

CHAPTER 15. SECTION 222 MORTGAGES

15-1 GENERAL. The mortgage insurance premiums (MIP) on mortgages insured under section 222 of the National Housing Act are paid by the serviceman's branch of the military service until the serviceman's eligibility is terminated. FHA is notified of the termination upon receipt of a Form DD803, Notice of Termination, from the service branch.

A. Military Branch's Responsibility. Responsibility of the Military branch for payment of mortgage insurance premiums on a section 222 mortgage is established when:

1. the mortgagor, at the time of application, is certified as a serviceman and;
2. at the time of insurance endorsement is the owner of the property.

B. Establishing Eligibility. Applications for mortgage insurance under Section 222 must be accompanied by the original and two copies of the Form DD802, Certificate of Eligibility, issued by the serviceman's commanding officer or personnel officer. FHA accepts this submission as evidence of the serviceman's eligibility. Whether a serviceman is entitled to these benefits is the determination of the service branch concerned.

15-2 TRANSFERS TO SECTION 222. If the original mortgage is inadvertently insured under another section of the Act, the serviceman may request the transfer of the insured mortgage to section 222.

A. Serviceman Requests Transfer. A serviceman requesting transfer of an insured mortgage to Section 222 must provide the mortgagee with the original and two copies of Form DD802.

B. Mortgagee Forwards Documents. The mortgagee, if it agrees with the transfer, will forward these copies with a letter requesting transfer of the mortgage to section 222 to the Insurance Operations Division, Attention: Systems Management Branch, U.S. Department of Housing and Urban Development, Washington, DC 20410. The mortgagee will remain responsible for payment of mortgage insurance premiums until notified

---

15-19/94

4330.1 REV-5

---

by the FHA Comptroller that the requested transfer to section 222 has been completed.

15-3PAYMENT OF PREMIUMS BY SERVICE BRANCH OR BY MORTGAGEE. Under Section 222, the mortgagee is not required to collect mortgage insurance premiums from the mortgagor or to remit premiums to HUD-FHA until advised by the FHA Comptroller that the service branch will no longer pay the premiums.

A.FHA Notified. When FHA is notified that the property has been sold or the serviceman has been discharged, retired or has died, FHA will request the service branch to submit Form DD803, Notice of Termination, if one has not been received.

B.Notice Of Termination. The service branch's responsibility for payment of premiums is terminated upon receipt by HUD-FHA of the Form DD803.

C.Mortgagee Responsible For Payment Of MIP. Upon termination of the service branch's responsibility, the mortgagee becomes responsible for payment of MIP. A notice to start collection premiums from the mortgagor will be forwarded to the mortgagee by the FHA Comptroller. When the mortgagee becomes responsible for payment of premiums on a section 222 mortgage, it must continue to collect them from the mortgagor and remit them to FHA when billed until advised by the FHA Comptroller that the service branch will again be responsible for payment of the premiums.

15-4SALE OF A PROPERTY COVERED BY A SECTION 222 MORTGAGE. When the mortgagor-serviceman sells his home, the mortgagee should forward Form HUD-92080, Mortgage Record Change, stating the change of mortgagor, to the Insurance Operations Division, Attention: Systems Management Branch, U.S. Department of Housing and Urban Development, Washington, DC 20410.

A.Property Sold To Another Eligible Serviceman. If the property is sold to another eligible serviceman, who assumes the Section 222 mortgage, the mortgagee must request the assumer to obtain an original and two copies of Form DD802, Certificate of Eligibility, for submission with the Form HUD-92080.

B.Failure To Submit Form HUD-92080. If the form DD802 is not submitted with the Form HUD-92080, FHA will assume

---

9/9415-2

4330.1 REV-5

---

that the purchaser of the property is a civilian and the mortgagee will be held responsible for the future mortgage insurance premiums due on the mortgage even though a Form DD802 may be submitted at a later date.

C.Responsibility For Payment Of MIP. When a section 222 property is sold to a serviceman and the mortgagee has been paying the

mortgage insurance premiums as a result of a prior termination of the service branch's responsibility for payment of premiums, the mortgagee should continue to collect premiums from the new mortgagor-serviceman and pay the premiums to FHA regardless of whether the serviceman has furnished the mortgagee with a Form DD802.

1. In all such sales transactions, the FHA Comptroller will advise the mortgagee after processing the HUD Form 92080 whether the service branch is responsible for future premiums and until advised, the mortgagee must continue to collect premiums from the mortgagor.

2. This procedure protects the mortgagee in cases where the service branch determines that the serviceman who purchased the property is not entitled to the benefits of section 222. In this event, the mortgagee must continue to pay the premiums from monthly accruals collected from the mortgagor.

15-5 ASSUMPTION OF INSURED MORTGAGES BY SERVICEMEN. Under the provisions of the National Housing Act, the Service Branch may pay mortgage insurance premiums in cases when an eligible serviceman assumes a single family mortgage (including a mortgage covering a family unit in a condominium) currently insured under any other section of the National Housing Act. The serviceman must:

A. provide the mortgagee with the original and two copies of Form DD802 when requesting such a transfer.

B. The mortgagee must forward these Forms with a letter advising of the assumption and requesting the transfer of the insurance to section 222 to the FHA Comptroller.

C. The mortgagee must retain the original mortgage insurance certificate and cancel FHA's insurance endorsement when the replacement certificate is received.

---

15-39/94

4330.1 REV-5

---

D. The MIP must be collected from the mortgagor until the mortgagee has been notified that the service branch has assumed responsibility for payment.

15-6 CONTINUED PAYMENT OF MIP BY SERVICE BRANCH WHEN SERVICEMAN DIES ON ACTIVE DUTY. If a serviceman dies while on active duty and is survived by his wife, the service branch will:

A. continue to pay mortgage insurance premiums on the mortgage until two years after the serviceman's death or until his wife disposes of the property, whichever occurs first.

B.The determination of continued eligibility is the responsibility of the service branch, which will notify the FHA when eligibility terminates by submission of Form DD803.

C.The service branch remains responsible for payment of the MIP until Form DD803 is received by the FHA Comptroller. The mortgagee will be notified promptly of its responsibility for payment of the MIP.