CHAPTER 5. POLICY STATEMENTS CONCERNING CHANGES IN JURISDICTIONAL BOUNDARIES OF MORTGAGE INSURANCE OPERATIONS

5-1. PURPOSE. This chapter furnishes instructions to be followed in mortgage insurance operations when there are changes in the jurisdictional boundaries of field offices.

5-2. GENERAL. When notice is received of changes in jurisdictional boundaries, the office losing and the office gaining the territory will coordinate the transfer of files, applications and reports so as to prevent confusion and delay in mortgage insurance operations. Mortgagors, builders, real estate companies, and others doing business with HUD-FHA in the area must be notified by both field offices by circular letter of the change in jurisdictional boundaries. The circular letter should furnish instructions on the mortgage insurance operations affected by the change.

5-3. ASSIGNING FHA CASE OR PROJECT NUMBER. All applications for mortgage insurance on properties in an area which is being transferred to another office, that are received four days or less before the effective date of the change in jurisdictional boundaries, are to be withheld from processing and forwarded to the office which will take over the responsibility for the area. The losing office will notify the mortgagee that the application has been forwarded to the office gaining the territory. The FHA case or project number will be assigned to the application by the gaining office.

5-4. HOME MORTGAGE OUTSTANDING COMMITMENTS AND APPLICATIONS IN PROCESS. FHA case numbers on home mortgage cases in the area being transferred will not be changed. All case binders on properties in the area, including all expired cases for which the case binders have not been destroyed, conditional and firm commitments, subdivision files, Cost Handbooks, and Mortgage Credit files are to be forwarded to the gaining office for subsequent processing actions. All applications in the processing stream on the effective date of the change are to be processed by the losing office through the present stage of processing. The case binder will then be forwarded to the gaining office. The gaining office will accept the previous processing determinations made by the losing office. The case binder will include the
unused OCR Forms for use by the gaining office in reporting subsequent ADP actions. The losing office will record the FHA case number and date of transfer of all case binders on Form FHA 2089d, Record of Home Mortgage Applications Received and Processed.

a. Notification of Transfer. The losing office will notify the mortgagee in writing that the case file has been transferred and will furnish the Director, Mortgage Insurance Accounting, Attention: Billing Control Branch, by memorandum a list of the FHA case numbers for cases transferred, the office to which transferred and the date of transfer.

b. FHA Forms 2089d and 1702. The gaining office will record the transferred cases on FHA Form 2089d, Record of Home Mortgage Applications Received and Processed. As OCR Forms are completed for processing actions for transferred cases, they must be grouped and submitted to Washington with a separate FHA Form 1702, ADP Card Transmittal Notice.

5-5. PROJECT MORTGAGE APPLICATIONS. Project mortgage insurance applications on properties located in the transferred area which are in process on the effective date of the change will be processed by the losing office through the present stage of processing (e.g., feasibility, conditional commitment, firm commitment, initial endorsement, or final endorsement). The entire project case file together with all related data files is then to be forwarded to the gaining office for subsequent processing. Projects which are under construction will remain under the jurisdiction of the losing office until completion of construction and final endorsement. In the absence of error concerning a material fact, the gaining office will accept the previous processing determinations made by the losing office.

The losing office will record the date of transfer and the office to which the case is transferred on FHA Form 2404, Multifamily Housing Status Record Card. The gaining office will establish a new FHA Form 2404 for each project transferred.

a. Notification of Transfer. The losing office is to notify the mortgagee in writing that the project case file has been transferred and is to furnish the Director, Mortgage Insurance Accounting, Attention: Billing Control Branch, by memorandum a list of the FHA Project numbers for projects
transferred, the office to which transferred and the date of transfer.

b. Changing the Project Number. Upon receipt of the project file, the gaining office will assign a new project number and enter it on all documents in the case file. The mortgagee will be notified in writing of the change and will be requested to change the project number on all records established for the case.

(1) Immediately upon assigning the new project number, the gaining office will provide the Director, Mortgage Insurance Accounting, Attention: Receipts Control Branch, with a "no money" official receipt showing the new project number in the panel headed "FHA case or project number" and the old project number in the panel headed "Old Case No."

(2) The name of the office from which the project was transferred will be entered in the panel headed "Type of Transaction," e.g., "Transfer from Topeka, Kansas."

(3) If a change in project number involves a rent supplement project on which a rent supplement contract has been executed, the gaining office will prepare a separate memorandum giving the project number being cancelled and the new number assigned and forward it to the Director, General and Program Accounting, Attention: Diversified Payments and Receipts Division.

5-6. SUBSIDIZED MORTGAGE INSURANCE PROGRAMS. All contract authority for transferred cases, either preliminary reservations or firm obligations of contract authority, will be transferred to the gaining office. This applies to all subsidized programs for both home mortgage and project mortgage cases.

a. Notification to Multifamily Underwriting Division. For transferred cases, on which preliminary reservations or firm obligations of contract authority are outstanding, the losing office must provide the Director, Multifamily Underwriting Division with a memorandum, giving the case or project number,
The number of units and the amount of contract authority must be identified to indicate whether it is a regular or special purpose contract allocation.

b. Contract Authority Adjustments. The losing office will notify the Director, Multifamily Underwriting Division, who will make the required allocation adjustments in contract authority between the losing and gaining offices. The contract authority adjustment between the offices is to be carefully coordinated to assure that all required changes in contract authority are recorded on the fiscal records and reports of both offices in the same month.

5-7. TRANSFER OF CONTRACT AUTHORITY. As indicated in paragraph 5-6.b. above, contract authority adjustments for transferred cases are to be recorded in the fiscal records and reports of the losing and gaining offices in the same month. Under no circumstances can the adjustment be recorded by either office until the allocation notice has been received from the Director, Multifamily Underwriting Division. The following entries are to be made on fiscal records and reports maintained by the losing and gaining offices to report adjustments for contract authority amounts reserved or obligated under Sections 235, 236 and the rent supplement programs for transferred cases on which contract authority has been reserved or obligated.

a. Entries Required by the Losing Office for Section 235 Transferred Cases - Preliminary Reservations. Outstanding preliminary reservations for Section 235 transferred cases are to be recorded by the losing office as a cancellation of a preliminary reservation on the following FHA fiscal records and reports:

(1) FHA Form 3123, Record of Section 235(i) Preliminary Reservations.

(2) FHA Form 3127, Report of Contract Authority obligated.

(3) FHA Form 3138, Status of Reservations and Obligations.
b. Entries Required by Gaining Office. The gaining office is to record the preliminary reservations for the transferred cases on the following fiscal records and reports:

(1) A separate record is to be established on FHA Form 3123 for preliminary reservations for transferred Section 235 cases.

(2) Entries are to be made on FHA Form 3127 for the preliminary reservations for transferred cases since they are being reported as cancellations in the monthly activity for the losing office.

(3) The total number of units and total amount of preliminary reservations transferred are to be entered by the gaining office on Line (5) of FHA Form 3138.

c. Entries Required by the Losing Office for Section 235 Transferred Cases - Firm Obligations. Outstanding firm obligations for Section 235 transferred cases are to be recorded by the losing office as a cancellation of a firm obligation on the following FHA fiscal records and reports:

(1) FHA Form 3124, Record of Contract Authority Obligated for Assistance Payments Under Section 235(b).

(2) FHA Form 3127, Report of Contract Authority Obligated.

(3) FHA Form 3138, Status of Reservations and Obligations.

d. Entries Required by Gaining Office. The gaining office is to record the firm obligations for the transferred cases on the following fiscal records and reports:

(1) A separate record is to be established on FHA Form 3124 for firm obligations for transferred Section 235 cases.

(2) Entries are to be made on FHA Form 3127 for the firm obligations for transferred cases since they are being reported as cancellations in the monthly activity for the losing office.
(3) The total number of units and total amount of firm obligations transferred are to be entered by the gaining office on Line (1) of FHA Form 3138.

e. Entries Required by the Losing Office for Sections 235(j) or 236 Transferred Cases - Preliminary Reservations. Outstanding preliminary reservations for Section 235(j) or 236 transferred cases are to be recorded by the losing office as a cancellation of a preliminary reservation on the following FHA fiscal records and reports:

f. Entries Required by Gaining Office. The gaining office is to record the preliminary reservations for the transferred cases on the following fiscal records and reports:

(1) A separate record is to be established on FHA Form 3125 for preliminary reservations for transferred 235(j) or 236 cases.

(2) Entries are to be made on FHA Form 3127 for the preliminary reservations for transferred cases since they are being reported as cancellations in the monthly activity for the losing office.

(3) The total number of units and total amount of preliminary reservations transferred are to be entered by the gaining office on Line (5) of FHA Form 3138.

g. Entries Required by the Losing Office for Sections 235(j) or 236 Transferred cases -- Obligations. Outstanding firm obligations for Sections 235(j) or 236 transferred cases are to be recorded by the losing office as a cancellation of a firm
obligation on the following HUD-FHA fiscal records and reports:

(1) FHA Form 3125, Record of Contract Authority, Reserved Obligated for Assistance Payments or Interests Reduction Payments Under Section 235(j) or Section 236.

(2) FHA Form 3127, Report of Contract Authority Obligated.

(3) FHA Form 3138, Status of Reservation; and Obligations.

h. Entries Required by Gaining Office. The gaining office is to record the firm obligations for the transferred cases on the following fiscal records and reports:

(1) A separate record is to be established on FHA Form 3125 for firm obligations for transferred Sections 235(j) or 236 cases.

(2) Entries are to be made on FHA Form 3127 for the firm obligations for transferred cases since they are being reported as cancellations in the monthly activity for the losing office.

(3) The total number of units and total amount of firm obligations transferred are to be entered by the gaining office on Line (10) of FHA Form 3138.

i. Entries Required by the Losing Office for Transferred Rent Supplement Projects - Original Reservations. Outstanding original reservations for transferred rent supplement projects are to be recorded by the losing office as an outright cancellation of an original reservation on the following FHA forms:

(1) A separate record is to be established on FHA Form 2591, Record of Rent Supplement Reservations, for original reservations for transferred rent supplement projects.

(2) Entries are to be made on FHA Form 2593, Report of Rent Supplement Reservations and Obligations, for the original reservations for transferred cases since they are
being reported as cancellations in the monthly activity for the losing office.

(3) The total number of rent supplement projects, units and dollar amount of original reservations transferred are to be entered by the gaining office on the appropriate line of FHA Form 2595, Status of Rent Supplement Reservations and Obligations.

(5–7) j. Entries Required by Gaining Office. The gaining office is to record the original reservations for the transferred rent supplement projects on the following forms:

(1) A separate record is to be established on FHA Form 2591 for original reservations for transferred rent supplement projects.

(2) Entries are to be made on FHA Form 2593 for the original reservations for transferred cases since they are being reported as cancellations in the monthly activity for the losing office.

(3) The total number of rent supplement projects, units and dollar amount of original reservations transferred are to be entered by the gaining office on the appropriate line of FM Form 2595.

k. Entries Required by the Losing Office for Transferred Rent Supplement Projects - Firm Obligations. Outstanding firm obligations for transferred rent supplement projects are to be recorded by the losing office as a cancellation of a firm obligation on the following FM form:

(1) For transfers of firm obligations, the losing office will type or print in the space between items (11) and (12) on FHA Form 2595: "LESS: TRANSFERS TO (NAME OF OFFICE)." Appropriate entries are then to be made for the transfers.

(2) The losing office is to prepare and attach to the Form 2595 submitted to the Director, General and Program Accounting, a memorandum setting forth the following
information for each such contract cancelled on its records and transferred: project number, number of units, contract amount cancelled and date of transfer.

1. Entries Required by Gaining Office. The gaining office is to record the firm obligations for the transferred rent supplement projects on the following fiscal records and reports.

(1) A separate record is to be established on FHA Form 2592 for firm obligations transferred for rent supplement projects.

(2) No entries are to be made on FHA Form 2593 for firm obligations for transferred rent supplement projects.

(3) For transfers of firm obligations, the gaining office will type or print in the space between Lines (11) and (12) on Form 2595: "ADD: TRANSFERS FROM (NAME OF OFFICE)." The total number of projects, units and dollar amount of firm obligations transferred are to be entered between Lines (11) and (12) of FHA Form 2595.

5-8. PENDING ACTIONS. Other pending actions such as construction complaints, compliance matters, Congressional or public correspondence, etc., should be forwarded to the gaining office as soon as practicable. It is not necessary to wait until the action is finally resolved. The files on such actions must be fully documented.

It there are any questions concerning these instructions, please telephone the following offices:

Fiscal - Office of Finance and Accounting, Systems and Procedures Staff

All Other - Office of Field Support