

CHAPTER 6. CLOSING AND ENDORSEMENT

6-1 PURPOSE. This chapter outlines the procedures for closing and submitting a loan for endorsement. The procedures for the local HUD office to follow in endorsing a loan are also explained. Refer to HUD Handbook 4165.1 for further standard closing and endorsement procedures.

6-2 GENERAL INSTRUCTIONS. HUD will not provide mortgages and notes for use with the HECM program. Mortgagees MUST use the model mortgage forms (Appendices 1 and 4), and the model note forms (Appendices 2, 3, 5, and 6), and the accompanying instructions and footnotes, with only such adaptation as may be necessary to conform to State or local requirements. Using the model mortgage and forms provided, a lender must develop or procure mortgages and notes which comply in form and substance with both this chapter and all applicable State and local requirements for a recordable and enforceable mortgage and an enforceable note. This chapter incorporates all previous mortgagee letters concerning mortgage and note forms. It may be modified by subsequent mortgagee letters. A lender must be careful to comply with the most recent instructions.

A. This chapter does not supersede HUD regulations. It supersedes anything contained in other HUD administrative issuances, such as handbooks, notices or mortgagee letters, that prescribes the form and content of a mortgage or note, and conflicts directly with these requirements. Some of the mortgage or note language required or permitted by this chapter may result in a borrower granting broad rights to a lender while the exercise of those rights is limited by HUD regulations or administrative issuances. These requirements do not supersede any such limitations on borrowers, and a borrower's rights under the mortgage and note may be exercised only in a manner consistent with all relevant HUD requirements.

6-1

4235.1 REV-1

(6-2)

B. Lenders should not seek advance approval of forms from either HUD Headquarters or local HUD offices. Lenders are responsible for determining that the mortgage and note comply with all requirements. However, questions regarding the appropriate interpretation of Sections 6-2, 6-3, 6-4, and 6-6 may be directed to:

Department of Housing and Urban Development

Assistant General Counsel for Home Mortgages
Room 9258
451 7th Street, S.W.
Washington, DC 20410

Any requests for changes to the requirements of this chapter should be directed to the same address. HUD does not expect to grant case-by-case exceptions.

C.The term "mortgage" as used in this chapter includes any form of security instrument commonly used in a jurisdiction in connection with loans secured by residential property, such as a deed of trust or security deed. The term "note" as used in this chapter includes any form of credit instrument commonly used in a jurisdiction to evidence such loans.

D.HUD does not require that a rider be attached to a mortgage for an adjustable rate HECM. In most States, there is no clear need to record an extra rider to explain the adjustable rate features of the mortgage. The description of the note that is given on the first page of the model mortgage forms should be a sufficient description of the debt for recordation purposes, so lenders should use the model mortgage forms with no special adaptation for adjustable rate loans, if such mortgages would be fully enforceable under State or local law. However, HUD does allow the lender to add language to reflect the adjustable rate nature of the mortgage, if necessary to comply with State or local law. One or more of the following adaptations may be made to the form:

1)Change the title to "Adjustable Rate Home Equity Conversion Mortgage."

2)Change the first use of the word "note" to "adjustable rate note."

6-2

4235.1 REV-1

(6-2D.)

3)Change the first use of the word "interest" on the first page to "interest at a rate subject to adjustment (interest)."

4)Add additional language, either to Paragraph 1, or as an additional numbered paragraph at the end of the mortgage, which references, describes or summarizes the adjustable rate feature of the note to the extent required by the lender, or by State or local law.

6-3FORMAT. A mortgage, note, and loan agreement may include the lender's business name and/or logotype at the top of the form. Although layout

and format are within the discretion of lenders where not specified in this chapter; size, style, typeface and print should be similar to the mortgages and notes approved by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (FHLMC). The Department recommends that lenders include the last revision date on each form in order to clarify the versions being distributed.

6-4STATE LAWS. The mortgage instructions and the note footnotes in Appendices 1-6 identify a number of specific adaptations of the model forms that are needed to comply with State laws. Other State laws may require further adaptation. Lenders aware of such laws should bring them to the Department's attention so that the requirements may be updated or the local HUD office may issue a Circular Letter reflecting additional State law requirements. The validity and enforceability of the mortgage and note will depend on compliance with State law even if such law is not reflected in this handbook. For this reason, HUD emphasizes the need for a lender to use mortgages and notes that are in compliance with State law.

6-5LOCAL HUD OFFICE AUTHORITY. Local HUD offices have authority to impose additional requirements regarding mortgage and note provisions for consistency with State laws appropriate to their jurisdictions, and to advise lenders of any such requirements through a Circular Letter.

6-6PREPARATION OF SECURITY INSTRUMENTS. The lender must prepare the following legal instruments (see appendices at the end of this Handbook for mandatory model forms), as needed for a particular case:

6-3

4235.1 REV-1

(6-6)

A.Mortgage and note. The lender must provide a copy of the first mortgage and the appropriate first note (fixed or adjustable rate) for review by the borrower during the application process (see Paragraph 4-7), but not later than when the borrower signs the URLA.

B.Second mortgage and note. The lender must complete a second mortgage and second note (fixed or adjustable rate) to secure any payments made by HUD to the borrower. A copy of the second mortgage and second note need not be provided for review by the borrower during the application process, however, their relationship to the first mortgage and first note should be fully explained. The second mortgage and second note secure any mortgage payments which might be made by HUD to the borrower in the event that the lender fails to make the payments under the loan Agreement.

HUD policy does not require a maximum mortgage amount to be stated in the mortgage. Where State law requires the mortgage to reflect a maximum mortgage amount, the lender must use an amount that is equal to 150% of the maximum claim amount. This amount is required because the loan payments are secured not only by the current value of the house but also by any possible appreciation in value. This amount is intended to protect the borrower in the later years of the mortgage. When a maximum mortgage amount is stated in the mortgage, the lender is not secured for payments to the borrower beyond the stated amount. If the mortgage balance reaches the maximum mortgage amount, payments to the borrower would cease or the borrower would have to try to extend the mortgage which may not be possible if the property value has declined or if other liens were placed on the property. Both of these risks are greatly reduced when the maximum mortgage amount is a higher amount.

6-4

4235.1 REV-1

(6-6)

C.Loan Agreement. A copy of the Loan Agreement (Appendix 7) must be provided for review by the borrower during the application process. Three copies of the Loan Agreement must be executed at closing by the borrower and the lender. The copies of the agreement will be signed by HUD when the mortgage is endorsed for insurance. This agreement outlines the process of disbursing the mortgage proceeds, the obligations and rights of the lender, and the rights and limitations on the borrower. A Repair Rider (Appendix 8), containing provisions covering the completion of any required repairs, must accompany the agreement, if applicable.

D.Shared Appreciation Rider and Allonge. If the mortgage provides for shared appreciation, the lender must use the Shared Appreciation Rider (Appendix 11) and the Shared Appreciation Allonge (Appendix 12).

E.Condominium or Planned Unit Development (PUD). If the mortgage to be insured is on a condominium or a home in a PUD, the appropriate mortgage rider must be used (Appendices 9 and 10, respectively).

The lender is advised to seek counsel's opinions to assure that State law has been considered, and that any necessary changes to the model instruments are made. The model instruments may require modification to comply with State laws.

6-7BORROWERS LACKING LEGAL COMPETENCY. Power of attorney (durable or otherwise) may be used for closing documents. Any power of attorney must comply with State law and allow for the Note to be legally

enforced in that jurisdiction (see Paragraph 4-6).

6-8 LOAN CLOSING DATE. The Loan Closing Date for all HECMs is defined as the date on which the borrower SIGNS the Note. THIS DATE MUST APPEAR, AND BE IDENTIFIED, AS THE "LOAN CLOSING DATE" IN BLOCK I. ON PAGE 1 OF THE FORM HUD-1 SETTLEMENT STATEMENT.

A. Regulation Z (12 CFR 226.15) provides the borrower with a right of rescission for three business days after loan closing. Lenders are prohibited from charging interest on funds held available for the borrower during the three day rescission period. Interest must begin to accrue on the day after the disbursement is made.

6-5

4235.1 REV-1

(6-8)

B. In order to ensure an accurate accounting of interest accrual, the DISBURSEMENT DATE (the date on which the lender relinquishes control of the funds) MUST ALSO APPEAR, AND BE IDENTIFIED AS, THE "DISBURSEMENT DATE" IN BLOCK I. ON PAGE 1 OF THE FORM HUD-1 SETTLEMENT STATEMENT.

For example, if (1) the borrower signs the Note on August 5, 1993, (2) the rescission period expires on August 9, 1993, (3) disbursement of funds takes place on August 10, 1993, and (4) interest begins to accrue on August 11, 1993, the following information should appear in BLOCK I. of the FORM HUD-1 for ALL HECM LOANS:

I. SETTLEMENT DATE:

LOAN CLOSING DATE	AUGUST 5, 1993
DISBURSEMENT DATE	AUGUST 10, 1993

6-6

4235.1 REV-1

(6-8)

C. Since lenders must use the appropriate indices in effect on the

date of loan closing when setting the mortgage interest rate and the expected average mortgage interest rate for adjustable rate HECM loans, lenders originating HECMs in escrow closing states must arrange to have the borrower sign the Note while the same interest rates are in effect as when the mortgage documents are drawn.

D. Weekly average yields are published in the Federal Reserve Bulletin and are made available by the Federal Reserve Board in Statistical Release H.15(519). This Release is published weekly on Monday, or on Tuesday if Monday is a Federal holiday, and the index shown on that release is effective the day it is issued until the H.15(519) is issued the next week. Statistical Release H.15(519) is often not released until mid- or late-afternoon on Monday. Consequently, lenders closing HECM loans on Monday should use the index from the Statistical Release issued the previous Monday (one week earlier), and lenders closing HECM loans on Tuesday should use the index from the Statistical Release issued the day before closing.

E. For purposes of MIP remittance (see Chapter 7) to Computer Data Systems, Inc. (CDSI), lenders must use the "LOAN CLOSING DATE" from BLOCK I. of the FORM HUD-1 to complete the CDSI "CLOSE DATE" field, and must continue to use the "DISBURSEMENT DATE" in the CDSI "FUND DATE" field on the LOAN SET-UP screen.

6-9 REQUIREMENTS FOR CLOSING. At or before closing, the following must be accomplished:

A. During the application process, in order to provide the borrower with an estimate of his or her principal limit and to allow the local HUD office to verify that the correct indices are being used, the lender should use the indices in effect at the time the application is signed. The lender MUST recalculate the principal limit at closing using the indices in effect on the day of closing.

6-7

4235.1 REV-1

(6-9)

B. On the day of closing, the lender must determine the principal limit, expected rate, mortgage interest (accrual) rate, and the margin (if applicable). The expected rate is needed to calculate the principal limit and payment plan for all borrowers, and is also the accrual rate for fixed rate HECMs. The mortgage interest rate is needed to calculate the first year accrual rate for adjustable rate HECMs. The lender MUST use the indices in effect on the date of closing.

For adjustable rate mortgages, HUD does not require that the

lender round either the expected rate or the ARM note rate. Therefore, the lender may round both rates, only one rate, or none of the rates. However if the lender chooses to round either rate, the rate must be rounded to the nearest one-eighth (1/8) of a percentage point (i.e. the nearest 1/8th either up or down) and must be rounded throughout the life of the loan. Whether or not a lender decides to round the rates may depend on the preference of the secondary market investor. Lenders should check with their investors to determine if rounding will be required. If the mortgage interest rate is rounded, the lender should refer to the footnotes of Appendices 3 and 6 for instructions on appropriate changes to the First and Second Adjustable Rate Notes.

C.The ten-year Treasury rate is the index which must be used to establish the expected rate, and the one-year Treasury rate is the index which must be used to establish the mortgage interest (accrual) rate for adjustable rate HECMs. Both indices are published in the Federal Reserve Bulletin and are made available by the Federal Reserve Board in Statistical Release H.15(519). This is a national index, which can be obtained from the Federal Reserve Board, by requesting to be placed on the mailing list for receipt of the weekly H.15 publication. The address is:

Publications Services
Mail Stop 138
Board of Governors
Federal Reserve System
Washington, DC 20551

6-8

4235.1 REV-1

(6-9)

D.If the mortgage interest rate (or the index for ARMs) has increased by more than one percent or the margin has increased at all since the Firm Commitment was issued, the commitment must be reprocessed before the loan can close. The lender is also required to provide the borrower with a new ARM Disclosure Statement indicating the new rate.

E.On ARMs, the lender must use the one-year Treasury rate (to establish the initial mortgage interest rate) and the ten-year Treasury rate (to establish the expected rate) from the same day.

F.The borrower must choose his or her initial payment plan, which identifies the method by which he or she wishes to receive the mortgage proceeds.

1)The lender should encourage the borrower to establish a line of credit along with monthly payments, if he or she has not

done so, to avoid incurring unnecessary costs and inconvenience when unexpected expenses occur.

2)At closing, the borrower will receive the payment plan (Appendix 13) that he or she has selected.

3)The borrower must sign the plan, indicating that he or she has chosen the options contained on the plan.

4)Whenever the borrower changes a payment option or has his or her payments recalculated, the borrower will receive a payment plan, and will be required to sign the plan.

G.The lender must prepare the HUD-1 Settlement Statement (or other similar statement approved by HUD) at least one business day before closing. The borrower must be allowed to inspect the statement one business day before closing. As part of HUD's ongoing effort to strengthen quality control procedures, HECM lenders are required to obtain certifications to the HUD-1 Settlement Statement from the borrower(s) and settlement agent. The borrower(s) and settlement agent in a HECM transaction must sign the applicable certifications below, which must be printed at the bottom of the HUD-1, or attached to the HUD-1 as an addendum:

6-9

4235.1 REV-1

I have carefully reviewed the HUD-1 Settlement Statement, and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

_____	_____
_____	_____
Borrower(s)	Date

To the best of my knowledge, the HUD-1 Settlement Statement which I have prepared is a true and accurate account of the funds which were received, and have been or will be disbursed, by the undersigned as part of the settlement of this transaction.

_____	_____
Settlement Agent	Date

WARNING: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a

fine and imprisonment. For details see Title 18 U.S. Code Section 1001 and Section 1010.

6-10 POST-CLOSING RESPONSIBILITIES. After closing, the lender must:

A. Record the first and second mortgages.

1) The lender is responsible for ensuring that the first and second mortgages are the first and second liens of record, and that other liens do not intervene between the first and second mortgage.

2) The second mortgage is not subject to any State or local recording taxes, or stamp taxes, because the second mortgage is a mortgage to the Federal Government. Taxation of the property of the Federal government violates the supremacy clause of the U.S. Constitution.

6-10

4235.1 REV-1

(6-10A.)

However, fees are distinguished from taxes. Recording fees, which are a charge for a service, may be imposed by the local recording office. Customary and reasonable fees to record the second mortgage may be collected from the borrower by the mortgagee.

B. Submit the original second mortgage, along with any riders, to the local HUD office after recording. The lender should submit the original second mortgage to HUD with the closing package if recording has been completed by that time. Otherwise, the lender should submit the document to HUD immediately after recording. If local recording office will be submitting the second mortgage, they should be fully instructed with respect to the correct address for the appropriate local HUD office to which the second mortgage should be sent.

6-11 REQUIRED DOCUMENTS FOR ENDORSEMENT. The following documents must be submitted by the lender to the local HUD Office for endorsement:

A. Mortgagee's Certification. To facilitate endorsement, the lender must certify that the mortgage has been closed in accordance with all HUD requirements. The following closing certification must be executed (signature, title, and date) by an officer or authorized signatory of the company:

"We (name of company), Mortgagee at the time of closing of this mortgage loan, certify that we have reviewed the outstanding commitments, legal instruments, closing

statements and other documents of mortgage loan closing. Our review indicates that the mortgage loan has been closed in accordance with the statutory and regulatory requirements of the National Housing Act and HUD and that the terms of the outstanding commitments have been satisfied to the best of our knowledge and belief"

B.Certified true copy of the signed first mortgage and first note. The lender must ensure the accuracy of the information on the instruments and that they were completed as prescribed by Appendices 1, and 2 or 3, along with appropriate allonges and riders.

6-11

4235.1 REV-1

(6-11)

C.Original or certified true copy of the signed second mortgage and original second note to be held by HUD. The lender must ensure the accuracy of the information on the instruments and that they were completed as prescribed by Appendices 4, and 5 or 6, along with appropriate allonges and riders.

D.Original Loan Agreements. Three original Loan Agreements (Appendix 7) signed by the borrower and the lender must be included. The authority to sign the Loan Agreement has been delegated to the Director of the Single Family Housing Division of a local HUD office. They may, in turn, re-delegate this authority to subordinate employees of the Department.

E.Copy of the Borrower's Initial Payment Plan. The lender must submit a copy of the borrower's initial payment plan signed by the borrower (Appendix 13).

F.MIP Statement of Account (SOA). The lender must submit the SOA to confirm payment of the MIP.

G.HUD-1 Settlement Statement. A HUD-1 Settlement Statement, or other similar statement approved by HUD, and the Addendum to the HUD-1 containing borrower and settlement agent certifications must be completed at closing, and copies of these documents must be submitted. For appropriate HUD-1 Settlement Statement and closing certifications, see Paragraph 69G. above.

H.Evidence of Hazard Insurance Policy. The lender must provide evidence of a hazard insurance policy equal to the value of insurable property improvements at closing, obtained by either the borrower or the lender.

I.Title Insurance Policy. The lender must provide evidence of a title insurance policy at least equal to the maximum claim

amount. The title insurance policy must show that:

1)The borrower owns the property in fee simple or on a leasehold under a renewable lease for not less than 99 years or under a lease having 50 years beyond the youngest borrower's 100th birthday, and

2)That the mortgage will be a first lien of record when recorded.

6-12

4235.1 REV-1

(6-11I.)

Many State laws require that a maximum mortgage amount be stated in the mortgage or deed of trust, and consequently the amount recorded will be equal to 150% of the maximum claim amount, rather than the property value or the maximum mortgage amount under Section 203(b) of the National Housing Act. Notwithstanding this larger amount for the purpose of recordation, the title insurance policy obtained should be equal to the maximum claim amount, NOT 150% of that amount.

In order to avoid incurring unnecessary expenses, lenders must review borrower eligibility requirements (age, Federal credit record, principal residence) before ordering a title insurance commitment to be paid for by the borrower.

J.Choice of Insurance Options. The mortgagee should indicate in writing its choice of the assignment or shared premium insurance options.

K.Copy of the Notice of the Right of Rescission. This notice must be given to the borrower at closing according to Regulation Z requirements (12 CFR 226.15). This notice informs the borrower of his or her right to rescind the contract within three (3) days of loan closing. The notice must be signed and dated by the borrower to indicate receipt date.

M.Proof of Compliance with Conditions on Firm or Conditional Commitments. The lender must submit proof that the borrower has satisfied any conditions which were placed on his or her approval, including proof of payment of any delinquent Federal debts.

6-12REVIEW OF THE CLOSING DOCUMENTS. HUD review of the closing package will comprise the following:

A.Lender's Certification. Verify that the lender's certification meets the requirements as stated in Paragraph 6-11A., above.

B.Certified true copy of the signed first mortgage and first note.

1)Verify that the information on the instruments is accurate and that they include the uniform covenants prescribed by Appendices 1, and 2 or 3.

6-13

4235.1 REV-1

(6-12B.)

2)Verify that the mortgage interest rate is no more than one point higher than the rate disclosed for processing the Firm Commitment (increases of more than one point require reprocessing of the commitment) and that the margin has not increased at all since the Firm Commitment was issued (any increases require reprocessing of the commitment).

3)Verify that appropriate riders and allonges have been included.

C.Original or certified true copy of the signed second mortgage and original second note to be held by HUD. Verify that information in the instruments is accurate and that they were completed in the manner prescribed by Appendices 4 and, 5 or 6. The same riders and allonges accompanying the first mortgage and note must also be included.

D.Original Loan Agreements. Ensure that three Loan Agreements are completed and that they adhere to the sample format in Appendix 7.

E.Copy of the Borrower's Initial Payment Plan.

1)The Mortgage Credit Examiner should review the plan using the HECM software to ensure that the payments were calculated correctly, and that the borrower signed the plan.

2)The examiner must ensure that the expected rate is either equal to the mortgage interest rate (for a fixed rate mortgage) or equal to the ten year Treasury rate plus the margin (if applicable). For an ARM, the examiner must ensure that the one-year Treasury rate and the ten-year Treasury rate were released on the same day, and that the loan closing took place while those rates were in effect.

F.Initial MIP Statement of Account. Verify payment of the initial MIP by the Statement of Account submitted by the lender.

G.HUD-1 Settlement Statement. Review the HUD-1, or other similar statement approved by HUD, to ensure that all charges are allowable.

6-14

4235.1 REV-1

(6-12)

H.Evidence of Hazard Insurance Policy. Verify evidence of a hazard insurance policy equal to the value of insurable property improvements.

I.Evidence of Title Insurance Policy. Verify evidence of a title insurance policy at least equal to the maximum claim amount. The title insurance policy must show that the borrower owns the property in fee simple or on a leasehold as described in Paragraph 6-11I., and that the mortgage will be a first lien of record when recorded.

J.Choice of Insurance Options. The lender must select the assignment or shared premium insurance options.

K.Copy of the Notice of the Right of Rescission. Verify evidence of the borrower's receipt of this notice at closing, as required by Regulation Z (12 CFR 226.15). The notice must give the borrower three (3) days to rescind on the contract and must be included. The notice must be signed and dated by the borrower to indicate receipt date.

M.Proof of Compliance with Conditions on Firm and Conditional Commitments. Verify that the borrower has complied with any conditions on his or her approval, including proof of payment of any delinquent Federal debts.

6-13THIRD-PARTY FEES. In addition to the following list of fees and charges, the local HUD Office may authorize or reject any other charge, or the amount of any charge, based on what is reasonable and customary in the area.

A.Appraisal Fee and Inspection Fee. The borrower may pay HUD's established maximum fee, or the actual cost of the service, whichever is less.

B.Credit Report. The borrower may pay the actual cost for a merged in-file report, containing the information currently available from three consumer credit information repositories.

C.Deposit Verification Charge. The borrower may pay the actual charge imposed by the depository institution.

6-15

(6-13)

D.Document Preparation Fee. The borrower may pay a document preparation fee if this service is performed by a third-party who is not controlled by the mortgagee. The mortgagee may not charge a fee if it performs this service itself.

E.Property Survey. The borrower may pay if a survey is required by the lender, although a survey is not required by HUD.

F.Title Examination and Title Insurance Policy. A title insurance policy equal to the maximum claim amount must be submitted in the closing package, and the borrower may pay for these items.

G.Attorney's Fees. The borrower may pay only if the attorney is not an employee of the mortgagee, or is not an attorney who routinely receives referrals from a particular mortgagee AND issues the title insurance. If an attorney who is not an employee of the mortgagee is routinely used on referral from the mortgagee to close loans and issue title insurance, the borrower may only be charged a notary fee.

H.Settlement Fees. The borrower may pay only if the closing agent is not an employee of the mortgagee. A fee may be charged if the settlement agent is an independent company or a subsidiary of the mortgagee that regularly closes loans for several different mortgagees.

I.Mortgage Broker's Fees. The borrower may pay only if the broker is engaged independently by the mortgagor. A broker's fee is prohibited if there is any financial interest between the broker and the mortgagee. The broker agreement must be submitted with the mortgage insurance application.

J.Tax Service Fee. The borrower may NOT pay a tax service fee in order for the mortgage loan servicer to check the tax rolls in each county where loans are recorded.

K.Recording Fees and Taxes. The borrower may pay recording fees on the first and second mortgages that are customary or required in the area, and recording taxes on the first mortgage that are required. The second mortgage is not subject to any State or local recording taxes, or stamp taxes, because the second mortgage is a mortgage to the Federal government.

6-16

(6-13)

L.Tests or Treatments. The borrower may pay for tests or treatments required by HUD such as tests of water supplies, soil percolation tests for individual septic systems, or testing for or treating insect infestation.

M.Courier Fees. The borrower may pay a courier fee for delivery of a mortgage payoff to a lien holder and for closing documents to and from the settlement agent. If this arrangement will take place, a written agreement between the borrower and the lender must be executed before loan closing.

6-14ENDORSEMENT. The local HUD Office should issue a HUD Form 59100, Mortgage Insurance Certificate (MIC), on CHUMS after determining the acceptability of the closing submission by the lender.

A.Loans submitted for endorsement will be entered into CHUMS using the Endorsement Processing Screen.

B.The local HUD Office will verify the presence of the necessary documents listed in Paragraph 6-11.

C.Besides borrower and property information, the MIC will contain information on the ADP code, amortization plan (fixed or ARM), program I.D., borrower type, living units, interest rate, margin, cap (2/5 or lifetime), endorsement date and maximum claim amount.

6-15NON-ENDORSEMENT. If the local HUD Office determines that endorsement is not possible and that the impediments to endorsement cannot be corrected, the local HUD Office must return the original Loan Agreements to the borrower and the lender. The lender must inform the borrower that HUD cannot legally assume any responsibility for ensuring that the lender makes the payments required by the loan agreement.

6-16POST-ENDORSEMENT RESPONSIBILITIES. After endorsement, the local HUD Office must:

A.Sign the Loan Agreements (see Paragraph 6-12D.) and send one original to the lender, one original to the borrower, and retain one original.

6-17

4235.1 REV-1

(6-16)

B.Send a signed Notice to the Borrower (Appendix 14) to the borrower, which explains the procedures to follow if the mortgagee fails to make the required payments to the borrower.

C.Ensure that the lender has submitted the original second mortgage and riders after closing, and retain the original second mortgage, note and any riders and allonges. The Loan Management Branch of the local HUD Office will be responsible for retaining these documents.

6-17 MAINTENANCE OF THE CASE BINDER.

A.During the insurance demonstration. After endorsement, the local HUD Office should transfer the case binder via pouch mail to Headquarters at the following address:

U.S. Department of Housing and Urban Development
Office of Economic Affairs
Room 8218
451 Seventh Street, S.W.
Washington, D.C. 20410

B.Following the insurance demonstration. As soon as possible after insurance endorsement, the local HUD Office will box and ship the insured case binders to Headquarters in accordance with the instructions in Chapter 3 of HUD Handbook 2226.1.