1. This transmits Handbook 4330.1 REV-5, "Administration of Insured Home Mortgages."

2. Explanation:

This revision incorporates those outstanding single family servicing mortgagee letters that were not incorporated into Handbook 4330.1 REV-4 issued July 15, 1993, and provides some additional clarifications. It is important that this revision be transmitted to your Single Family Servicing Managers.

The following lists the significant changes for your attention:

(1) In Chapter 1:

(a) Paragraph 1-4B. A Paragraph has been added advising mortgagees to implement loss mitigation efforts.

(2) In Chapter 2:

(a) Paragraph 2-6A.1a(1). A new Paragraph has been added to include the Up-Front MIP-Required Use of Automated Clearinghouse (ACH) for remittance.

(b) Paragraph 2-6A.1a(2). This is a new paragraph which includes information regarding the Late Receipt of Remittances.

(c) Paragraph 2-6A.1b(1)(a). A Paragraph has been added to include loans requiring Risk-based Periodic Premiums.

(d) Paragraph 2-6A.1b(1)(b)(i). A Paragraph has been added listing the types of loans excluded from Risk-based Periodic Premiums.
(e) Paragraph 2-6A.1b(1)(b)(ii). This is a new paragraph which provides criteria that must be met for a streamline refinance to be exempt from Risk-based Periodic Premium.

(f) Paragraph 2-8A. Language has been revised to include "Remittance of the Risk-based Periodic Premiums.

(g) Paragraph 2-8A.4. This is a new paragraph which provides collection of Late charges and interest due on periodic payments.

(h) Paragraph 2-11C. (Last Paragraph). Language has been added advising that HUD will take certain action if one of three criteria regarding reasonable rates cannot be established.

(4) In Chapter 4:

(a) Paragraph 4-1D. A paragraph has been added advising mortgagees of the charges which may be assessed for providing duplicate services.

(b) Paragraph 4-2D. Clarification has been made advising that late charges are computed on the full monthly payment (principal, interest, taxes and insurance) due from the mortgagor in the month of computation.

(c) Paragraph 4-8. First Sentence. Language has been added to advise mortgagees that the attorney's and trustee's fees (mortgagor reinstatement) are established in accordance with FNMA's Schedule of Standard Attorney's and Trustee's Fees.

(5) In Chapter 5:

(a) Paragraph 5-1C (Last Paragraph). Additional information has been added with respect to the requirements governing the annual disclosure statement regarding prepayment.

(b) Paragraph 5-2G. This paragraph reflects a revision which requires that when the mortgage insurance is terminated without payment of a claim, the remaining funds held in escrow for the payment of taxes and hazard insurance shall be returned to the mortgagor within 30 days instead of 45.
days.

(c) Paragraph 5-4B. Language has been added to provide information regarding the submission of termination data on magnetic tape.

(d) Paragraph 5-4C. A new paragraph has been added regarding HUD's use of mortgagor information submitted at the time of termination.

(e) Paragraph 5-4D. This is a new paragraph which provides information regarding computing the pro rated MIP.

(f) Paragraph 5-5A. The role of the FHA Commissioner in setting premium rates and earnings rates is summarized.

(g) Paragraph 5-5B. This paragraph has been revised to include the way premium refunds are calculated.

(h) Paragraph 5-5C. The notification to mortgagors for premium refunds as well as distributive shares has been clarified.

(i) Paragraph 5-5D. This is a new paragraph which provides information on how an assumption affects the up front MIP.

(j) Paragraph 5-6. This paragraph has been revised to incorporate the National Housing Act amendment's effect on distributive share payments.

(k) Paragraph 5-6C. A new paragraph has been added which summarizes the statute of limitations on distributive shares.

(6) In Chapter 6:

(a) This Chapter has been revised to reflect the organization in the new Code of Federal Regulations (CFR) 203.510 and 203.512 on release from liability and assumption restrictions.

(7) In Chapter 7:

(a) Paragraph 7-7C.2.a. This paragraph has been rewritten to clarify that mortgagees may also send the personal interview letter via "Certificate of Mailing". Additional clarification explains how often the letter should be mailed to chronic delinquents.
(b) Paragraphs 7-8A-F. These paragraphs have been revised to include updated information concerning the Single Family Default Monitoring System and the Electronic Data Interchange (EDI) Program.

(c) Paragraph 7-11A-B. These paragraphs have been added to advise mortgagees to review loans in default to determine which available foreclosure avoidance strategy/loss mitigation effort is appropriate.

(d) Paragraph 7-11C.1-2. These paragraphs have been added which relates to refinances of mortgages that are more than two months delinquent.

(e) Paragraph 7-12D.1.a. This sentence has been revised to comply with the requirements of CFR 203.355 with respect to the maximum time to begin foreclosure.

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(f) Paragraph 7-17. This paragraph has been reworded to ensure that mortgagees review their servicing portfolios with respect to foreclosure, deed-in-lieu, and cure rates.

(9) In Chapter 9:

(a) Paragraph 9-3.A & B. These paragraphs have been revised to comply with the October 20, 1992, regulation amendment which requires that foreclosure action be initiated within 9 months rather than one year after the date of default; adds a time requirement for foreclosure on vacant property and adds new conveyance requirements.

(b) Paragraph 9-9A.1.b. Clarification has been made to provide mortgagees with specific instructions regarding an occupancy inspection when a mortgage is in default.

(c) Paragraph 9-9B(1). A new paragraph concerning timely initiation of foreclosure has been added to the key requirements for preservation and protection.

(d) Paragraph 9-10.A. In compliance with the October 20, 1992, Regulation Amendments, the word "indicate" has been changed to "certify" (concerning mortgagees certification as to whether a property was damaged).

(e) Paragraph 9-10D. A new paragraph has been added advising mortgagees that implementation of the "Notice of Damage" requirement provided in the CFR 203.379(b) has been deferred.
(f) Paragraph 9-10E.3 &a. These two paragraphs were added to further define the fact that mortgagees must pursue hazard insurance proceeds for missing built-in appliances.

gages.

(g) Paragraph 9-14 (Second Paragraph). A new paragraph has been added which includes the new regulatory requirements on reconveyance of a property to the mortgagee.

(11) In Chapter 11:

(a) Paragraph 11-11 (second NOTE under F.). Additional information has been added to the NOTE to give the mortgagee additional instructions on what to do with an overpaid assistance check and the back-up documentation.

(b) Paragraph 11-11 (last NOTE). Lists the items in Paragraph 11-11 that the mortgagee is charged with having responsibility for, when a mortgagor is refinancing the first mortgage.

(c) Paragraph 11-12, items G & H, are additional documentation which is needed for computing the recapture amount when the mortgagor is refinancing the first mortgage.

(d) Paragraph 11-14. Information concerning costs of sale and the HUD-1, Settlement Statement has been added.

(e) Paragraph 11-15. A new paragraph, Reasonable Costs of Refinancing The First Mortgage, has been added.

(f) Paragraph 11-16.B.13.a. The phrase "...is below ground and..." has been added to the first sentence in this paragraph in order to clarify HUD' requirements regarding swimming pools.

(g) Paragraph 11-16I. A new item, "Replacements.", has been added, explaining that the costs of replacements are not allowed against the appreciation of a property.

(h) Paragraph 11-16J. A new item, "Items Not Allowed As
Improvements", has been added, explaining improvement costs that are not allowed against the appreciation of a property.

(i) Paragraph 11-18. A new paragraph, Calculating the Recapture Amount, has been added, explaining the calculation of the recapture amount.

(j) Paragraph 11-19. A new paragraph, Disposition of the Recapture Check, has been added explaining how the mortgagee should handle a recapture check. Should the mortgagee receive it.

(k) Paragraph 11-20. A new paragraph, Releasing the Recapture Lien, has been added, explaining the responsibility of the mortgagee in forwarding the Satisfaction of Lien for the recapture lien to the mortgagor or the mortgagor's representative.

(l) Paragraph 11-25. A new paragraph, Relocation of Mortgagor by Employer, has been added, explaining how the conditions under which this type of case is handled.

(m) Paragraph 11-26. A new paragraph, Dislocation of Mortgagor (Eminent Domain), has been added, explaining how this type of case is handled.

(n) Paragraph 11-28, item H. Added the event of subordinating the HUD lien to a lesser position when the first mortgage is refinanced.

(13) In Chapter 13:

(a) Paragraph 13-6E. This paragraph has been added to define a Modified Term Payment Plan.

(b) Paragraph 13-15C. This paragraph has been added which requires that the servicing fee may not exceed thirty ($30.00).

(d) Paragraph 13-21D. This paragraph has been added which provides procedures for the Application of Partial Prepayments.

(15) In Chapter 15:

(a) This is a new Chapter which has provides servicing procedures and guidelines concerning the mortgage insurance premiums (MIP) on mortgages insured under Section 222 of the
National Housing Act.

A. A subject index is incorporated between Chapter 15 and the appendices.

B. Appendix 2A - This is a new Appendix concerning the "Transmittal For Payment - Up Front Mortgage Insurance Premium (UFMIP)."

C. Appendix 2B - This is a new Appendix concerning the "Risk - Based Annual Premiums: Monthly Remittance Summary".

D. Appendix 9 - This is a new Appendix concerning the A43 Single Family Insurance System Transaction Code 7, Mortgage Insurance Termination, Mortgage Tape Input Instructions, Document HUD-27050-A (4/90).

E. Appendix 10 - This is a Revised "FHA Homeowners Fact Sheet (Form HUD 27050-C) dated 1/94.

F. Appendix 10(A) - This is a new Appendix - "Revised MIP Refund Factors".

G. Appendix 11 - This is a revised Form HUD-27050-B, "Application for Premium Refund or Distributive Share Payment".

H. Appendix 13A - Third Paragraph. The word "residence" has been added at the end of the first sentence which states "(l) who will not occupy the property as his or her principal".

I. Appendix 19 - The List of Field Office Addresses and telephone Numbers has been updated.

J. Appendix 20 - A new Form HUD-92068A (Monthly Delinquent Loan Report on Loans that are 90 or More Days Delinquent Single Family Default Monitoring System has been included.


M. Appendix 20C - Error Codes For 92068-A

N. Appendix 20D - Key Items For Review Prior to Submission of Form HUD-92068-A

O. Appendix 21 - Under Region VI the Dallas Field Office has been included in the Field Office Codes (492, 171, 172).
P. Appendix 22 - Repair Rider to Loan Agreement (HECMS)

Q. Appendix 25 - Under the First Block entitled "Mortgagee HUD Letter #1, has been changed to read "Form HUD-92068F can be sent as early as day 61".

R. Appendices 26, 26A and 28 have all been updated to include the HUD Nationwide toll-free telephone number for HUD Approved Housing Counseling Agencies.

S. Appendix 34 - (Assignment Acceptance Letter to Mortgagee). A second paragraph has been added after No. 3 which states that "if the mortgage has a Section 235 Recapture provision the HUD Field Office and HUD Headquarters Office of Finance and Accounting must be notified of the total amount of subsidy.

T. Appendix 37 - Last Paragraph, Third Sentence. Information has been added advising lenders that "any redemption period must have run out before lenders are deemed to have marketable title (particularly in Michigan).

U. Appendix 37 - Footnote 1 has been added which explains that in the State of Michigan the 9 months completion of foreclosure time frame includes the redemption period that runs after the foreclosure deed is granted.

V. Appendix 57 - Model Mortgage Form (HECMS).

W. Asterisks (*) have been placed in the right and left-hand margins on each page on pages where a correction or addition as been added.

17. Filing Instructions:

Remove: Handbook 4330.1 REV-4, dated 7/93

Insert: Handbook 4330.1 REV-5, dated 9/94

____________________________________
Assistant Secretary for Housing-
Federal Housing Commissioner

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FOREWORD

Handbook 4330.1 REV-5, Administration of Insured Home Mortgages, is designed to give mortgagees the information required to service single family home mortgages insured by the Department of Housing and Urban Development (HUD). A "single family home" mortgage is any mortgage on a residential property containing one to four living units or, under Section 220 of the National Housing Act, containing one to eleven units.

Throughout this Handbook, certain technical terms are used generically, i.e., in their most commonly applied sense. Some terms will be employed interchangeably. For example:

(1) "Mortgage" should be understood to include other types of security instruments, as may be required by State law;

(2) "Secretary" should be understood to include other appropriate HUD officials unless a specific distinction is made;

(3) "HUD-insured mortgages" should be understood to mean the same as "FHA-insured mortgages", and/or "FHA/HUD-insured mortgages".

This Handbook covers all phases of the administration of insured single family home mortgages, from the time the mortgage is closed through the time the mortgage insurance is terminated. Included are collection activities; special relief measures and their advantages to borrowers and
mortgagees; acquisition of properties; conveyance of acquired properties to
the Secretary, or termination of mortgage insurance without conveyance; and
the administration of subsidized single family home mortgages and
assistance payments contracts.

The regulations governing the overall administration of most HUD programs
of single family home mortgage insurance are found in Title 24 of the Code
of Federal Regulations (24 CFR), Part 203. Individual HUD programs are
dealt with elsewhere in Title 24, where the provisions of Part 203 are
generally incorporated by reference, and then supplemented with language
implementing the unique provisions of those particular program.

Part 203 is divided into three Subparts:

(1) Subpart A includes requirements for eligibility of mortgagees to
participate in HUD programs and to qualify for HUD-insured
mortgages for insurance;

(2) Subpart B addresses provisions of the contract of mortgage
insurance; and,

(3) Subpart C includes the servicing requirements beyond those
imposed by the contract of mortgage insurance, on which this
Handbook is based.

Violation of any regulatory requirement is grounds for imposing
administrative and/or monetary sanctions by HUD Headquarters, by local HUD
Offices and/or by the Mortgagee Review Board. Regulations governing the
activities of the Mortgagee Review Board are found in 24 CFR, Part 25.

This Handbook should be used in conjunction with Handbook 4000.2 REV-2,
Mortgagee's Handbook, Application Through Insurance (Single Family);
Handbook 4000.4 REV-1, Single Family Direct Endorsement Program, Handbook
4165.1 REV-1, Endorsement for Insurance for Home Mortgage Programs (Single
Family); and Handbook 4330.4, FHA Single Family Insurance Claims, provides
guidance and line by line instructions for the preparation and submission
of Form HUD-27011 Single Family Application for Insurance Benefits.

Handbook 4000.2 REV-2 describes the basic home mortgage insurance programs,
the requirements and procedures for the approval of mortgagees to
participate in HUD programs, the preparation and submission of applicants
for the insurance of home mortgages. Handbook 4000.2 also includes outline
information on the planning and approvals of subdivisions and Planned Unit
Developments, characteristics of each of the home mortgage programs, and an
introductory chapter that describes the basic functions of the Federal
Housing Administration/Department of Housing and Urban Development, as well
as the contract of mortgage insurance.

Handbook 4000.4 REV-1, describes HUD's Direct Endorsement program and
provides instructions for participating mortgagees. The Direct Endorsement program simplifies and expedites the process by which mortgagees secure mortgage insurance endorsements from HUD. Under Direct Endorsement, the mortgagee underwrites and closes the mortgage loan without prior HUD review or approval.

Handbook 4165.1 REV-1, describes the basic insurance endorsement procedures (i.e., issuance of the mortgage insurance certificate), preparation and submission of the case binder, post endorsement modification, change in location, and approval of title exceptions.

HUD Handbooks use copies of HUD forms to illustrate various processing procedures. However, because forms change periodically, mortgagees must always assure themselves that the forms they are using are the most recent versions.

NOTE: Questions and/or concerns involving material included in Handbook 4330.1 REV-5 are to be directed to the local HUD Office having jurisdiction over the area in which the subject "property" is located.

Policy questions which do not pertain to a particular mortgage are to be addressed to the local HUD Office having jurisdiction over the area in which the "mortgagee" is located.

Questions and/or concerns that cannot be resolved at the local HUD Office level will be raised before the Regional Office having jurisdiction over that mortgage.

If the Regional Office requires assistance in resolving a concern, the HUD Regional Office will raise the issue before HUD Headquarters personnel.