



ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: February 16, 2023**

**Mortgagee Letter 2023-04**

**To:** All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All Eligible Submission Sources for Condominium Project Approvals  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All HUD-Approved Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

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**Subject** Electronic Filing of all insurance claims on FHA Title II Single Family Mortgages

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**Purpose** This Mortgagee Letter (ML) eliminates all paper claim submission options for Single Family Mortgages.

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**Effective Date** Mortgagees must implement the provisions of this ML no later than March 1, 2023.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

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**Public Feedback** HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov). HUD will consider the feedback in determining the need for future updates.

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**Affected Programs** The provisions of this ML apply to the FHA Title II Single Family Forward Mortgage program.

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### Background

OMB circular M19-21, *Transition to Electronic Records*, requires that effective December 31, 2022, to the extent possible, all federal permanent records must be stored and managed electronically.

HUD has long had electronic options to file certain forward mortgage claims through FHA Connection (FHAC) or Electronic Data Interchange (EDI). HUD issued MLs 2020-08, 2020-18, 2020-32, and 2020-38, providing new or additional electronic claim filing options through FHA Catalyst for supplemental claims, loss mitigation claims, claims without conveyance of title, conveyance and reacquisition claims, and single family loan sales, thereby making electronic means available for all Single Family claim types. Similarly, ML 2012-17, *Home Equity Reverse Mortgage Information Technology (HERMIT) System for the Home Equity Conversion Mortgage (HECM)* enabled Mortgagees to file HECM claims electronically.

Today, most Mortgagees routinely use electronic options to file their claims in both the forward and reverse mortgage programs. The use of electronic methods of claim filing is beneficial for both the Department and its industry partners to ensure the accuracy, efficiency, and transparency of the claims process. The use of electronic claims also reduces the costs and burdens of maintaining paper files for both the Department and its stakeholders.

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### Summary of Changes

This ML:

- Updates Liability for Claims Filed (IV.A.1.a.ii);
  - Deletes Paper Submission Process (IV.A.1.a.vi.(D));
  - Updates Electronic Storage (IV.A.1.c.iii);
  - Updates HUD Requests for Information (IV.A.1.c.iv);
  - Updates Calculating Interest for Default after SFB-Unemployment or Special Forbearance (IV.A.2.a.i.(C)(3));
  - Updates Submission of Claim Form Parts to HUD for Conveyance Claims (IV.A.2.a.iv);
  - Updates Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages (IV.A.2.b.i.(C));
  - Updates Submission of Claim Form Parts for Section 248 Mortgages (IV.A.2.b.ii.(C)(1));
  - Deletes Paper Supplemental Claim Submission (IV.A.2.c.viii(A)) and renumbers subsequent sections;
  - Deletes CWCOT Processing Fee Exemption for Small Servicers Section (IV.A.2.d.i) and renumbers subsequent sections;
  - Updates Submission of Claim Form Parts to HUD for CWCOT (IV.A.2.d.iii.); and
  - Updates Reacquisition by HUD and Resubmission of Claim (IV.A.4.c.ii.(C)).
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**Single Family  
Housing Policy  
Handbook  
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

**Preparation and Submission of Claims (IV.A.1.a.)**

**ii. Liability for Claims Filed [Text was deleted in this section.]**

Mortgagees are liable for the contents of any claims filed. By submitting a claim, the Mortgagee certifies that the statements and information contained in the claim are true and correct.

HUD will prosecute false claims and statements and Mortgagees may be subject to criminal and/or civil penalties or other action.

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**Methods of Submission of Claims (IV.A.1.a.vi)**

**(D) Paper Submission Process [This section is deleted]**

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**Claim Review File (IV.A.1.c.)**

**iii. Electronic Storage [Text was deleted in this section.]**

The Mortgagee may use electronic storage methods for all required servicing and claim-related documents where retention of a hard copy or original document is not required.

**iv. HUD Requests for Information [Text was deleted in this section.]**

The Mortgagee must make available to HUD electronic copies of identified claim files within 24 hours of a request, or as otherwise requested by HUD. HUD may charge a fee for the review of a Claim Review File that is not provided to HUD when requested.

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**Calculating Interest for Default after SFB-Unemployment or Special Forbearance (IV.A.2.a.i.(C))**

**(3) Required Documentation**

The Mortgagee must **send to HUD** with Part B of form HUD-27011 a copy of the:

- executed SFB-Unemployment Agreement or SFB Agreement;
- and
- the payment history.

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The Mortgagee must retain copies of these documents in the Claim Review File.

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### Submission of Claim Form Parts to HUD for Conveyance Claims (IV.A.2.a.iv)

#### (A) Submission of Part A

##### (1) To HUD

The Mortgagee must submit Part A to HUD headquarters via EDI, FHAC, or FHA Catalyst.

The Mortgagee must submit Part A no later than two business days after the date the deed to HUD is filed for record or mailed to the recording authority.

##### (2) To P260

The Mortgagee must upload into P260:

- a copy of Part A;
- a copy of the deed to the [Secretary of HUD, his successors and assigns](#) (III.A.2.t.iv) filed for record;
- documentation of the [last tax bills paid](#) (III.A.2.t.iii.(B)) to each taxing authority;
- a copy of HUD's letter approving damaged conveyance of the Property under 24 CFR § 203.379(a), if applicable;
- the Mortgagee's certificate that the conditions of 24 CFR § 203.379(b), relating to fire damage, have been met, if applicable; and
- a copy of documentation that will verify that appropriate action was taken to [protect and preserve the Property](#) (IV.A.2.a.ii.(D)).

The Mortgagee must upload these documents no later than two business days after the date the deed to HUD is filed for record or mailed to the recording authority.

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### (B) Submission of Parts B, C, D, and E

#### (1) To HUD

The Mortgagee must submit Part B to HUD headquarters via EDI, FHAC or FHA Catalyst. When submitting via FHA Catalyst the Mortgagee must also submit Parts C, D, and E.

The Mortgagee must submit Part B within the later of:

- 45 Days after the deed was filed for record or mailed to the recording authority; or
- 15 Days after the Title Approval Date in FHAC.

The Mortgagee must retain Parts C, D, and E in the Claim Review File.

#### (2) To P260

The Mortgagee must upload into P260:

- Parts B, C, D, and E; and
- required supporting documentation of amounts claimed.

The Mortgagee must upload into P260 Parts B, C, D, and E within the later of:

- 45 Days after the deed was filed for record or mailed to the recording authority; or
- 15 Days after the Title Approval Date in FHAC.

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### Hawaiian Home Lands Mortgages (Section 247 Mortgages) Claims (IV.A.2.b.i)

#### (C) Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages

The Mortgagee may only file a claim after:

- the Mortgagee has notified the Department of Hawaiian Home Lands (DHHL) of the Borrower's Default by letter by the 90<sup>th</sup> Day of Delinquency;
- the Borrower's Default has remained uncured for 180 Days; and
- the Mortgagee has met all regulatory program requirements, including the face-to-face interview, and required loss mitigation evaluation.

The Mortgagee must submit form HUD-27011 to HUD via EDI, or FHA Catalyst. For EDI submissions, the Mortgagee must submit Parts A and B simultaneously. For FHA Catalyst submissions, the

## Mortgagee Letter 2023-04, Continued

Mortgagee must submit Parts A, B, C, D, and E. The Mortgagee must retain copies of all Parts of the form HUD-27011 in the Claim Review File.

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### **Insured Mortgages on Indian Land (Section 248 Mortgages) Claims (IV.A.2.b.ii)**

#### **(C) Submission of Claim Form Parts for Section 248 Mortgages**

##### **(1) Submission of Claim Form Parts to HUD**

The Mortgagee must submit form HUD-27011 to HUD via EDI or FHA Catalyst. For EDI submissions, the Mortgagee must submit Parts A and B simultaneously. For FHA Catalyst submissions, the Mortgagee must submit Parts A, B, C, D, and E. The Mortgagee must retain copies of all Parts of the form HUD-27011 in the Claim Review File.

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### **Claim Type 05 – Supplemental Claims/Remittances (IV.A.2.c)**

#### **viii. Submission of Supplemental Claim Form Parts to HUD**

The Mortgagee must submit supplemental claims in accordance with HUD guidance pertaining to Claim Type 05 submissions. Mortgagees must submit supplemental claims electronically through the FHA Catalyst Claims Module, (A) or (B).

##### **(A) FHA Catalyst: Claims Module**

The Mortgagee must upload to the Claims Module:

- copies of the original Parts A and B of the supplemental claim;
- copies of Parts C, D, and E of the supplemental claim, if applicable;
- supporting documents; and
- copies of all Parts of the original claim.

##### **(B) Time Frame for Submission of Supplemental Claims**

For supplemental claims involving overpayments identified by the Mortgagee, including its own QC reviews, the Mortgagee may submit a remittance of overpayments and funds received by the Mortgagee at any time.

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For supplemental claims involving recouping additional unpaid principal balance not reimbursed on the original Part A claim, the Mortgagee may submit a claim at any time.

For all other supplemental claims, the Mortgagee must submit supplemental claims no later than six months after the date of final payment, except where noted below.

### **(1) Time Frame for Submission of Hazard Insurance Refund Adjustment**

The Mortgagee may submit a supplemental claim for a hazard insurance refund adjustment under any of the following conditions:

- within six months from the date of final settlement of the original Part B claim; or
- if the Mortgagee received the insurance carrier's notification more than six months from the date of final payment, the Mortgagee must submit the supplemental claim within 24 Days from the date of the insurance carrier's notification and must document in its Claim Review File its efforts in diligently following up with the hazard insurance carrier to confirm any necessary adjustment. HUD will not accept the supplemental claim for a hazard insurance refund adjustment more than one year from the date of final settlement.

### **(2) Time Frame for Submission of Deficiency Judgments Costs**

When HUD has required the Mortgagee to pursue a deficiency Judgment, the Mortgagee must submit one supplemental claim for the additional costs related to the deficiency Judgment within the latter of:

- one year from the date of final settlement of the initial Part B; or
- three months after the deficiency Judgment.

### **(3) Extension to Time Frame for Submission**

If more than one year is needed to request reimbursement for related Housing Insurance Premium (HIP) adjustments or deficiency Judgments, the Mortgagee must request an extension from the MCM. When using an extension based on deficiency Judgments or HIP adjustments, the Mortgagee may

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not include in its supplemental claim other types of costs they may have failed to include in the earlier claim.

The Mortgagee must include with its supplemental claim **an electronic copy** of the MCM's approval (form HUD-50012).

### **(4) HUD Requests for Additional Information**

Supplemental claims previously submitted and returned to the Mortgagee for further information must be received by HUD as soon as possible but no later than 45 Days from the date of HUD's letter and/or request.

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#### **d. Claim Type 06 – Claim Type 06 - Claims Without Conveyance of Title (IV.A.2.d) [Text was deleted in this section.]**

##### **i. Computation of Interest**

##### **ii. Computation of Claim Amount**

##### **iii. Submission of Claim Form Parts to HUD for CWCOT**

The Mortgagee must submit Parts A and B simultaneously no later than 30 Days after:

- the date the Mortgagee acquired good marketable title;
- the date a third party acquired good marketable title;
- the date the Borrower or other party redeemed the Property;
- the date the redemption period expires; or
- such other date as required by the FHA Commissioner.

When filing via EDI, FHA Catalyst, or FHAC, the Mortgagee must submit Parts A and B no later than two Days after the date the form was prepared. When submitting via FHA Catalyst, the Mortgagee must also submit Parts C, D, and E.

In all cases, the Mortgagee must also upload into P260:

- all Parts of form HUD-27011;
- the Closing Disclosure or similar legal document for post-foreclosure sales;
- the appraisal;
- appraisal invoices;
- a worksheet reflecting the Mortgagee's application of the CAFMV based on the adjustment provided in the instructions on FHAC;
- a third-party service fee invoice for auction services; if applicable; and

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- verification of buyers during exclusive sales period, if applicable. A screenshot of the website of HUD-approved Nonprofits or the signed statement from Owner-Occupant Buyers and Governmental Entities is acceptable verification documentation.

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### Reacquisition by HUD and Resubmission of Claim (IV.A.4.c.ii)

#### (C) Resubmission of Claim [Text was deleted in this section.]

Once the MCM accepts the Property for reacquisition, the Mortgagee may reapply for insurance benefits. The Mortgagee must resubmit form HUD 27011, Parts A and B, as applicable, via FHA Catalyst.

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### Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0595; 2502-0600; and 2502-0610. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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### Questions

Any questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALL-FHA (1-800-225-5342), [answers@hud.gov](mailto:answers@hud.gov), or [www.hud.gov/answers](http://www.hud.gov/answers). The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at: <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

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### Signature

Julia R. Gordon  
Assistant Secretary for Housing –  
FHA Commissioner