To: All Approved Mortgagees  

Subject: Subordination of Partial Claim Liens Associated with Federal Housing Administration (FHA) Streamlined Refinances

Purpose: The purpose of this Mortgagee Letter is to:
- Permit the subordination of Partial Claim liens for FHA Streamlined Refinances; and
- Eliminate consideration of Partial Claim notes from the 125 percent Combined Loan-to-Value (CLTV) ratio calculation for FHA Streamlined Refinances.

Effective Date: Mortgagees must implement this policy no later than 60 days after the issuance date of this Mortgagee Letter.


Partial Claims in FHA Streamline Refinances: FHA will accept subordination of Partial Claim promissory notes, provided that the current lien position for those notes remains the same. Partial Claims do not have to be paid off at the time of a FHA Streamlined Refinance transaction.

Subordination documents are to be sent to HUD’s Secretary-Held Portfolio Servicing Contractor. The contact information for HUD’s loan servicing contractor is available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/fmaddr.

Elimination of Partial Claim Amounts from the CLTV Ratio: Mortgagees should not include any Partial Claim notes in the calculation of a Combined Loan-to-Value (CLTV) ratio for determining FHA Streamlined Refinance eligibility under Handbook 4155.1 3.C.2.f and Mortgagee Letter 2010-36.
Information Collection Requirements

The 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 2502-0589. 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.

Questions

Any questions regarding this Mortgagee Letter may be directed to the HUD National Servicing Center at (877) 622-8525. Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at (800) 877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Carol J. Galante
Assistant Secretary for Housing-Federal Housing Commissioner