



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

Instructions for Forward Notes (2023 GSE Notes)

The Federal Housing Administration (FHA) is providing the following instructions for the FHA-specific modifications related to the 2021 Government Sponsored Enterprises (GSE) Multistate Fixed-Rate Note (2023 GSE Fixed Rate Note) and Multistate Adjustable-Rate Note (2023 GSE ARM Note), which the GSEs are requiring to be used as of 2023 (2023 GSE Notes). If utilizing 2023 GSE Notes, 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. No FHA-specific modifications have been identified with respect to the 2023 GSE Fixed Rate Note.

With respect to any jurisdiction-specific provisions or future changes to the 2023 GSE Security Notes 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 Notes.

Notwithstanding any of the foregoing, the Mortgagee bears ultimate responsibility for ensuring that their notes comply 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 note consistent with all applicable laws, regulations and FHA requirements, the Mortgagee should contact the Department for further guidance.

2023 GSE ARM Note FHA-Specific Modifications include:¹

- Remove the first paragraph of **Section 4.(B) The Index** and replace it with the following:
“(B) The Index
Beginning with the first Change Date, my interest rate will be based on an Index that is calculated and provided to the general public by an administrator (the “Administrator”). The “Index” is [_____ *Insert an Index permitted by the version of 24 CFR 203.49 in effect as of the date of execution of this note*]. The Index is currently published by the [_____ *Insert the publisher for the Index included above*]. The most recent Index value available as of the date 45 days before each Change Date is called the “Current Index”.”
- Remove “6th month” in the first sentence of **Section 4.(A) Change Dates** and replace it with “12th month”.
- Delete the second sentence of **Section 4.(C) Calculation of Changes**, providing that: “The Margin may change if the Index is replaced by the Note Holder in accordance with Section 4(G)(2) below.”

¹ FHA has provided certain instructions on the face of the FHA Model ARM but is offering the following information to assist Mortgagees in identifying which modifications in the FHA Model ARM are FHA-Specific Modifications.

- Remove **Section 4.(D) Limits on Interest Rate Changes** and replace it with the following²:
“(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than _____% or less than _____%. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than one percentage point (1.0%) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than [__percentage points (__%) - insert applicable magnitude of change in accordance with 24 CFR 203.49] higher or lower than the initial interest rate stated in Paragraph 2 of this Note.”

- Remove **Section 4.(G) Replacement Index and Replacement Margin and replace it with the following:**
“(G) Replacement Index

The Index is deemed to be no longer available and will be replaced if any of the following events (each, a “Replacement Event”) occur: (i) the Administrator has permanently or indefinitely stopped providing the Index to the general public; (ii) the Administrator or its regulator issues an official public statement that the Index is no longer reliable or representative; or (iii) the U.S. Department of Housing and Urban Development (HUD) removes the Index as an approved index for adjustable rate forward mortgages. If a Replacement Event occurs, the Lender will select a new index (the “Replacement Index”), which must be one of the indices approved by HUD at the time of a Replacement Event. The Replacement Index, if any, will be operative immediately upon a Replacement Event and will be used to determine the Borrower’s interest rate on Change Dates that are more than 25 days after a Replacement Event. The Index could be replaced more than once during the term of the Note, but only if another Replacement Event occurs. After a Replacement Event, all references to the “Index” shall be deemed to be references to the “Replacement Index”.

The Lender will also give the Borrower notice of the Replacement Index, if any, and such other information required by applicable law and regulation.”

2023 GSE Fixed-Rate Note FHA-Specific Modifications:

None.

² The numeric terms provided in Section 4(D) may be revised, as needed, provided that the revisions are consistent with FHA regulations, statutes, and requirements.