



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

July 3, 2014

MORTGAGEE LETTER 2014-13

To **All Approved Mortgagees**

Subject **Voluntary Termination of FHA Mortgage Insurance**

Purpose This Mortgagee Letter requires mortgagees, requesting voluntary termination of FHA mortgage insurance, to obtain a signed Borrower's Consent to Voluntary Termination of FHA Mortgage Insurance from each borrower on the mortgage.

Effective Date Mortgagees are required to comply with the requirements of this Mortgagee Letter no later than October 1, 2014.

Affected Policy The policies set forth in this Mortgagee Letter modify or supersede, where there is conflict, HUD Handbook 4330.1, Section 5-1.B.

Background Pursuant to 24 CFR 203.295, at the request of the borrower and mortgagee, FHA may terminate a mortgage insurance contract. Upon the voluntary termination of FHA insurance, the borrower and mortgagee are only entitled to those rights or benefits available if the insurance contract was terminated as a result of the insured mortgage being paid in full. Also, upon the termination of FHA insurance for any other reason, the mortgage is no longer governed by the FHA insurance program's rules and regulations, including FHA's Loss Mitigation requirements.

Mortgagees will now be required to document that they have obtained the borrowers' informed consent to terminate.

Voluntary Termination Documentation In order to ensure that voluntary terminations of mortgage insurance are processed in accordance with the National Housing Act and HUD regulations, HUD now requires mortgagees requesting such termination to inform borrowers in writing that electing to terminate the mortgage insurance means that the mortgage will no longer be governed by FHA insurance program rules and regulations, including FHA's loss mitigation requirements.

Mortgagees must obtain a signed Borrower's Consent to Voluntary Termination of FHA Mortgage Insurance. The form must be on the mortgagee's letterhead and must include the language in the sample form in Attachment 1. Each borrower on the mortgage must sign the consent form in order for request for voluntary termination to be considered valid by FHA.

Mortgagees must retain copies of the consent form(s) in the servicing file in accordance with HUD's record retention policies.

**Processing
Voluntary
Terminations in
FHA
Connection**

Voluntary terminations for single-family forward mortgages must be requested via FHA Connection. Mortgagees are no longer to use Electronic Data Interchange (EDI), Business-to-Government (B2G), and bulk processes for voluntary terminations.

When completing the Insurance Termination (HUD Form 27050-A) actions in FHA Connection, mortgagees must certify that all borrowers on the mortgage have signed the Borrower's Consent to Voluntary Termination of FHA Mortgage Insurance. The voluntary termination will not be processed unless the mortgagee provides this certification.

**Processing
Voluntary
Terminations in
HERMIT**

Voluntary terminations for Home Equity Conversion Mortgages (HECM) must be requested through the Home Equity Reverse Mortgage Information Technology (HERMIT) System. In addition to completing the termination transaction in HERMIT, mortgagees must note in the system that they have received a signed Borrower's Consent to Voluntary Termination of FHA Mortgage Insurance form from each borrower on the HECM.

**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 2502-0595. 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.

Questions Questions regarding the FHA insurance termination process can be emailed to SystemManagement@hud.gov. Any other questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). 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

Attachment

Attachment 1

Borrower's Consent to Voluntary Termination of FHA Mortgage Insurance

Mortgagee: _____

FHA Case Number: _____

Borrower's Name: _____

Property Address: _____

I/We, _____, as borrower(s), and Mortgagee are electing to voluntarily terminate the FHA insurance contract associated with my/our mortgage in accordance with Section 229 of the National Housing Act (*12 USC 1715(t)*) (*Act*).

I/We understand that upon the termination of FHA insurance, I/we, as borrower(s), and Mortgagee will be entitled only to those rights or benefits available if the insurance contract had terminated as a result of payment in full of the insured loan or mortgage.

I/We further understand that upon execution of this request, the Mortgagee may submit the Insurance Termination form (HUD Form 27050-A) to HUD and as of the termination date set forth on the Insurance Termination form the mortgage will no longer be governed by FHA insurance program rules and regulations, including FHA's loss mitigation requirements set forth in 24 CFR 203.501, and will no longer be subject to the collection of mortgage insurance premiums.

I/We certify that I/we have read and understand the foregoing and hereby consent to terminate the FHA insurance contract associated my/our mortgage.

Borrower(s):

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____

Printed Name: _____

Date: _____

Signature: _____