



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

September 6, 2011

Mortgagee Letter 2011-33

To: **ALL APPROVED MORTGAGEES**

Subject Mortgage Record Changes and Data Reconciliation

Purpose of this Mortgagee Letter This Mortgagee Letter announces that FHA approved Holders and Servicers are subject to sanctions for failure to report Mortgage Record Changes (MRC) for mortgage sales, transfers and terminations of mortgage insurance. Mortgagees who fail to comply may be subject to referral to the Mortgagee Review Board (MRB) for administrative actions including but not limited to civil money penalties.

Information Collection Requirements Paperwork reduction information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Number 2502-0595. In accordance with the Paperwork Reduction Act, 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.

Relevant Authority 24 CFR § 30.35; § 203.318; § 203.319; § 203.320; § 203.321; § 203.431; § 203.432; § 203.433; § 203.502; § 206.101; § 206.133; § 206.201; HUD Handbook 4330.1 Rev. 5; Mortgagee Letter 2003-17; Mortgagee Letter 2005-42. The requirements outlined in HUD Handbook 4300.1 Rev. 5, Mortgagee Letters 2003-17, and 2005-42 which pertain to reporting sales, transfers and terminations of FHA insured mortgages to FHA remain the same, as well as the requirement for mortgagees to reconcile their portfolios.

Data Integrity and Portfolio Reconciliation Mortgagees have the responsibility to ensure that all accounts in their respective portfolios are properly identified. Corrective action must be taken by the mortgagee when HUD's records do not match their records. HUD will not pay a claim for which the holder and/or servicer name and lender ID on the submitted claim do not agree with the information in HUD's systems. Mortgagees filing such claims may be subject to sanctions for filing false claims.

Sale of Insured Mortgages Pursuant to 24 CFR § 203.431, mortgagees are required to notify HUD when an insured mortgage is sold by one FHA approved mortgagee to another.

Mortgagees are reminded that the buyer and seller shall notify HUD of a sale within 15 calendar days. Furthermore, mortgagees are not relieved of their obligation to pay mortgage insurance premiums until HUD receives timely notification of the mortgage sale.

**Holder and
Servicer
Transfers**

Pursuant to 24 CFR § 203.502(b), when servicing of any insured mortgage is transferred from one mortgagee or servicer to another, the transferee is required to notify HUD within 15 calendar days of the transfer.

**Mortgage
Insurance
Termination**

Pursuant to 24 CFR § 203.318, HUD must be notified of terminated contracts of insurance within 15 calendar days of the termination. Termination of the contract is not recognized until HUD is officially notified.

Pursuant to 24 CFR § 203.319, no contract shall be terminated while the mortgagee is still liable for mortgage insurance premiums. Upon receipt of said premiums, pursuant to 24 CFR § 203.320, HUD shall notify mortgagees that the contract of insurance has been terminated and provide the effective date of termination.

Pursuant to 24 CFR § 203.321, upon termination of the contract of insurance by HUD, the obligation to pay any subsequent periodic mortgage insurance premiums or open-end insurance charges shall cease.

**Failure to
Comply**

Pursuant to 24 CFR § 30.35(a)(9)(iii)(iv), and (v), (10) and (12), the Mortgagee Review Board may impose administrative actions or civil money penalties to those mortgagees that it discovers consistently fail to timely and accurately report Mortgage Record Changes.

Questions

For assistance with portfolio reconciliations, refer to the resources and contact information provided at the following link:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/portrecon.

If you have further questions concerning this Mortgagee Letter, please call HUD's National Servicing Center at 1-877-622-8525. The National Servicing Center can also be contacted via email at: sfdatarequests@hud.gov

Persons with hearing or speech impairments may access the aforementioned number via TTY by calling the Federal Information Relay Service at (800) 877-8339.

Signature

Carole J. Galante

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