U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

January 12, 2011

MORTGAGEE LETTER 2011-06

TO: **ALL APPROVED MORTGAGEES**

SUBJECT: Claim Process for FHA Refinances of Borrowers in Negative Equity Positions (ADP Codes 821, 822, 831, or 832)

Mortgagee Letter (ML) 2010-23, issued on August 6, 2010, provides guidance for the enhancements to FHA's refinance program in order to support borrowers who owe more than the current value of their home. Included in the enhancements is Emergency Economic Stabilization Act (EESA) funding through the Department of the Treasury (Treasury) for partial payment of the Unpaid Principal Balance (UPB), claimed on Form HUD-27011, Single Family Application for Insurance Benefits, Part A, type 01/Conveyance Claim. Additional guidance regarding claim filing requirements for loans endorsed under the subject ADP Codes is provided in this ML.

In the event of default, a mortgagee may file a type 01/Conveyance Claim for Insurance Benefits. Due to the EESA funding feature of the FHA Short Refinance, both FHA and Treasury, through its claims processor, Wells Fargo, are responsible for payment. FHA will pay its portion of the UPB claimed on Part A of the conveyance claim, and direct the mortgagee to request the remainder from Treasury's claims processor. FHA is responsible for full payment of Part B Expenses related to the conveyance.

Mortgagees will file claims with FHA in accordance with 24 CFR 203.55 through 24 CFR 203.681. Claims may be filed as a paper claim or electronically via Electronic Data Interchange (EDI) or FHA Connection. FHA will review claims and authorize payment for its portion of the UPB for claims found to be eligible for payment. Included in FHA's payment will be debenture interest based on the total amount of the UPB. Furthermore, FHA will pay all allowable Part B Expenses when claimed by the mortgagee. These requirements do not apply to other claim types, including home retention loss mitigation claims.

Mortgagees must contact the Claims Processor at ctsclaimsprocessor@wellsfargo.com to register and submit claims for the EESA portion. The Claims Processor will provide a welcome package containing registration instructions and directions for submitting claims. For questions in advance of sending the email, please contact CTSLink Site Support at (240) 586-7700 or (866) 846-4526.

In the event the property is reconveyed to the mortgagee, the mortgagee will be required to repay all claim funds to FHA, including the claim funds paid under EESA.

Mortgagees are reminded of the requirement to evaluate each defaulted mortgage for home retention loss mitigation options according to the priority order established in ML 2009-23, consider all current loss mitigation options, and follow HUD's default reporting requirements.

If you have any questions regarding this Mortgagee Letter, please call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

David H. Stevens
Assistant Secretary for Housing-
Federal Housing Commissioner