

CHAPTER 2 INSURANCE ENDORSEMENT

Section 1: General Information

2-1 ENDORSEMENT OF A MORTGAGE

The lender must place the processing and closing documents for the case in the uniform case binder and submit it with a request for endorsement to the appropriate HOC. The FHA issues an electronic Mortgage Insurance Certificate (MIC) that the lender downloads from the FHA Connection (FHAC). This information is provided on the "MIC" Screen via the FHAC. Once the MIC is issued, the mortgage is considered insured under the terms of applicable regulations.

2-2 SUBMISSION OF CASE

The lender shall submit the case binder to the FHA so that it is received within 60 days after closing. Receipt of the case is indicated by the date of entry into the Computerized Homes Underwriting Management System (CHUMS). If the HOC is closed on the 60th day, the first business day thereafter shall be considered the 60th day. The lender is responsible for verifying that the input in the FHA Connection is consistent with the documents submitted in the case binder.

Note: When requesting the MIC, the lender will be required to specify whether the MIC is to be prepared in the name of the Originator (Loan Correspondent) or in the name of the Sponsor. The name on the MIC will be the name of either the originator or sponsor as it appears in HUD's systems

2-3 INSURANCE ENDORSEMENT AND ISSUANCE OF MIC

The lender must initiate insurance endorsement processing by completing the Insurance Application function in FHA Connection prior to sending the case binder to the appropriate HOC. After receiving the case binder, the HOC will perform its internal pre-endorsement review functions and complete insurance endorsement processing using the logging and endorsement functions in CHUMS. After completing these CHUMS functions, if the case is eligible for insurance, the HOC will endorse the case, and electronically issue a MIC for the lender to download from the FHA Connection.

2-4 ISSUANCE OF NON-ENDORSEMENT NOTICE/NOTICE OF REJECTION (NOR)

If the mortgage is determined to be ineligible for insurance endorsement, the FHA will electronically indicate a Non-Endorsement Notice/Notice of Return (NOR) on the Case Query screen and include the reasons for non-endorsement and any corrective actions that must be taken by the lender. If the case is permanently rejected for insurance endorsement, the NOR must include instruction to the lender to notify the borrower that they do not have an FHA-

insured loan and the circumstances which make the loan ineligible for FHA insurance. The lender must also obtain a refund of both the Upfront Mortgage Insurance Premium (UFMIP) and any periodic MIP paid by the borrower or on behalf of the borrower and apply the refund to the principal balance of the loan.

2-5 EFFECTIVE DATE OF ENDORSEMENT

A case submitted for endorsement is considered an insured loan as of the date FHA electronically issues the MIC.

2-6 EXCESSIVE LOAN AMOUNT

An excessive loan amount occurs when the lender closes a loan in an amount higher than that permitted by FHA requirements. To obtain an MIC, the lender may choose to pay down the principal balance or reclose the loan to the insurable amount. The lender must provide a copy of the payment ledger showing the principal balance has been paid down to an insurable amount.

Internal FHA processing instructions for these situations are as follows:

- A. Exceeds Statutory Loan Limit - CHUMS will automatically reject a case for endorsement if the loan amount exceeds the statutory limit. FHA issues the NOR and returns the binder and NOR to the lender with instructions to provide evidence of a principal reduction to an insurable amount.
 1. To issue the MIC through CHUMS, after receipt of evidence of a principal reduction to the insurable amount, FHA will electronically issue the MIC with the reduced mortgage amount. Depending upon the size of the principal reduction, the monthly principal and interest payment amount on the MIC may or may not match the Note. The principal and interest payment on the MIC should not be manually changed to agree with the Note.
 2. If the lender wants the MIC to match the Note and mortgage, the loan must be reclosed or amended to an insurable amount.

Exceeds Maximum Allowable Loan Amount or Loan-to-Value - If, during post-endorsement technical review, the FHA determines the loan amount exceeds the maximum allowable, (but does not exceed the statutory limit), or exceeds the maximum allowable loan-to-value ratio, the appropriate HOC will require that the lender provide, within 30 days of the date of the letter of notification, evidence that the principal loan balance has been paid down to an insurable amount. If the lender does not respond within 30 days, the HOC may take appropriate sanctions. (The lender does not return the MIC to FHA for correction.) In the event a claim is presented to FHA, only the existing principal balance and other permissible costs will be considered by FHA for payment of the claim.

If the lender advances the principal loan reduction on behalf of the borrower, the lender cannot require a repayment amount, either in lump sum or monthly payment, if the amount will jeopardize the borrower's ability to repay the mortgage and potentially cause a default.

2-7 REQUEST FOR STATUS OF MIC

Lenders may confirm the endorsement status using the FHA Connection, or the FHA Connection's Business-to-Government (FHAC-B2G) application. The B2G application allows lenders to submit case level data from their loan origination system directly to FHA without re-keying.

For confirmation of the endorsement status of multiple loans, the originator or sponsor may use the FHAC MIC/NOR List transaction or the FHAC B2G Mass Case Query transaction to obtain a list of cases endorsed within a specific time period at the branch or corporate level. This function provides a list of all case numbers endorsed within a specified date parameter. For individual loans, the originator or sponsor may use either the FHAC or FHAC B2G Case Query to determine if the mortgage was endorsed by examining the "last action" field for "INSURED". Users of ECHO Connection Plus (EPC) should call 1-888-711-2500, for information.

2-8 REQUEST FOR CORRECTED AND DUPLICATE MICs

The electronically issued MIC eliminates the need for a duplicate MIC since lenders can download and print another copy as needed.. In some instances, lenders may have a business requirement for a paper copy of the MIC, which can be obtained by contacting the appropriate HOC.

Lenders cannot obtain corrected MICs through FHA Connection. Refer to HUD Handbook 4000.2, Appendix VII, "Suggested Format for Request for Mortgage Insurance Certificate (MIC) Correction" for instructions to obtain corrected MICs.

2-9 PAYMENT FACTORS FOR PRINCIPAL AND INTEREST PAYMENT

Lenders may use a 6-digit factor for the monthly principal and interest payment. A tolerance of four cents per thousand is permitted. The 365-day year is used when calculating interim (per diem) interest.

2-10 MIC SECTION OF THE ACT (ADP) Code

The section of the Act (ADP) Code is an important item on the MIC and will be verified for accuracy by FHA. The ADP Code identifies the insuring section and the applicable FHA insurance fund, indicates an assistance payment contract, if any, and identifies which mortgages do not require payment of UFMIP. Refer to HUD Handbook 4000.2 REV-3 Appendix III, Home Mortgage Automated Data Processing (ADP) Codes.

The lender must show the HUD case number including the section of the Act ADP Code on the Note, and the security instrument (mortgage or deed of trust). The ADP Code must be the same as that shown on the loan application (Form HUD-92900-A). Documents do not need to be redrawn to correct the case number or ADP Code. The borrower does not have to initial changes to the case number or ADP Code. The lender may draw a line through the incorrect number and write in the correct number. The lender should provide the borrower a copy of the documents containing the correct case number.

To track ARM activity, the following case number suffix codes (Section of the Act ADP Codes) will be indicated on all HUD application addendums (Form HUD-92900) and printed on computer generated mortgage insurance certificates (Form 59100). The suffix codes for DE cases are as follows:

Eligible Program	Section of the Act Suffix Code – Direct Endorsement
203(b)	729
223(e)	829
203(k) first lien	730
234(c)	731
247 - Hawaiian Homelands	780
248 - Indian Lands	788
203(k)- Condominium	815

In addition to existing Automated Data Processing (ADP) codes assigned to ARMs, a hybrid ARM-type indicator has been added to CHUMS. When submitting loan data to FHA via the FHA Connection or its functional equivalent, if an ARM is indicated by an ADP code, the lender must also identify the type of ARM by selecting the 1-, 3-, 5-, 7- or 10-year ARM-type indicator. This process is less likely to result in errors than adding additional ADP codes for each individual hybrid ARM offering.

2-11 VERIFICATION OF PAYMENT OF UFMIP

For those cases requiring the UFMIP, CHUMS will verify whether sufficient UFMIP has been paid. If sufficient UFMIP has not been received by HUD, the case cannot be insured.

2-12 UFMIP LATE CHARGES AND INTEREST DUE

If the lender pays the UFMIP beyond the FHA allowable number of days after closing, the lender will incur a late fee. If the UFMIP is paid more than 30 days after closing, the lender will incur a late fee plus interest, and if applicable, both must be paid before the mortgage will be endorsed for insurance. The Department also reserves the right to take appropriate enforcement proceedings against lenders paying UFMIPs late irrespective of the mortgagee's payment of late fees and interest.

See HUD Handbook 4155.1 for additional information about payment.

2-13 DATE OF CLOSING

The date of closing/settlement is generally considered the date on which the note and mortgage are signed by the buyer. However, for the purposes of establishing the date that the 60-day endorsement submission clock begins, FHA will rely on the date that the lender relinquishes control of the loan proceeds (i.e., disburses the mortgage funds) for both purchase money

mortgages as well as refinances. This will result in a consistent and easily understood start date for lenders for meeting their obligations to submit the case binder to FHA for endorsement processing.

This date will be entered in the Form HUD-1, Settlement Statement, Block I. Lenders should assure that the same closing/settlement date is entered as the closing date in the Automated Clearing House (ACH) screen and the FHA Connection Screen.

2-14 CLOSING CERTIFICATIONS

The type of processing (DE, DE Pre-Closing, or FHA/HUD underwritten) will dictate the closing certifications that must be executed by the lender.

When the lender signs the certification, it is stating that:

- Statements made in its application for insurance and the Certificate are true and correct;
- Conditions listed or appearing in any outstanding commitment issued under the case number have been fulfilled;
- Complete disbursement of the loan has been made to the borrower, or to his/her creditors for his/her account and with his/her consent;
- The security instrument has been recorded and is a good and valid first lien on the property described;
- No charge has been made to or paid by the borrower except as permitted under FHA regulations;
- Copies of the credit and security instruments which are submitted herewith are true and exact copies as executed and filed for record; and
- No one has paid any kickbacks, fee or consideration of any type, directly or indirectly, to any party in connection with this transaction except as permitted under FHA regulations and administrative instructions.

The lender's representative also certifies that at the time of closing the mortgage loan, he/she has personally reviewed the mortgage loan documents, closing statements, application for insurance endorsement, and all accompanying documents.

Section 2: Pre-Endorsement Review

2-15 PRE-ENDORSEMENT REVIEW - GENERAL

The FHA's pre-endorsement review is confined to the documents specified for each processing type (i.e., DE, DE Pre-Closing, and FHA/HUD Employee Processed). FHA will do a limited review of each document to ascertain compliance. No further review is required or authorized unless FHA has reason to suspect fraud or misrepresentation (including negligent misrepresentation), in any of the documents submitted.

During the pre-endorsement review, FHA is authorized to determine if there is any information indicating that any certification or required document is false, misleading, or constitutes fraud or

misrepresentation on the part of any party, or that the mortgage fails to meet a statutory or regulatory requirement. If, following this review, the mortgage is determined to be eligible, FHA will endorse the mortgage for insurance and electronically issue a MIC on the FHA Connection. If the mortgage is determined to be ineligible, FHA will inform the lender of this determination, and issue a Non-Endorsement Notice/NOR and include the reasons for the non-endorsement.

Refer to Appendices XX and XXI for the Pre-Endorsement Checklist and HECM Pre-Endorsement Checklist respectively.

CHAPTER 3 LATE REQUEST FOR ENDORSEMENT

3-1 LATE ENDORSEMENT

A request for insurance endorsement is considered “late” and triggers additional documentation whenever the binder is received by the HOC more than 60 days after loan settlement or funds disbursement, whichever is later. The FHA believes that this is sufficient time for the lender to assemble the binder, obtain any final documents or signatures, and ship the binder to the appropriate HOC for endorsement processing.

FHA determines whether a mortgage is received late based on upon the date the HOC actually *receives* the case binder. Mortgagees must consider mailing and processing times when submitting case binders to the HOC. Mortgagees may determine the date the case binder was received and logged in by the HOC by reviewing the case status screen using the FHA Connection.

Upon receipt of a case involving a late request for endorsement, the FHA will review the lender’s certification and make a determination to accept or reject the request. If the FHA’s review indicates that the degree of risk to the Department is not greater than existed at the time of closing, the mortgage may be endorsed. A mortgage that is in default when submitted for endorsement will not be insured, except in those instances where the FHA was demonstrably responsible for a delayed request for endorsement. If, in the appropriate HOC’s judgment, the delay in submission was entirely the FHA’s fault, the lender is not required to submit the item identified in Paragraph 3-3.

3-2 CASES SUBMITTED FOR RECONSIDERATION AFTER NOR

If the HOC returns a case binder to the lender by issuing a NOR (or subsequent NOR), the HOC must receive the reconsideration request for insurance endorsement within the original 60-day window, or 30 days from the date of issuance of the original NOR, whichever is greater. Cases resubmitted after the expiration of the applicable date must follow the late request instructions in paragraph 3-3. Also, should the issuance of a subsequent NOR result in the mortgage lender’s resubmission being received after the original 60 day period or the 30 day period set forth for the original NOR, whichever is later, the late endorsement instructions set forth in paragraph 3-3 must be complied with.

3-3 LATE REQUEST FOR ENDORSEMENT CERTIFICATIONS BY THE LENDER

When submitting a late request for endorsement, under the circumstances described below, the mortgagee is required to include a dated certification, signed by a representative of that mortgagee on company letterhead, which includes the mortgagee’s complete address and telephone number. This certification must be specific to the case being submitted, i.e., identify the FHA case number and the name(s) of the borrower(s) and state that:

1. At the time of this certification, no mortgage payment is currently unpaid more than 30 days and;
2. All escrow accounts for taxes, hazard insurance and mortgage insurance premiums are current and intact, except for disbursements that may have been made to cover payments for which the accounts were specifically established, and;
3. The mortgagee or its agents did not provide the funds to bring and/or keep the loan current or to bring about the appearance of an acceptable payment history.

If the payment due for the month *before* the mortgagee submitted the loan for endorsement has yet to have been received, that mortgage is not eligible for endorsement. Individuals found making false certifications may have administrative sanctions taken against them including, but not limited to, debarment from participation in HUD's and other Federal agency programs, civil money penalties and Program Fraud Civil Remedies Act sanctions.

Examples of Late Endorsement Processing and Requirements

The following examples illustrate the procedures for late request for mortgage insurance endorsement:

1. Mortgage closed June 4th with first payment due August 1st.
 - a. No certification is required if the mortgage insurance application is received for endorsement on or before August 31st. Please note, however, if the mortgage case binder is sent back to the mortgagee due to a Notice of Return (NOR) and the mortgagee is not able to respond correctly before the later of 30 days or when the certification period begins (September 1st in this example), the certification will be required.

If the mortgage is received for endorsement in the HOC on or after September 1st(or first business day after that date), then the mortgagee must provide the endorsement certification.