

## **CHAPTER V**

### **SERVICING PERFORMING LOANS; CHANGE IN SERVICER AND HOLDER OF THE NOTE REPORTING REQUIREMENTS**

#### **A. General Servicing Requirements**

##### **1. Servicing Roles and Responsibilities**

###### **a. Definitions**

###### **b. Standard**

###### **i. Laws Applicable to Servicing**

###### **ii. Section 184 Loan Terms; Compliance with More Restrictive and Stringent Requirements**

###### **iii. Nondiscrimination Policy**

##### **c. Responsibility for Servicing Actions; Transfer of Servicing Rights; Sale of Section 184 Guaranteed Loans**

###### **i. Holders and Servicers**

###### **ii. Responsibility During Transfer of Servicing Rights**

###### **a) Definitions**

###### **b) Standard**

###### **c) Required Documentation**

###### **iii. Responsibility When Section 184 Guaranteed Loans are Sold**

###### **a) Definitions**

###### **b) Standard**

###### **c) Required Documentation**

##### **2. Registration with Mortgage Electronic Registration System, Inc.**

###### **a. Definition**

###### **b. Standard**

##### **3. Providing Information to ONAP**

##### **4. Communication with Borrowers and Authorized Third Parties**

###### **a. Definition**

###### **b. Standard**

###### **c. Required Documentation**

#### **B. Borrower Payment and Insurance Coverage Administration**

##### **1. Borrower Payment Administration**

###### **a. Receipt of Payments**

###### **i. Definition**

###### **ii. Standard**

###### **b. Application of Payments**

###### **c. Return of Partial Payments for Less than Amount Due**

###### **i. Definition**

###### **ii. Standard**

###### **iii. Required Documentation**

###### **d. Application of Partial Prepayments**

###### **i. Definition**

###### **ii. Standard**

- e. **Application of Prepayments**
    - i. **Definitions**
    - ii. **Standard**
    - iii. **Prepayment Procedures**
      - a) **Payoff Disclosure Requirements**
      - b) **Trustee's Fee for Satisfaction**
      - c) **Recording Fees for Satisfaction**
- 2. **Insurance Coverage Administration**
  - a. **Hazard Insurance**
    - i. **Payment of Renewal Premium**
    - ii. **Fee for Change in Hazard Insurance Policy**
  - b. **Flood Insurance**
    - i. **Standard**
    - ii. **Required Documentation**
  - c. **Hazard or Flood Insurance Proceeds**
    - i. **Insurance Claims**
    - ii. **Loss Settlement Amounts for Borrower Expenses and Personal Property**
    - iii. **Insurance Proceeds for Home Damage**
      - a) **Definition**
      - b) **Standard**
    - iv. **Application of Insurance Proceeds to Unpaid Principal Balance**
    - v. **Optional Policies**
      - a) **Personal Property and Personal Liability Insurance**
      - b) **Life or Disability or Optional Coverage Income Policies**

## **C. Servicing Fees and Escrow**

- 1. **Servicing Fees and Charges**
  - a. **Definition**
  - b. **Standard**
    - i. **Reasonable and Customary Fees and Charges**
    - ii. **Prohibited Fees and Charges**
  - c. **Required Documentation**
- 2. **Escrow Account**
  - a. **Definition**
  - b. **Escrowing of Funds**
    - i. **Standard**
    - ii. **Interest on Escrows**
    - iii. **Items to be Escrowed**
    - iv. **Escrow Prohibitions**
    - v. **Required Documentation**
  - c. **Escrow Analysis**
  - d. **Processing Payments from Escrow Accounts**
    - i. **Escrow Account Payments**
    - ii. **Timeliness of Payments from Escrow Accounts**
      - a) **Standard**

- b) Required Documentation
  - iii. Payment of Insurance Premiums
    - a) Long-Term Policies
      - (1) Definition
      - (2) Standard
      - (3) Collecting Funds for Renewal Premiums
    - b) Optional Policies
      - (1) Standard
      - (2) Required Documentation
  - iv. Insurance Protecting Only the Holder
  - e. Use of Escrow Funds

#### **D. Annual Loan Guarantee Fee and Loan Guarantee Certificate Administration**

- 1. Annual Loan Guarantee Fee
  - a. Definition
  - b. Standard
  - c. Collection of Annual Loan Guarantee Fee
  - d. Remittance of Annual Loan Guarantee Fee; Refund on Overpayments
  - e. Annual Loan Guarantee Fee Reports
- 2. Annual Loan Guarantee Fee Cancellation
  - a. Conditions of Annual LG Fee Cancellation
    - i. 78 percent Loan-To-Value; Annual Disclosure
    - ii. Section 184 Guaranteed Loan is Paid in Full
    - iii. Foreclosure Completes
    - iv. Third-Party Transfer; Lease-in-Lieu; Deed-in-Lieu
    - v. Assignment Claim
  - b. Processing Annual LG Fee Cancellation
  - c. Failure of Servicer to Cease Collecting Annual Loan Guarantee Fee
- 3. Loan Guarantee Certificate Termination
  - a. Definition
  - b. Standard
  - c. Effective Date of Termination
    - i. Standard
    - ii. Required Documentation
    - iii. Annual Loan Guarantee Fee Due Through the Month Prior to the Month of Termination
  - d. Escrow Balance To Be Returned to Borrower

#### **E. Post-endorsement Amendments to Section 184 Guaranteed Loan**

- 1. Modifying a Performing Section 184 Loan
  - a. Definition
  - b. Modification Requiring ONAP Approval
  - c. Request to ONAP
  - d. Required Documentation
- 2. Partial Release, Easements, or Modifications of Security

- a. Definition**
- b. Request Process**
- c. ONAP Review**
- d. Required Documentation**
- e. Fees**

## **F. Disclosures and Servicing File Record Retention**

### **1. Disclosures**

- a. Statement of Escrow Account**
- b. Payoff Disclosure**
  - i. Definition**
  - ii. Standard**
  - iii. Required Documentation**
- c. Annual Prepayment Disclosure Statement**
  - i. Definition**
  - ii. Standard**
  - iii. Required Documentation**
- d. Statement of Income Tax Purposes**
  - i. Definition**
  - ii. Standard**
  - iii. Required Documentation**

### **2. Record Retention**

- a. Definition**
- b. Standard**
- c. Record Reconciliation**
- d. Electronic Storage**