



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

Instructions for Forward Mortgages (2023 GSE Security Instrument)

The Federal Housing Administration (FHA) is providing the following instructions for the FHA-specific modifications related to the 2021 Government Sponsored Enterprise (GSE) security instruments, which the GSEs are requiring to be used as of 2023 (**2023 GSE Security Instrument**). If utilizing a 2023 GSE Security Instrument, the FHA-specific modifications contained in these instructions must be incorporated by the Mortgagee. For any FHA-specific modification providing specific language to insert, the Mortgagee may use substantially similar language.

With respect to any jurisdiction-specific provisions or future changes to the 2023 GSE Security Instruments that are not currently addressed in the FHA-specific modifications, the Mortgagee must only incorporate such provisions in a manner that remains consistent with all relevant FHA statutes, regulations, and policies. The Mortgagee should make any required conforming revisions (e.g., internal paragraph references) to the 2023 GSE Security Instrument.

When a Rider to the security instrument is required, it is the responsibility of the Mortgagee to insert conforming revisions to ensure that the Rider's references to the security instrument are correct.

Notwithstanding any of the foregoing, the Mortgagee bears ultimate responsibility for ensuring that their security instrument is a valid, enforceable first lien in compliance with all relevant state and federal laws and requirements, including, but not limited to FHA regulations and published requirements. To the extent that any of the following FHA-specific modifications cannot be incorporated into the security instrument consistent with all applicable laws, regulations and FHA requirements, the Mortgagee should contact the Department for further guidance.

FHA-Specific Modifications:

DEFINITIONS:

- Remove the definition of "**Escrow Items**" and replace with the following definition: "**Escrow Items**" means: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums to be paid by Lender to the Secretary or the monthly charge by the Secretary instead of the monthly Mortgage Insurance premiums.
- Revise the definition of "**Loan**" to remove reference to "any prepayment charges".
- With respect to the definition of "**Note**", a Mortgagee's electronic signature technology must comply with all requirements of the ESIGN Act.
- Add the following definition of "**Secretary**": "**Secretary**" means the Secretary of the United States Department of Housing and Urban Development or his designee.

UNIFORM COVENANTS:

- Remove the Section title and first sentence of **Section 1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.** and replace it with the following: “**1. Payment of Principal, Interest, Escrow Items, and Late Charges.** Borrower will pay each Periodic Payment when due. Borrower will also pay any late charges due under the Note, and any other amounts due under this Security Instrument.”

- Remove first paragraph of **Section 2(b). Order of Application of Partial Payments and Periodic Payments.** and replace with the following¹: “**Order of Application of Partial Payments and Periodic Payments.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: First, to the Mortgage Insurance premiums to be paid by Lender to the Secretary or the monthly charge by the Secretary instead of the monthly mortgage insurance premiums; Second, to any taxes, special assessments, leasehold payments or ground rents, and fire, flood and other hazard insurance premiums, as required; Third, to interest due under the Note; Fourth, to amortization of the principal of the Note; and, Fifth, to late charges due under the Note.”

- Remove **Section 6. Occupancy.** and replace with the following: “**Occupancy.** Borrower must occupy, establish, and use the Property as Borrower’s principal residence within 60 days after the execution of this Security Instrument and must continue to occupy the Property as Borrower’s principal residence for at least one year after the date of occupancy, unless: (1) Lender otherwise agrees in writing, which consent will not be unreasonably withheld; (2) Lender determines that this requirement shall cause undue hardship for the Borrower; or (3) extenuating circumstances exist which are beyond Borrower’s control.”

- Add the following as a new third paragraph to **Section 7. Preservation, Maintenance, and Protection of the Property; Inspections.**: “If condemnation proceeds are paid in connection with the taking of the property, Lender shall apply such proceeds to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts, and then to payment of principal. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments or change the amount of such payments.”

- Remove **Section 11. Mortgage Insurance.**

- Delete the following language from **Section 15.(a) Tax and Flood Determination Fees.**: “(i) a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan, and (ii)”

- Add the following as a new second sentence to the first paragraph of **Section 15.(c) Permissibility of Fees.**: “Lender may collect fees and charges authorized by the Secretary.”

- Delete the third sentence from **Section 15.(d) Savings Clause.** and replace it with the following: “If a refund reduces principal, the reduction will be treated as a partial prepayment.”

¹ FHA’s intent with respect to this section is to give effect to FHA’s policies on the application of the periodic payment, or “monthly payment,” as that term is used in the HUD regulations. To the extent that, under relevant state and federal law, the language provided in this FHA-Specific Modification results in ambiguity or conflict, specifically with respect to any other provision of the mortgage or note, and assuming that the note and mortgage are otherwise compliant with FHA regulations and requirements, the Mortgagee may revise this provision as necessary consistent with FHA requirements.

- Delete the first paragraph of **Section 20. Borrower's Right to Reinstate the Loan after Acceleration.** and replace with the following: If Borrower meets certain conditions, Borrower shall have the right to reinstatement of a mortgage². However, Lender is not required to reinstate if: (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two years immediately preceding the commencement of a current foreclosure proceedings; (ii) reinstatement will preclude foreclosure on different grounds in the future, or (iii) reinstatement will adversely affect the priority of the lien created by this Security Instrument. This right to reinstate will not apply in the case of acceleration under Section 19.

- Add as **Section 26: Borrower Not Third-Party Beneficiary to Contract of Insurance.** Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower acknowledges and agrees that the Borrower is not a third party beneficiary to the contract of insurance between the Secretary and Lender, nor is Borrower entitled to enforce any agreement between Lender and the Secretary, unless explicitly authorized to do so by Applicable Law.

² Where other relevant law and regulation would permit more specific language to be included, the mortgagee may adopt such language provided it is not inconsistent with FHA regulations and requirements.