

CHAPTER 8 HOUSING APPROVAL OF TITLE EXCEPTIONS

8-1 TITLE EXCEPTIONS

Common and customary easements, restrictions and encroachments, as well as other title matters of the type listed in the general waiver set out in 24 CFR 203.389 are considered minor in character, and have no measurable adverse effect on value. In this event, the lender is assured that:

- A. FHA will not object to title in the event the property is conveyed or the mortgage is assigned to FHA.
- B. It is unnecessary to contact FHA after endorsement to report the existence of title objections and other matters within the scope of the General Waiver.
- C. The lender may rely upon the opinion of its attorney concerning what is common and customary, rather than obtain a determination from FHA.
- D. If a matter of title does not fall under the General Waiver, the lender must obtain a specific waiver of the defect from the appropriate HOC.

8-2 PROCESSING – WAIVER OF OBJECTION TO TITLE

Requests for waivers of objection to title are processed by the appropriate HOC.

- E. Requests Received Before Insurance Endorsement – Will be reviewed and processed by the HOC to the extent necessary.
- F. Requests Received After Insurance Endorsement – Are handled in the manner described below and in Paragraphs 8-3 and 8-4.
 - 1. After Review, waiver requests within the scope of the General Waiver are stamped "Covered by the General Waiver, 24 CFR" and returned to the lender.
 - 2. No records of the request are kept in the HOC's office, with the exception of an appropriate notation made on the application and underwriting report if the matter is considered prior to insurance endorsement.

8-3 TITLE EXCEPTIONS NOT COVERED BY THE GENERAL WAIVER

- G. Generally, waiver requests not covered by the General Waiver mentioned above can be classified into three groups:
 - 1. Group 1. Those of a minor character which do not impair marketability and value for residential purposes.
 - 2. Group 2. Those having a measurable effect on marketability and value. The existence of title defects in this group does not render the title unmarketable, but may materially affect the value of the property and/or the habitability of the home.
 - 3. Group 3. Those of such character or magnitude that FHA would not accept the title in the event of an insurance claim.

- B. Group 1, 2, and 3 classifications are processed as follows:
4. Group 1. A DE lender may process and accept minor title exceptions without FHA approval. Non-DE lenders will submit a waiver request to the appropriate HOC for its review and approval. The HOC will notify the lender in writing of its approval.
 5. Group 2.
 - a. The DE lender will submit the waiver request and documentation to the HOC staff for review.
 - 96 Generally, it is not necessary for the HOC to review the insured case binder. HOC staff shall consult, when necessary, with the General Counsel's office for legal review of the lender's request. After the HOC's review, the HOC will notify the lender in writing of its approval or disapproval of the waiver request.
 6. Group 3. No waivers of such exceptions should be given.

8-4 TITLE EXCEPTION TO CORRECT DISCREPANCIES IN PROPERTY ADDRESS

If after insurance endorsement, the lender advises that the street address shown on the application is incorrect and provides the correct address, in all instances the HOC must determine that the underwriting conclusions were based on the correct property. (This may necessitate the HOC recalling the endorsed binder from Central Records). If the change in address is acceptable, the appropriate HOC signs a statement on the lender's original letter stating that no objection to title will be made because of the change of street address, and returns the letter to the lender.