

SAMPLE / ILLUSTRATIVE DOCUMENT. Change log for the remediation of the Cardinal Point FHA loss-mitigation P&P (SVC-LM-005, 2024 → SVC-LM-006, 2026), conforming it to **FHA Mortgagee Letter 2025-06** (Modifications to FHA's Loss Mitigation Options; permanent framework effective **February 2, 2026**) and the modernized **Handbook 4000.1**. "Cardinal Point Mortgage Servicing, LLC" is fictional. Every entry cites the controlling rule with a **verbatim quote** from the FHA rule kit. **Working draft for compliance/attorney review — not legal advice.**

FHA Loss Mitigation P&P — Change Log with Citations

Before: SVC-LM-005 (June 2024) · **After:** SVC-LM-006 (February 2, 2026) **Authority:** FHA ML 2025-06 · HUD Handbook 4000.1, Section III.A · ML 2024-02 (Payment Supplement) **How to read this:** each change lists what the prior P&P said, what the remediated P&P says, why the change was made, and the controlling rule — section citation plus the regulator's own words from the FHA kit.

A. Retired options — deleted by ML 2025-06

A1 · FHA-HAMP and the 31% targeted-payment math — REMOVED

- **Before:** the P&P calculated a target payment as "31% of gross monthly income" and ran the FHA-HAMP standalone modification, standalone partial claim, and combination to reach it.
- **After:** FHA-HAMP is removed. Affordability is now reached through the modernized **Loan Modification** (§10.2(e)), which targets a minimum 25% reduction to the P&I portion of the payment (see C1).
- **Why:** ML 2025-06 deletes the FHA-HAMP option entirely; a P&P still directing staff to the 31% FHA-HAMP calculation instructs them to run a retired option.
- **Cite — ML 2025-06 Summary of Changes, deletes FHA-HAMP (III.A.2.k.v):** *"deletes FHA-HAMP (III.A.2.k.v)."*

A2 · Special Forbearance—Unemployment — REMOVED

- **Before:** a distinct "Special Forbearance (Unemployment)" option (minimum 12-month forbearance for an unemployed borrower).
- **After:** removed; a single modernized Forbearance construct (§10.2(a)) bridges temporary hardships.
- **Why:** the option was deleted from the permanent framework.
- **Cite — ML 2025-06 Summary of Changes:** *"deletes Special Forbearance-Unemployment (III.A.2.k.iv)."*

A3 · Informal / Formal Forbearance tiers — REMOVED

- **Before:** an "Informal Forbearance" (oral, ≤3 months) vs. "Formal Forbearance" (written) tier split.
- **After:** replaced by the single Forbearance construct (§10.2(a)).
- **Why:** the legacy tiered forbearance plans were deleted/superseded.
- **Cite — ML 2025-06 Summary of Changes:** *"deletes Forbearance Plans (III.A.2.k.iii)."*

A4 · COVID-19 Recovery option set — SUNSET

- **Before:** a COVID-19 Recovery waterfall (Standalone Partial Claim, Recovery Modification, Non-Occupant Modification) evaluated first for COVID-hardship borrowers.
- **After:** removed from the standing waterfall; the permanent options in §10.2 apply to all hardships.
- **Why:** the COVID-19 Recovery options were time-limited and expire as the permanent framework takes effect.
- **Cite — ML 2025-06, COVID-19 Recovery Options extension:** *"extends the COVID-19 Recovery Loss Mitigation Options (COVID-19 Recovery Option) through February 1, 2026."* (The day before the permanent framework's Feb 2, 2026 effective date.)

B. Standing conflicts — non-compliant under the prior rule too

B1 · Owner-occupant gating on the options — REMOVED

- **Before:** several options were limited to owner-occupant borrowers.
- **After:** §2 and §10.1 require considering **Owner-Occupant and Non-Occupant Borrowers for all options**; the occupancy gate is removed everywhere HUD does not expressly require it.
- **Why:** this was a live fair-servicing conflict — non-compliant under the prior rule *and* the new one. The rule change is what surfaced it.
- **Cite — ML 2025-06, Consider all Borrower types for all options:** *"The Mortgagee must consider Owner-Occupant Borrowers and Non-Occupant Borrowers for all Loss Mitigation Options."*

B2 • Conditioning an option on a borrower cash contribution — REMOVED

- **Before:** cash-reserve / contribution logic gated certain options.
- **After:** §10.1 and §17 prohibit conditioning any option on a cash contribution or fee payment.
- **Why:** HUD expressly bars conditioning options on borrower cash contributions.
- **Cite — ML 2025-06 [loss-mitigation]:** *"The Mortgagee must not condition the use of a Loss Mitigation Option on the receipt of a Borrower's cash contribution or a Borrower's payment of fees or charges."*

C. Modernized mechanics — conformed to the new option math

C1 • Loan Modification P&I-reduction target — 25% (floor 15%)

- **Before:** FHA-HAMP "lesser of" targeting an approximate 31% front-end ratio.
- **After:** §10.2(e) — the 30-year Standalone Loan Modification must be tested for a **minimum 25% reduction to the P&I portion**; if not achievable, add a partial claim and/or extend to 40 years.
- **Why:** ML 2025-06 defines the modification target by P&I-reduction percentage, not front-end ratio.
- **Cite — ML 2025-06 [loss-mitigation]:** *"The Mortgagee must determine if a 30-year Standalone Loan Modification can achieve a minimum 25 percent reduction to the P&I portion of the Mortgage Payment."*

C2 • 40-year (480-month) modification term

- **Before:** 40-year standalone modification carried as a discrete ML 2023-06 option.
- **After:** §10.2(e) — extend the term to 480 months where 360 months cannot reach the target payment.
- **Why:** the 480-month term is the escalation step in the consolidated waterfall.
- **Cite — ML 2025-06 [servicing-general]:** *"The Mortgagee must re-amortize the total unpaid amount due over 360 months or 480 months from the due date of the first installment..." and "The Mortgagee must extend the term to 480 months to achieve the target payment..."*

C3 • Partial Claim cumulative cap — 30% of UPB at Default

- **Before:** a partial-claim cap was stated (corrected to 30% in SVC-LM-005).
- **After:** §4 and §12 — cumulative partial claims must not exceed 30% of UPB as of the date of Default; tracked for the life of the loan.
- **Why:** conforms the cap to HUD's calculation basis.
- **Cite — ML 2025-06 [loss-mitigation]:** *"The Mortgagee must first calculate 30 percent of the unpaid principal balance as of the date of Default at the time of payment of the initial..."*

C4 • Consolidated Loss Mitigation Option Waterfall + OWL

- **Before:** a multi-step, FHA-HAMP-terminating priority table.
- **After:** §10.2 — the single consolidated waterfall (Forbearance → Repayment Plan → Standalone Partial Claim → Payment Supplement → Loan Modification), plus the Outside-of-the-Waterfall Loan Modification (OWL) for non-standard cases.
- **Why:** HUD replaced the option-specific tables with one required-evaluation waterfall.
- **Cite — ML 2025-06, Loss Mitigation Option Waterfall:** *"The Mortgagee must evaluate Borrowers using the Loss Mitigation Option Waterfall below and the requirements for the specific Loss Mitigation Options."* • **OWL:** *"The Mortgagee must ensure that all requirements are met for Outside of the Waterfall Loan Modifications (OWL)."*

C5 • Payment Supplement — permanent home-retention option

- **Before:** Payment Supplement carried as the ML 2024-02 add-on used when a modification could not lower the payment.

- **After:** §10.2(d) — Payment Supplement is a standing waterfall option: use partial-claim funds to reduce P&I up to 25% for a 36-month term, note rate and maturity unchanged.
 - **Why:** ML 2025-06 folds the Payment Supplement into the permanent waterfall.
 - **Cite — ML 2024-02 / ML 2025-06 (Payment Supplement provisions):** *"The Payment Supplement is non-transferrable and not assignable to a new Borrower."* (option carried forward into the permanent set).
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D. Net-new requirements — added by ML 2025-06 (no prior clause to update)

D1 • Borrower Affordability Attestation

- **Before:** silent.
- **After:** §9.3 — obtain the Borrower Affordability Attestation for the permanent home-retention options that permit streamlined qualification.
- **Why:** the modernized framework replaces full income documentation with the Attestation for these options.
- **Cite — ML 2025-06 Summary of Changes:** *"adds Borrower Affordability Attestation (III.A.2.i.iii(B))"* • **Operative:** *"The Mortgagee must obtain the Borrower Affordability Attestation either electronically, by hard copy, or verbally for all Permanent Home Retention Options."*

D2 • Repayment Plan — 24-month cap

- **Before:** no modernized Repayment Plan.
- **After:** §10.2(b) — Repayment Plan term must not exceed 24 months; delinquency repaid in equal monthly installments in addition to the Mortgage Payments.
- **Why:** net-new option with a hard term cap.
- **Cite — ML 2025-06 [loss-mitigation] (III.A.2.i.ii(A)(2)):** *"The Mortgagee must: • ensure the term of the Repayment Plan does not exceed 24 months; and • require the delinquency to be repaid in equal monthly installments..."*

D3 • Repayment Plan Agreement — 15-day delivery

- **Before:** silent.
- **After:** §10.2(b) — deliver the Repayment Plan Agreement at least 15 days before the first installment is due; borrower signature not required.
- **Why:** net-new delivery-timing obligation.
- **Cite — ML 2025-06 [loss-mitigation] (III.A.2.i.ii(A)(4)):** *"The Mortgagee must provide the Borrower with the Repayment Plan Agreement at least 15 Days before the date the first installment is due."*

D4 • Early Default Intervention (EDI) tools

- **Before:** general collections language.
- **After:** §6.3 — use HUD's Early Default Intervention tools and engage borrowers as early as practicable.
- **Why:** net-new required intervention tooling.
- **Cite — ML 2025-06 Summary of Changes:** *"adds Use of Early Default Intervention Tools (III.A.2.g.xii)"* • **Operative:** *"The Mortgagee must adhere to the requirements under Early Default Intervention."*

D5 • Language Access

- **Before:** silent.
 - **After:** §19 — maintain a language-access approach consistent with Handbook 4000.1 for Limited-English-Proficiency borrowers.
 - **Why:** net-new accessibility requirement in the modernized servicing framework.
 - **Cite — ML 2025-06 Summary of Changes:** *"adds Language Accessibility (III.A.1.a.ii(D))."*
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E. Reporting & documentation conformance

E1 • Consolidated SFDMS default reporting

- **Before:** SFDMS reporting referenced generally.
- **After:** §15.1 — report using the correct default/loss-mitigation status codes for the modernized option set each cycle.

- **Why:** ML 2025-06 consolidated the SFDMS reporting and status codes to match the new options.
- **Cite — ML 2025-06 Summary of Changes:** *"adds consolidated Single Family Default Monitoring System Default Reporting..."*

Change count summary

Category	Changes
A. Retired / sunset options	A1 FHA-HAMP · A2 SFB-Unemployment · A3 Informal/Formal Forbearance · A4 COVID-19 Recovery
B. Standing conflicts resolved	B1 Owner-occupant gating · B2 Cash-contribution conditioning
C. Modernized mechanics	C1 25% P&I target · C2 480-month term · C3 30% PC cap · C4 Consolidated waterfall + OWL · C5 Payment Supplement permanent
D. Net-new requirements	D1 Affordability Attestation · D2 24-month Repayment cap · D3 15-day delivery · D4 EDI tools · D5 Language Access
E. Reporting	E1 Consolidated SFDMS

Every citation above is a verbatim quote from the ML 2025-06 / Handbook 4000.1 rule kit. Section identifiers follow HUD's Summary of Changes. Illustrative sample — "Cardinal Point Mortgage Servicing" is fictional. Working draft for compliance/attorney review — not legal advice.