or Existing	Categorized as “Missed Property Charges”
Unpaid Ground Rents	New	YES
Unpaid Condo Fees	New	YES
Unpaid PUD’s	New	YES
Unpaid HOA Fees	New	YES
Unpaid Special Assessments	New	YES
End of Deferral Period	New	NO
Residency	Existing	NO
Repairs & Upkeep	Existing	NO
Occupancy Compliance	Existing	NO
Unpaid Insurance	Existing	YES
Unpaid Taxes	Existing	YES
Unpaid Taxes & Unpaid Insurance	Existing	YES

1.2 Due & Payable w/HUD Approval timeline “step” changes

The following Due & Payable w/HUD approval timeline steps are either NEW, RENAMED, or REMOVED from timeline.

HERMIT SYSTEM CHANGES – RELEASE 5.4

Step Type	Step Description	Note
NEW STEP	Servicer Notified HUD of Missed Payment	Triggered if Default Reason is “Missed Property Charges”
NEW STEP	Mail Missed Payment Notice to Borrower	Triggered if Default Reason is “Missed Property Charges”
NEW STEP	Upload Missed Payment Notice to Borrower	Upload Step - Triggered if Default Reason is “Missed Property Charges”
NEW STEP	Submitted D&P Request to HUD	Serves to facilitate process
NEW STEP	Upload D&P Notice Sent to Borrower	Triggered when “HUD Decision Approved” step completed
NEW STEP	Request to Rescind D&P	New Optional Step
NEW STEP	Upload the Request to Rescind D&P Package	Upload Step - Triggered upon Completion of "Request to Rescind D&P"
NEW STEP	Request to Rescind D&P Reviewed	Triggered upon Completion of "Request to Rescind D&P"
NEW STEP	Upload the Request to Rescind D&P Package	Triggered upon Completion of “Request to Rescind D&P”
NEW STEP	HUD Request to Rescind Decision - Approved	New Optional Step
NEW STEP	HUD Request to Rescind Decision - Denied	New Optional Step
NEW STEP	Servicer Notified of Rescind Decision	New Optional Step
RENAMED	Notification Sent to Borrower to "D&P Notice Sent to Borrower"	Renamed Step from timeline
RENAMED	Disposition Event Occurred to "Default Event Occurred"	Renamed Step from timeline
REMOVED	Obtain Appraisal	Removed step from timeline. For timelines created before the release date, this step will still be displayed.

1.3 New Document Types

The following new document types have been added

- a. “Missed Payment Notice Letter” available to view on Documents tab or the Upload Step.
- b. “Request to Rescind D&P Letter” available to view on Documents tab or the Upload Step.
- c. “Due & Payable Notice Sent to Borrower” available to view on Documents tab or the Upload Step.

1.4 Other Due & Payable w/HUD Approval timeline changes

1. Once the “HUD Decision – Approved” step has been completed, Servicers can no longer **inactivate** the Due & Payable w/HUD Approval Timeline.
2. Timeline step “Default Event Occurred” **Scheduled Date** is set to the timeline setup “Default Date”. Therefore, the Default Date is now used to calculate the Scheduled Date(s) for subsequent timeline steps. (Previously, the Initiation Date entered during Timeline Setup was used to calculate the timeline scheduled dates).
3. Timeline Setup “Initiation Date” is no longer required and has been removed from timeline setup.
4. “Default Date” on the Servicing Management tab is editable but cannot be a future date.

HERMIT SYSTEM CHANGES – RELEASE 5.4

2.0 – D & P W/O HUD APPROVAL TIMELINE CHANGES

1. The D&P w/o HUD approval “create date” is no longer editable. This field has been locked down. (In January 2013, the HERMIT 3.5 release opened this field up to allow the field to be editable temporarily. The release notes from 3.5 stated the field would not permanently remain editable.)
2. Timeline step “Date of Notification of Default to HUD” auto-completes with the timeline “create date”.
3. The timeline setup field INITIATION DATE has been removed.
4. The timeline step “Obtain Appraisal” has been removed. For timelines created before the release date, this step will still be displayed.
5. Renamed step “Disposition Event Occurred” to “Default Event Occurred”.
6. For default reason “Conveyed Title”, the “Default Event Occurred” Scheduled date is set to the Default Date entered at timeline setup.
7. **Note:** No HERMIT change for default reason “death”. The scheduled date will remain set to the death date.

3.0 AUTO CURTAILMENT SYSTEM CHANGES

HERMIT will auto-curtail claims on applicable curtailment events by comparing servicing timeline completion dates to HUD’s curtailment deadlines specific to the associated curtailment event. In the event of curtailment, the Debenture Interest End Date and the reason for the curtailment will be displayed on the claims form under the HUD Comments. This information will be visible prior to submitting the claim to HUD.

Servicers must still report the self-curtailment date in Block #31 for all applicable curtailments that are not auto-curtailed by the system.

3.1 “Notification to HUD of Default”, D&P with HUD Approval Timeline

HERMIT will auto-curtail Claim Type 21 or Claim Type 23 if “HUD is not notified of a default within 30 days” which means the HERMIT “D&P with HUD approval” timeline must be setup/created within 30 days of the default date to avoid curtailment. If curtailed for this reason the Debenture Interest End Date will be set to the Servicing Management "Default Date" + 30 Days.

Furthermore, if curtailed, the following message will be populated on the Claim form and AOP: “Auto Curtailed on [Debenture Interest End Date]. Notification to HUD of Default Event with HUD approval must be no later than 30 Days from Default Date.”

NOTE: This curtailment rule only applies to loans with a Due Date of the loan (D&P) on or after 7/1/15, (effective date of ML 2015-10).

3.2 “Notification to HUD of Default”, D&P w/o HUD Approval Timeline

For default reason “Death” with no extension, HERMIT will auto-curtail Claim Type 21 or Claim Type 23 if “HUD is not notified of a default within 60 days of Death Date” which means the HERMIT “D&P w/o HUD approval” timeline must be setup/created within 60 days of the death date to avoid curtailment. If curtailed for this reason the Debenture Interest End Date will be set to the "Death Date" + 60 Days.

HERMIT SYSTEM CHANGES – RELEASE 5.4

If curtailed, the following message will be populated on the Claim form and AOP: “Auto Curtailed on [Debenture Interest End Date]. Notification to HUD of Default Event w/o HUD Approval must be no later than 60 Days from Death [default date].”

NOTE: This curtailment rule only applies to loans with a Due Date of the loan (D&P) on or after 7/1/15, (effective date of ML 2015-10).

For default reason “Death” and Extension Late Notification of Death, HERMIT will auto-curtailed Claim Type 21 or Claim Type 23 if “HUD is not notified of a default within 30 days of **Extension Late Notification of Death**” Expiration Date which means the HERMIT “D&P w/o HUD approval” timeline must be setup/created within 30 days of the Extension Expiration Date on the “Extension – Late Notification of Death” timeline to avoid curtailment. If curtailed for this reason the Debenture Interest End Date will be set to the " Extension Late Notification of Death” Expiration Date" + 30 Days.

If curtailed, the following message will be populated on the Claim form and AOP: “Auto Curtailed on [Debenture Interest End Date]. Notification to HUD of Default Event w/o HUD Approval with extension for late notice of death must be no later than 30 Days from Extension Expiration Date.”

NOTE: This curtailment rule only applies to loans with a Due Date of the loan (D&P) on or after 7/1/15, (effective date of ML 2015-10).

For default reason “Conveyed Title”, HERMIT will auto-curtailed Claim Type 21 or Claim Type 23 if “HUD is not notified of a default within 60 days of Default Date” which means the HERMIT “D&P w/o HUD approval” timeline must be setup/created within 60 days of the default date to avoid curtailment. If curtailed for this reason the Debenture Interest End Date will be set to the "Default Date" + 60 Days.

If curtailed, the following message will be populated on the Claim form and AOP: “Auto Curtailed on [Debenture Interest End Date]. Notification to HUD of Default Event w/o HUD Approval must be no later than 60 Days from [Conveyed Title, Deferral End Date] Date of [default date].”

NOTE: This curtailment rule only applies to loans with a Due Date of the loan (D&P) on or after 7/1/15, (effective date of ML 2015-10).

3.3 “Notification Sent to Borrower of D&P”

For D&P with HUD Approval, HERMIT will auto-curtailed Claim Type 21 or Claim Type 23 if “D&P Notice Sent to Borrower” step is not completed within 30 days of HUD’s D&P approval, or if completed before the D&P Approval date. If curtailed for this reason HERMIT will set the Debenture Interest End Date to the "HUD Decision - Approved" Step Completion Date + 30 Days.

For D&P w/o HUD Approval, HERMIT will auto-curtailed Claim Type 21 or Claim Type 23 if “Notification Sent to Borrower” step is not completed within 30 days of the Due Date, or if completed before the Due Date. If curtailed for this reason HERMIT will set the Debenture Interest End Date to the "HUD Decision - Approved" Step Completion Date + 30 Days.

HERMIT SYSTEM CHANGES – RELEASE 5.4

3.4 “First Legal”

NOTE: the DUE DATE is also referred to as the Due & Payable Date and populates Block #29 on the claim form. Applies to Claim Type 21 only, N/A on Claim Type 23.

- For Due & Payable with HUD approval the Due Date is the date HUD approves the Due & Payable Request.

- For Due & Payable w/o HUD Approval the Due Date is the date the servicer notifies HUD of the default event (last remaining borrower’s death or conveyed title).

3.4.1 **For D&P with HUD Approval and FHA case number assigned date before 9/19/17**, HERMIT will auto-curtail Claim Type 21 if “Initiation of Foreclosure (First Legal Date)” step from the Disposition: Loss Mitigation – Pre Foreclosure timeline is not completed within 6 months of “D&P Notice Sent to Borrower” or by the date entered in field “Exp. Date of Approved Ext (1st Legal to Commence FCL / Deed in Lieu)” on the claims disposition screen. If claim is curtailed for this reason, the Debenture Interest End Date will be set to the “D&P Notice Sent to Borrower” Step Completion Date + 6 Months **OR** Ext Expiration Date, whichever is greater.

3.4.2 **For D&P w/o HUD Approval: Death and FHA case number assigned date before 9/19/17**, HERMIT will auto-curtail Claim Type 21 if “Initiation of Foreclosure (First Legal Date)” step from the Disposition: Loss Mitigation – Pre Foreclosure timeline is not completed within 6 months of “Death Date” or by the date entered in field “Exp. Date of Approved Ext (1st Legal to Commence FCL / Deed in Lieu)” on the claims disposition screen. If claim is curtailed for this reason, the Debenture Interest End Date will be set to the “D&P Notice Sent to Borrower” Step Completion Date + 6 Months **OR** Ext Expiration Date, whichever is greater.

3.4.3 **For D&P w/o HUD Approval: Conveyed Title and FHA case number assigned date before 9/19/17**, HERMIT will auto-curtail Claim Type 21 if “Initiation of Foreclosure (First Legal Date)” step from the Disposition: Loss Mitigation – Pre Foreclosure timeline is not completed within 6 months of “Notification Sent to Borrower” or by the date entered in field “Exp. Date of Approved Ext (1st Legal to Commence FCL / Deed in Lieu)” on the claims disposition screen. If claim is curtailed for this reason, the Debenture Interest End Date will be set to the “D&P Notice Sent to Borrower” Step Completion Date + 6 Months **OR** Ext Expiration Date, whichever is greater.

3.4.4 **For all loans with FHA case number assigned date on or after 9/19/17**, HERMIT will auto-curtail Claim Type 21 if “Initiation of Foreclosure (First Legal Date)” step from the Disposition: Loss Mitigation – Pre Foreclosure timeline is not completed within 6 months of the DUE DATE or by the date entered in field “Exp. Date of Approved Ext (1st Legal to Commence FCL / Deed in Lieu)” on the claims disposition screen. If claim is curtailed for this reason, the Debenture Interest End Date will be set to the DUE DATE + 6 Months **OR** Ext Expiration Date, whichever is greater.

3.5 “Notify HUD of 1st Legal”

Applies to Claim Type 21 only, N/A on Claim Type 23.

For either D&P with HUD Approval or D&P w/o HUD Approval, HERMIT will auto-curtail Claim Type 21 if “Foreclosure Notice Sent to HUD” step from the Disposition: Loss Mitigation – Pre Foreclosure timeline is not completed within 30 days of “Initiation of Foreclosure (First Legal Date)” from the Disposition: Loss Mitigation – Pre Foreclosure timeline. If claim is curtailed for

HERMIT SYSTEM CHANGES – RELEASE 5.4

this reason, the Debenture Interest End Date will be set to the "Initiation of Foreclosure (First Legal Date)" Step Completion Date + 30 Days.

NOTE: This curtailment rule only applies to loans with a Due Date of the loan (D&P) **on or after 7/1/15**, (effective date of ML 2015-10).

3.6 “Foreclosure Sale Appraisal”

Applies to Claim Type 21 only, N/A on Claim Type 23.

For FHA case number assigned date on or after 9/19/17, HERMIT will auto-curtail Claim Type 21 if “Foreclosure Sale Appraisal Date” optional step from the Foreclosure timeline is not completed within 30 days prior to the “Foreclosure Sale Date” from the Foreclosure timeline. If claim is curtailed for this reason, the Debenture Interest End Date will be set to the "Foreclosure Sale Date”.

NOTE: Foreclosure timeline optional step “Obtain Appraisal - 15 days prior to foreclosure sale” has been renamed to "Foreclosure Sale Appraisal Date".

3.7 “Eviction Curtailment Event”

Applies to Claim Type 21 only, N/A on Claim Type 23.

For loans with a “Corp Adv – S305 – Eviction Fees” balance > 0, eviction must be initiated no later than 30 days from the Foreclosure Sale. HERMIT will auto-curtail Claim Type 21 if “Eviction Initiation” optional step from the Foreclosure timeline is not completed within 30 days after the “Foreclosure Sale Date” from the Foreclosure timeline. If claim is curtailed for this reason, the Debenture Interest End Date will be set to the "Foreclosure Sale Date” + 30 Days.

For States with Eviction Restrictions, Eviction must be initiated no later than 30 days from Eviction Restriction Expired Date. HERMIT will auto-curtail Claim Type 21 if “Eviction Initiation” optional step from the Foreclosure timeline (**NEW HERMIT STEP** for Endorsed loans) is not completed within 30 days after the “Eviction Restriction Expired” date optional step from the Foreclosure timeline (**NEW HERMIT STEP** for Endorsed loans). If claim is curtailed for this reason, the Debenture Interest End Date will be set to the "Eviction Restriction Expired” Date + 30 Days.

3.8 “Claim Filing”

For loans with FHA case number assigned date on or after 09/19/17, the claim filing deadline has changed from 15 to 30 days. HERMIT will auto-curtail Claim Type 21 or Claim Type 23 if the claim is not filed within 30 days of the date in Block #10. For case numbers assigned before 09/19/17, the 15-day rule remains in effect.

4.0 – CHANGES TO MIP LATE CHARGES AND PENALTY INTEREST

The CFR publication on 01/19/17 updates the deadlines for **Initial** and **Monthly** MIP to be paid before late charges and penalty interest are collected. Late charges and penalty interest will be collected on Initial MIP when it is paid more than 20 days from the closing date. Late charges and penalty interest

HERMIT SYSTEM CHANGES – RELEASE 5.4

will be collected for monthly MIP when it is paid more than 6 days from the first business day of the month

- **Initial MIP:** Late charges and penalty interest will be collected on Initial MIP when it is paid more than 20 calendar days from the closing date. Payment is due within 20 days from the date of closing. Late charge and penalty interest will be assessed on calendar day 21 and thereafter.
- **Monthly MIP:** Late charges and penalty interest will be collected for monthly MIP when it is paid more than 6 days from the first business day of the month. For example, if the first business day of the month is the 1st, late charge and penalty interest shall be collected on or after the 7th of the month. (1+6 = 7); if the first business day of the month is the 3rd, the late charge would be collected on or after the 9th of the month. (3+6 = 9).
- **Monthly MIP Adjustments when Transactions are Backdated:** Late charges and Penalty Interest shall be collected when a transaction is backdated by more than 6 calendar days and crosses a prior month end.

Date MMIP Due	Is Business day (Y/N)?	Calculated date	Date MIP is late	Comment
8/1/2017	Y (Friday)	8/1/2017	8/7/2017	Add 6 days from calculated date to get date late
5/1/2016	N (Sunday)	5/2/2016	5/8/2016	Add 6 days from calculated date to get date late
7/1/2017	N (Saturday)	7/3/2017	7/9/2017	Add 6 days from calculated date to get date late
1/1/2017	N (1st is Sunday, 2nd is a Monday - Holiday - New Year's Day)	1/3/2017	1/9/2017	Add 6 days from calculated date to get date late
1/1/2015	N (1st is Thursday - Holiday)	1/2/2015	1/8/2015	Add 6 days from calculated date to get date late

5.0 – NEW CONTACT TYPES

If one or more mortgagor(s) hold a life estate in the property, the term “mortgagor” shall include each holder of a future interest in the property who has executed the mortgage.” Therefore, the following new contact types have been added to HERMIT for reporting:

- Heirs
- Administrators
- Assigns

HERMIT SYSTEM CHANGES – RELEASE 5.4

6.0 – DISBURSEMENT LATE CHARGES PAID BY SERVICER

The servicer shall pay a late charge to the borrower for any late disbursement. If the mortgagee does not mail or electronically transfer a scheduled monthly disbursement to the borrower on the first business day of the month or make a line of credit disbursement within 5 business days of the date the mortgagee received the request, the late charge shall be 10 percent of the entire amount that should have been paid to the borrower for that month or from the disbursement request.

To report such event, HERMIT has added a new alert for tracking and reporting purposes as identified below:

New alert named “Servicer Late Disbursement Charge” to the Loan > Alerts page. The total “late charge” amount should be placed into the Alert Amount data field.

The screenshot shows a 'New Alert' form with the following fields:

- Alert Type:** * Servicer Late Disbursement Charge
- Alert Date:** * 09/01/2017
- Expiration Date:**
- Alert Amount:** (This field is highlighted with a red box)
- Status:** Active
- Alert Note:**

Buttons: SUBMIT, CANCEL

7.0 – CLOSING COST CANNOT EXCEED 11% OF THE SALES PRICE

For claim types 21, 23, and 24, the total closing costs cannot exceed 11% of the “Sales Price”. If the closing cost totals in section 407 and 408 exceed 11% of sales price, a hard stop message will be displayed that reads: “Closing Costs cannot exceed 11% of Sales Price. Please adjust Section 407 and 408 transactions accordingly. Closing Costs total: \$X,XX.XX. 11% of Sales Price: \$X,XXX.XX. Overage: \$X,XXX.XX”.

The 11% closing cost total is cumulative across multiple claims. In other words, section 407 and 408 totals from both the parent claim and the CT 24 Supplemental claim shall be included in the 11% closing cost check.

Example 1: If the parent claim closing costs in section 407 and 408 totaled 11% of sales price then no additional section 407 and 408 charges will be allowed on the CT 24.

Example 2: If the parent claim closing costs in section 407 and 408 totaled 5% of sales price then CT 24 will allow section 407 and 408 charges up to the remaining 6% of sales price.

Closing costs include the following claim form sections and field descriptions:

HERMIT SYSTEM CHANGES – RELEASE 5.4

Section 407 Description
Taxes
Water Rates
Special Assessments
Other

Section 408 Description
Discount Points on FHA/VA Financing
Sales Commission
Recording Fees
Servicing Charge
Termite Report
Title Insurance
Appraisal
Other

8.0 – CAP CLAIM AMOUNT AT MAXIMUM CLAIM AMOUNT

For loans with FHA case number assigned date on or after 09/19/2017, the maximum amount paid on any endorsed loan will not exceed the maximum claim amount (MCA) which includes Debenture Interest (DBI). In other words, the total of all loan amounts including UPB, expenses, and DBI will be capped at MCA.

HERMIT will further restrict the creation of a Claim Type 24 if Max Claim Amount has been reached on parent claim. HERMIT will generate a hard stop message stating “Cannot create CT24 supplemental timeline. Parent claim (CT21 / CT23) was already capped at MCA.”

If the Parent claim does not exceed MCA but the Claim Type 24 would exceed MCA, the Claim Type 24 will be capped such that the total paid between the Parent claim and the Supplemental Claim Type 24 will not exceed MCA.

9.0 – LIMIT CERTAIN EXPENSES IN SECTION 305 TO 2/3 PAYMENT

For FHA case numbers assigned date on or after 09/19/2017, HERMIT shall limit the following transaction codes within claim section 305 to 2/3's of the full transaction amount.

HERMIT Corporate Advance Transaction	2/3 rule applicable?
Condo Dues	Y
Flood Insurance	Y
Ground Rent	Y
Hazard Insurance	Y

HERMIT SYSTEM CHANGES – RELEASE 5.4

HOA Dues	Y
Taxes	Y
Utilities	N
Utilities – Liens (NEW TRANSACTION)	Y
Cash for Keys (NEW TRANSACTION)	N
Eviction Fees	N
Other	N
Repayment	N

10.0 – CASH FOR KEYS TRANSACTION CODE

For FHA case numbers assigned date on or after 09/19/2017, HERMIT shall allow new transaction code “**Corp Adv – s305 – Cash for Keys**” to be added to the loan balance. The dollar amount cap for “Cash for Keys” will be set at \$3,000. If applicable, this new transaction code can be added to the loan balance via the HERMIT transactions page, B2G, or Batch Servicer Transaction page.

The Cash for Keys incentive transaction shall not be entered with an Incurred Date prior to the Due & Payable date and shall not be later than 6 months from the Due & Payable date.

11.0 – DEBENTURE INTEREST (DBI) ON SHORT SALE

For FHA case number assigned date on or after 9/19/17, Claim Type 23 short sales that were not Due & Payable; Note Interest will be paid up to the “Loss Mitigation – Short Sale” timeline step “Deed Recorded Date” (**NEW HERMIT STEP** for Endorsed loans which populates Block #10) and Debenture interest paid to Claim Settlement Date or Curtailment Date (if applicable).

For FHA case number assigned date on or after 9/19/17, Claim Type 23 short sales that are in Due & Payable; Note Interest will continue to be paid up to the Due Date (Block #8), and Debenture Interest paid to Claim Settlement Date or Curtailment Date (if applicable).

NOTE: For FHA case number assigned date on or after 9/19/17 AND for CLAIM TYPE 23 ONLY, Claim **Expenses** will now be included through the “Deed Recorded Date” Step Completion Date instead of the “Sale Closing Date”.

NOTE 2: For FHA case number assigned date BEFORE 9/19/17 AND for CLAIM TYPE 23, the Debenture Interest Effective Date shall use the current logic which is Block #8.

12.0 – STOP MIP COLLECTION

The CFR publication on 01/19/17 establishes a rule for loans with Case # Assigned Dates on or after the effective date of the final rule that the collection of MIP will stop when 1) a Foreclosure Sale, 2) Deed in Lieu is recorded date, or 3) short sale closing date is completed.

Foreclosure Sale Date: For FHA case numbers assigned date on or after 9/19/17, if the HERMIT Foreclosure timeline “Foreclosure Sale Date” step completion date is populated, MIP shall no

HERMIT SYSTEM CHANGES – RELEASE 5.4

longer be remitted (nor accrued into the loan balance) after the date in the “Foreclosure Sale Date” step completion date field. When timeline step “Foreclosure Sale Date” is completed by the user, a popup message shall be displayed that reads: “WARNING: Completing this timeline step will stop MIP collection. Are you sure you want to proceed?”

Deed Recorded Date: For FHA case numbers assigned date on or after 9/19/17, if the HERMIT “Loss Mitigation - Deed in Lieu” timeline “Deed Recorded Date” step (**NEW HERMIT STEP**) completion date is populated, MIP shall no longer be remitted (nor accrued into the loan balance) after the date in the “Deed Recorded Date” step completion date field. When DIL timeline step “Deed Recorded Date” is completed by the user, a popup message shall be displayed that reads: “WARNING: Completing this timeline step will stop MIP collection. Are you sure you want to proceed?”

Short Sale Closing Date: For FHA case numbers assigned date on or after 9/19/17, if the HERMIT “Loss Mitigation – Short Sale” timeline “Sale Closing Date” step (**NEW HERMIT STEP**) completion date is populated, MIP shall no longer be remitted (nor accrued into the loan balance) after the date in the “Sale Closing Date” step completion date field. When timeline step “Sale Closing Date” is completed by the user, a popup message shall be displayed that reads: “WARNING: Completing this timeline step will stop MIP collection. Are you sure you want to proceed?”

MIP Collection after Inactivating the Timeline: MIP collection will restart if the corresponding timeline is changed to INACTIVE when MIP was previously stopped due to a completion date in the following field. Applicable Late Charges and Penalty Interest will be charged on the MIP adjustments generated due to changing the timeline to INACTIVE.

Servicing Type / Timeline	Step Completion Date that stops MIP collection
Foreclosure	Foreclosure Sale Date
Loss Mitigation - Deed in Lieu	Deed Recorded Date
Loss Mitigation - Short Sale	Sale Closing Date

Modify HERMIT MIP coverage period on Claim Form Section 311: Applies to all Claim Type 21 and Claim Type 23 regardless of FHA case number assigned date: MIP will stop collection AFTER Claim step “Submitted for Payment” is completed. When this step is completed, HERMIT will perform a final “MIP calculation refresh” to pull final existing MIP transactions and will calculate a partial month MIP when applicable. The enhancement shall pull MIP transactions between Block #8 and “Submitted for Payment” Completion Date and add corresponding coverage periods to Section 311 of the claims form.

Note 1: Previously, Section 311 includes MIP from Block #8 until the month end prior to the Block #10 date.

Note 2: For claims with “Submitted for Payment” step completion date prior to the implementation of the new logic, servicer users shall use **Claim Type 24 Block #132B** to enter MIP to be reimbursed instead of entering the MIP into Block #408.

HERMIT SYSTEM CHANGES – RELEASE 5.4

121. Mortgage Note Interest (assignments, coinsurance, and special forbearance agreements only)			
From To Rate %			
122. Mortgage Insurance Premiums (from line 311, Part D)		\$169.60	\$3.97
123. Unapplied Section 235 Assistance Payments (Earned Assistance only)			
124. Overpaid Section 235 Assistance Payments			
Coinsurance or Nonconveyances Only			
125. Overhead Costs (from line 405, Part E)			
126. Uncollected Interest (Approved Forbearance Agreements Only)			
127. Amount due from buyer at closing or at appraisal notice date (from line 406, Part E)			
128. Amount owed to buyer at closing or at appraisal notice date (from line 407, Part E)			
See instructions			
129. Additional closing costs (from line 408, Part E)		\$1,221.00	
130. Appraisal Fee (from line 409, Part E)		\$350.00	\$4.42
131. Deficiency Judgment Costs/Fees (from line 410, Part E)			
132. MIP Reimbursement			
133. Contact Name and Telephone Number: Holding Mortgagee LISA SHERMAN (202) 752-8001	Totals	134. \$9,100.00	135. \$7,032.79
Contact Name and Telephone Number: Servicing Mortgagee Alexandra Evangelista (800) 340-3935		137. Net Claim Amount (columns B - A + C) (\$1,979.20)	
<p>Certification: The undersigned certifies that the amounts listed above represent all the expenses actually paid by on or behalf of the mortgagee in connection with the foreclosure, acquisition, conveyance, assignment operation, protection, or preservation of the property identified by the above FHA case number and that the information shown above is true and correct, and the undersigned agrees that upon request of HUD it will furnish receipted invoices for any amounts shown above.</p> <p>Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802) By signing below, the undersigned certifies that the statements and information contained hereon (face and reverse) are true and correct.</p>			

13.0 – ASSIGNED TIMELINE CHANGES

Loss Mitigation – Deed In Lieu timeline. HERMIT has added **new** template steps to the “Loss Mitigation – Deed in Lieu” timeline:

- “Deed Recorded Date”
- “Conveyance Entered into P260”

Loss Mitigation – Short Sale timeline. HERMIT has added **new** steps to the “Loss Mitigation – Short Sale” timeline

- “Sale Closing Date”
- “Deed Recorded Date”: Step is triggered by completion of the “Sale Closing Date” step

14.0 – DMF ENHANCEMENTS

SSA (Social Security Administration) has provided an initial copy of the DMF (Death Master File) and will be providing weekly file updates going forward. HERMIT has been enhanced to receive the DMF master records and update corresponding HERMIT “death dates” respectively as identified below.

NOTE: Servicers are reminded the DMF file is provided as an additional tool for the industry and it not intended to replace current business processes. It is the responsibility for mortgagees/servicers to obtain documentation of the death of the mortgagor or eligible non-borrowing spouse for foreclosure and claim purposes.

For ENDORSED cases, when the DMF identifies a new record (ADD record), the HERMIT contact “death date” field will be updated with the “DMF reported death date” when there is a “2-point exact record match “using both the SSN and the Date of Birth (DOB) fields”. If there is an exact 2-point data field match AND the respective HERMIT Death Date has not been populated yet

HERMIT SYSTEM CHANGES – RELEASE 5.4

meaning it's NULL, HERMIT will update the death date field accordingly with the DMF Death Date.

For ENDORSED cases, DMF record types Change (C) and Delete (D) will not update death dates in HERMIT; however, the new DMF Report will include the DMF (C) or (D) record(s) with SSN only matches for additional analysis as needed.

14.1 – HERMIT DMF Report

A new HERMIT DMF report is now available under the “Servicer Reports/Daily Reports” menu. This new report (EXCEL CSV file) will identify all DMF results where the DMF record matched the HERMIT record with SSN match only. The new HERMIT DMF report provides search criteria that includes: 1) DMF Record Create Date Range, 2) Case Status, 3) Case Sub-Status, and 4) DMF Record Types. DMF Record Types include the following:

- DMF DOD Added,
- DMF DOD Changed, and
- DMF DOD Deleted

Report details for .CSV file shall include the following result set:

- Loan Skey
 - FHA Case #
 - HERMIT Contact Type
 - HERMIT Contact Name (Last, First)
 - HERMIT DOB
 - HERMIT DOD
 - Death Changed Date
 - Death Changed By
 - DMF Record Type (A (Add), C = (Change), D = (Delete))
 - DMF Record Create Date
 - DMF Name (DMF Last Name, DMF First Name)
 - DMF Status (V (VERIFIED), P (PROOF CODE), N or Blank)
 - DMF DOB
 - DMF DOD
 - HERMIT Current Case Status
 - HERMIT Current Case Sub-Status
 - HERMIT Result (conditional)*
 - Organization
- * HERMIT Result field shall include the following descriptions. Explanations of the conditions are as follows:
 - “**DMF DOD Added**”: Display when DMF DOD was added to HERMIT on record type A
 - “**DMF DOD Changed**”: Display when DMF DOD was changed in HERMIT on record type C
 - “**DMF DOD Deleted**”: Display when DMF DOD was deleted in HERMIT on record type D

HERMIT SYSTEM CHANGES – RELEASE 5.4

- “**DMF DOD Exception: matched on SSN not on DOB**”: Display when DMF DOD was NOT entered due to match on SSN but DOB did not match
- “**DMF DOD Exception: existing DOD created by non-DMF user**”: Display when DMF DOD was not entered due to existing DOD in HERMIT created by a user ID other than “DMF”.
- “**DMF DOD Exception: Match on SSN and DOB**” (C) or (D) record(s) not allowed on Endorsed loans.
- “**DMF DOD Exception: DOD is a future date**”: Display when DOD has a match on SSN and DOB, but DOD is a future date.
- “**DMF DOD Exception: Match on SSN and DOB**” DOD already exists. (A) record type not allowed.
- “**DMF DOD Exception: Match on SSN and DOB**” Invalid DMF record type (C) or (D) combination.

14.2 – HERMIT DMF Audit Tracking

In addition to the new HERMIT DMF Report, to further identify DMF updates, the HERMIT Audit tracking features will apply as follows:

- The HERMIT audit “Changed By” field will be set to “DMF” and the HERMIT audit “Changed Date” field will be set to the system update timestamp.
- In addition, the “Death Changed By” (**new**) field and “Death Changed Date” (**new**) field will be updated accordingly. These new fields have been added to the Contact Info “Audit Information” section as noted below:

Audit Information			
Create Date:	10/03/2012 05:21:53 PM	Created By:	DataConversion
Change Date:	08/21/2017 12:12:27 PM	Changed By:	DMF
Death Change Date:	08/21/2017 12:12:27 PM	Death Changed By:	DMF

14.3 – HERMIT DMF Auto Note

HERMIT shall add an auto-Note any time a death date is added, changed, or deleted by the DMF

- The note type shall be System Generated
- The note type status shall be System
- The note description shall be “Death date updated by DMF”

14.4 – HERMIT DMF Assigned Loans Only

ASSIGNED LOANS ONLY:

For Assigned cases, the HERMIT contact “death date” field will be updated with the death date from the DMF when there is a 2-point exact record match using both the SSN and the DOB fields.

For Assigned cases, when a 2-point match is found on a record that already has an existing death date, HERMIT shall accept the death date from DMF for all 3 record types: Add (A), Change (C), and Delete (D). **For DMF Record Type** Change (C) and Delete (D) **to be applicable, the** existing

HERMIT SYSTEM CHANGES – RELEASE 5.4

death date *must have been* created by USER ID “DMF”. *If applicable, the* HERMIT *death date* will be updated with DMF Change (C) Records and *corresponding* death dates removed with DMF Delete (D) record types.

If the existing death date in HERMIT was created or changed by any user ID other than “DMF”, then HERMIT will not be updated with the DMF record. NOTE: These records will be available in the HERMIT DMF report with HERMIT Result “DOD Exception: existing DOD created by non-DMF user”.

For Assigned cases, when the death date is populated by the DMF for the last surviving borrower on the loan, HERMIT will automatically initiate the Due & Payable timeline.

For Assigned cases, if there is an existing active Due & Payable timeline, the death date will be updated with the DMF death date but a new timeline will NOT be initiated.