

CHAPTER 7. PAYMENT OF MORTGAGE INSURANCE PREMIUMS

7-1 PURPOSE. This chapter explains the procedures for the loan servicer to follow in remitting and accounting for the necessary mortgage insurance premiums (MIP). The following procedures apply to the servicer of record, which may also be the holder of the mortgage, but may be a loan-servicer designated by the holder. HUD will maintain a record of both parties but will allow only one servicer to perform the remittance procedures. The MIP remittance procedures will involve the use of an interactive automated system that the loan-servicer will access with a personal computer. The system will allow for the collection of information concerning the mortgage such as disbursements, payments, and loan balance, in addition to the payment of MIP.

7-2 PROCESSING REQUIREMENTS. HUD will utilize an agent to collect the initial and monthly MIP, and any necessary mortgage information. The information collection will be accomplished by electronic transmission and the MIP will be collected by means of a Pre-Authorized Debit (PAD) from the lender's bank.

A.The lender must obtain a personal computer (PC), printer, modem, and telecommunication software which are compatible with the agent's equipment.

1)The equipment will be used to authorize payment of the MIP and transmit information about the mortgage.

2)The agent will provide each lender and loan-servicer with complete instructions for gaining access to the system, and for use of the MIP collection and accounting system.

B.MIP payments will be made through Automated Clearing House (ACH) debit transactions, from one account per lender, based on data transmitted from the lender's computer.

C.In order to establish an PAD account and authorize HUD to debit the account, the lender must follow the instructions in Appendix 23.

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7-3TYPES OF MORTGAGE INSURANCE PREMIUMS. The MIP will be paid in two different forms:

A.Initial MIP. At closing, the lender must remit a non-refundable premium equal to two percent (2%) of the maximum claim amount.

HUD cannot endorse the mortgage if this premium is not paid.

B.Monthly MIP. Every month for the life of the mortgage, the lender must remit a premium equal to one-twelfth (1/12) of the annual rate of one-half of one percent (.5%) of the outstanding balance.

The lender will add these payments to the borrower's outstanding balance when the payments are made to HUD. The borrower, however, may choose to pay the initial MIP in cash.

7-4 INITIAL MORTGAGE INSURANCE PREMIUM.

A.After closing, the lender will remit the required premium (2% of the maximum claim amount) and add the amount to the borrower's outstanding balance, if it was not paid by the borrower in cash.

1)When the automated MIP collection and accounting system is accessed, the lender must enter information on the displayed screen concerning the characteristics of the mortgage at closing, including information about the borrower's payment plan.

2)The initial MIP required for endorsement will be displayed on the screen after the loan information is entered. The lender will approve the ACH transaction to withdraw the displayed amount when the information is transmitted.

B.Using the information transmitted by the lender, the agent will complete the ACH debit transaction, withdrawing the required amount from the lender's account.

C.The ACH withdrawal will take place the first bank business day following the day that the information was transmitted. This date is the received date, and will be the basis for determining the timeliness of the payment.

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D.The lender should keep a printout of each transaction as a permanent record.

E.The lender must ensure that the information transmitted is accurate. Errors in transmission will delay endorsement and establish an incorrect account.

F.A verification of payment of the initial MIP will be available on CHUMS.

7-5INFORMATION COLLECTION. The agent will maintain a record of both endorsed cases, and those cases which are pending endorsement.

A.The initial information on record will be obtained from CHUMS, when the initial MIP is remitted. Information will also be obtained whenever changes in the payment plan occur. Information can be entered or corrected daily.

B.Any information transmitted by the lender will be edited for errors in the following data:

- 1) Ten digit mortgagee identification number (verify approval).
- 2) Ten digit FHA case number (verify as a HECM case).
- 3)Closing date (verify that it is earlier than MIP payment date).

This information will be edited before transmission by the lender. The transaction will be placed in a suspense file and will require correction before the mortgage can be endorsed.

C.To prevent the possibility of incurring a late charge because of a rejected transaction, the lender should enter the case data as soon as possible after closing to allow time to make any necessary corrections.

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7-6STATEMENT OF ACCOUNT. After receipt of the initial MIP, the HUD agent will send the lender a Statement of Account (SOA).

A.The statement will include information relevant to the endorsement of the mortgage, e.g. FHA case number, closing date (see Paragraph 6-8), borrower name and property address, in addition to information concerning the MIP transaction, e.g. the amount of initial MIP remitted, the maximum claim amount, the age of the youngest borrower, the initial mortgage interest rate and the principal limit.

B.If the payment is on time and the information is verified by the programmed edits, a statement indicating the maximum claim amount that may be insured and stating "MIP PAID ENDORSE LOAN" will be sent to the lender.

C.The lender must include the statement in the closing package sent to the local HUD Office (see Paragraph 611F.).

7-7MONTHLY MORTGAGE INSURANCE PREMIUM. All HECM loans are insured retroactively from the date of closing, so the monthly mortgage insurance premium will begin to accrue on the outstanding balance from

the day after the expiration of the three-day rescission period. Any delays in endorsing the mortgage will not relieve the lender of MIP remittance requirements. The monthly MIP is remitted to HUD using the same procedures as with the initial MIP. The lender must use the same PAD account for the monthly transactions. The lender can only use this method for remitting the MIP for reverse mortgages. If a mortgage is rejected for insurance, a refund of any premium paid will be processed by the Department.

A. Calculating the monthly MIP payment. The payment will be calculated based on the daily outstanding balance of the loan. An annual rate of .5% of the outstanding balance will be applied to the daily outstanding balance to determine the correct payment.

1) Assignment Insurance Option. If the lender has chosen this option at closing, it must remit 1/12 of the annual rate each month.

2) Shared Premium Insurance Option. If the lender has chosen this option at closing, it will retain a percentage of the monthly amount. The percentages are listed in the factor table of Appendix 20.

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B. Monthly Information Collection. Each month, the lender should enter information on the mortgage, if necessary, including any unscheduled payments, and the required MIP will be calculated based on this information. The following information must be entered as it becomes available, or by the last day of the month:

1) Recalculations of the borrower's monthly payments.

2) Unscheduled payments to the borrower, including payments from a line of credit, and dates that the payments were made.

3) Payments made on behalf of the borrower, including payments for taxes and insurance, and dates that the payments were made.

4) Any prepayment of the outstanding principal balance, and the dates that the payments were made.

5) Changes to the interest rate on the regular change date.

C. Servicer and Holder Changes. Any changes in the holder or servicer of the mortgage must be reported as soon as they are

made. The selling lender will notify HUD of these changes through the automated system and by submitting Form HUD 92080 to the Insurance Operations Division in HUD Headquarters. The acquiring lender must establish a PAD account with HUD if it is not already servicing reverse mortgages (see Appendix 23).

D.Remitting the MIP.

1)The MIP is due on the first business day of the month, but must be received by the tenth day of the month to avoid a late charge.

2)The lender must be sure to enter information about each month's mortgage activity by the end of the last business day of the month.

3)Notice of the monthly MIP due will be available on the automated system on the first of the month, in order that the lender may place sufficient funds in the PAD account before the account is debited.

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4)The automated system will automatically debit the lender's ACH account before the tenth of the month for the correct MIP amount.

E.The amount of any monthly MIP payments are added to the borrower's outstanding balance when the lender makes the payments to HUD.

F.The lender will have the capability of reviewing the complete history of each mortgage for reconciliation purposes.

7-8LATE CHARGES. A late charge equal to 4 percent of the initial or monthly MIP remitted will be assessed whenever payment of the MIP is not received in full on the required date. The correct information must have been transmitted and the ACH transaction must have occurred for the payment to be considered received in full.

A.Initial MIP. Payments received more than 15 calendar days after the closing date will be subject to late charges. Non-payment of a late charge will result in delaying endorsement.

B.Monthly MIP. Payments received after the tenth of the month will be subject to late charges.

The lender must ensure that payment is made earlier if the required dates fall on holidays or weekends.

The automated system will compute the late charge due and will not allow the lender to remit the MIP without including the late charge. The lender can not add the amount of any late charge to the borrower's outstanding balance.

7-9INTEREST CHARGES. Interest will be charged on all late payments at a percentage rate set in accordance with the Treasury Fiscal Requirements Manual.

A.Initial MIP. Interest will be assessed on payments received more than 30 days after closing. The interest charge on the unpaid initial fee is calculated on a dally basis from the closing date until the payment is received in full.

B.Monthly MIP. Interest will be assessed on payments received more than thirty days after the due date.

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Interest will be computed on the amount of the late payment, exclusive of the late charge. The automated system will compute the required interest and will not allow the lender to remit any MIP payments without including the interest. Non-payment of the interest on the initial MIP will result in delaying endorsement.

7-10DELINQUENCY NOTICES. First notices for MIP, late charges and interest will be sent to the lender and HUD as they become due. The notice will show the amount due for each month. The agent will keep a cumulative listing of MIP, late charges and interest due and provide a monthly report to HUD showing balances due.

7-11APPEALING LATE CHARGES AND INTEREST. The lender may submit a written request to the agent appealing a paid late charge or interest payment.

A.The agent will forward appeals to HUD's Insurance Operations Division for disposition. HUD retains the exclusive rights to waive these charges.

B.The result of the appeal will either be a refund of the payments or a denial of the appeal.

7-12ACCESS TO MORTGAGE INFORMATION. The agent will maintain endorsement records of all reverse mortgages.

A.The lender will have access to the system records for loans under its mortgagee identification number. The lender will be able to correct certain information on these records throughout the life

of the loan.

B.The agent will periodically send to each lender a listing of cases that have not been insured. The lender is required to give a current status on each case.

7-13 REFUNDS. The MIP may be refunded under certain circumstances.

A.Circumstances requiring a refund:

- 1) The lender remitted too much money.
- 2)The mortgage was never endorsed, AND is not eligible for endorsement.

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- 3) An appeal of late charges and/or interest was approved.
- 4) An erroneous closing date was entered and later corrected.

In the absence of at least one of these sets of circumstances, no portion of the initial MIP may be refunded, notwithstanding the fact that the loan may be paid off in a relatively short period of time.

B.The lender must submit a request for a refund to the agent, stating the amount of refund requested, the reason for the request and to whom the refund is to be paid. This request may be accomplished through the message facility of the automated system.

C.The agent will forward requests for refunds to HUD's Insurance Operations Division for disposition. HUD retains the exclusive rights to approve refunds.

D.If the refund is approved, the agent will credit the lender's PAD account with the amount of the refund or a Treasury check will be issued, depending on:

- 1) the recipient of the check, and
- 2) the amount.

7-14 TERMINATION OF INSURANCE CONTRACT.

A.Termination of the insurance contract will occur upon receipt of notification from the servicing lender of the following circumstances:

1) The mortgage is paid in full.

2) A third party sale, foreclosure, or a deed in lieu of foreclosure, and the lender will not file a claim.

3) Voluntary termination jointly requested by the lender and borrower and approved by HUD.

In these cases, the MIP must be collected to the date preceding the event terminating the contract of insurance.

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If the lender fails to make payments to the borrower as required, resulting in HUD making payments under the second mortgage, MIP must be collected through the date the insurance automatically terminates under the regulations (within 30 days of HUD's demand for reimbursement, if the lender does not reimburse or assign). HUD may later reinstate the insurance with reimbursement by the lender of all payments made by HUD, interest, and any back MIP and penalties.

B. The lender must notify the agent within fifteen days of the circumstances described in Sections 1 and 2 of Part A of this paragraph through the automated system and by submitting Form HUD 27050-A if no claim is filed.

C. Any MIP due will be calculated and collected at the next regular monthly remittance.

D. The agent will send a written confirmation of the termination to the lender after assignment.

E. Reinstatement of an insurance contract that was terminated in error must be requested in writing to the agent. Upon reinstatement, any back MIP, late charges and interest will be due, if the termination was not HUD's error.

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