



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

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

Special Attention of:
All FHA Approved Mortgagees
All Homeownership Center Directors
All Processing and Underwriting Div. Directors
All Direct Endorsement Underwriters

Transmittal: Handbook 4000.2, REV 3
Issued: May 20, 2004

1. This Transmits:

Revision 3 of Handbook 4000.2, Mortgagees Handbook – Application Through Insurance

2. Explanation of Changes:

This handbook has been updated in its entirety and provides instructions to approved mortgagees regarding preparation and submission of mortgage insurance applications, as well as information on all current FHA single family mortgage insurance programs.

Mortgagee Letters

All or parts of the below listed Mortgagee Letters (ML) have been incorporated into this Handbook revision. When all of the information from a particular ML has been incorporated into the Handbook, the ML is cancelled. When only a part of the information in an ML has been incorporated into the Handbook, that part is described and the Handbook supersedes it. The parts of an ML not incorporated into the Handbook remain in effect.

94-07 Paragraphs III and IV concerning loan transfer fees and lock-ins has been incorporated in this Sections 4-2A and 1-9A respectively.

96-02 This ML is cancelled. All information concerning FHA loan limits and the procedures to appeal for high loan limits are contained in Section 1-7.

96-10 Paragraph II concerning Refinance Authorizations being required for all FHA to FHA refinance transactions has been incorporated.

HSIP Distribution: W-3-1, W-2, (OGC)(H)(Z); W-3(A)(H)ZAOO), W-4(H), R-1, R-2, R-3, R-3-1(H)(RC); R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-1, R-7-2, R-8, R-8-1

96-66 This ML is cancelled. All information concerning FHA loans limits and the procedures to appeal for higher loan limits have been incorporated into

Section 1-7.

- 97-26 This ML is cancelled. Section 6-3 has been amended to include condominium units as eligible for insurance under Section 203(h).
- 98-28 This ML is cancelled. All information concerning FHA loan limits and the procedures to appeal for higher loan limits have been incorporated into Section 1-7.
- 99-38 This ML is cancelled. All information concerning FHA loan limits and the procedures to appeal for higher loan limits have been incorporated into Section 1-7
- 00-38 This ML is cancelled. Information concerning UFMIP reduction and cancellation of annual MIP is incorporated into Section 1-11.
- 00-46 This ML is cancelled. Information concerning UFMIP reduction and cancellation of annual MIP is incorporated into Section 1-11.
- 01-31 This ML is cancelled. All information concerning FHA loan limits and the procedures to appeal for high loan limits are contained in Section 1-7.

Chapter 1: Paragraph 1-5 explains that FHA may reject a mortgage for insurance if FHA determines that any certification or required document is false, misleading or constitutes fraud or misrepresentation on the part of any party. Paragraph 1-7 updates information about FHA maximum loan limits. Paragraph 1-11 updates information about mortgage insurance premiums (MIP) and includes the new upfront MIP (UFMIP) refund schedules. Paragraph 1-17 describes HUD's new organizational structure and Home Ownership Centers (HOCs).

Chapter 2: Outdated information about FHA Subdivision Approval Processing and FHA Conditional and Firm Commitment processing have been removed. Also, detailed information about appraisal processing has been removed because it duplicates information found in other HUD Handbooks.

Chapter 3: Detailed information about mortgage credit processing has been removed because it duplicates information in other HUD Handbooks.

Chapter 4: Outdated information related to FHA Conditional and Firm Commitment processing has been removed.

Chapter 5: Paragraph 5-3 has been expanded to allow lenders to collect any Automated Underwriting System (AUS) fee, notary fee and to clarify the buyer broker fee (when the buyer independently engages a real estate broker). Paragraph 5-9 clarifies that loan origination documents may be stored in electronic form.

Chapter 6: The information for each active single-family mortgage insurance program has been updated entirely. Terminated or inactive programs have been deleted.

3. Filing Instructions:

Remove:

Insert:

Handbook 4000.2 REV-2
July 30, 1991

Handbook 4000.2 REV-3
dated May 2004

Assistant Secretary for Housing-
Federal Housing Commissioner