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#### CHAPTER 7: SUPPLEMENTAL CLAIMS/REMITTANCE

7-1 GENERAL. Mortgagees must make a thorough review of all receipts and expenses before submitting an Application for Insurance Benefits, Form <a href="HUD-27011">HUD-27011</a>. There will be occasions when the lender has incurred an expense but is unable to make payment because a vendor delayed submitting an invoice or for other valid reasons. HUD will consider one supplemental adjustment to the initial claim payment in the event of such delayed disbursements and to correct errors in the original claim or payment. If you have properly reviewed and certified the accuracy of your initial claim submission, the need for supplemental claims should be exceptional. Funds received after the claim was filed must be remitted to HUD immediately upon receipt or knowledge of such funds. The Supplemental Process must be used \* when remitting such funds or to request reconsideration of disallowed costs. Remittance of overpayments or any other amounts due HUD are not subject to any limitation.

#### 7-2 ONE SUPPLEMENTAL CLAIM.

Mortgagees are allowed to file one supplemental claim for additional funds. Remittance of overpayments or any other amounts due HUD are not subject to any limitation. A supplemental claim will be denied unless filed within the 6-month period following the date of final settlement for any given HUD case number. Supplemental claims on Part A or B must not be filed before receipt of the final payment of the original claim on Part B except when Part A was overpaid.

Any subsequent supplemental claim for additional funds submitted for the same case will be denied UNLESS it meets one of the following exceptions:

- o Filing approval from the local HUD office. The Single Family Loan Management Branch having jurisdiction over the property may give the mortgagee written approval to file an additional supplemental claim.
- The subsequent supplemental claim concerns hazard insurance adjustments -- no filing approval necessary.

oThe subsequent supplemental claim concerns deficiency judgements -- no filing approval necessary, or

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oSupplemental claims previously submitted and returned to the mortgagee for a correction and/or for further information must be received by the Department as soon as possible but no later than 45 days from the Department's request or 6 months from the final settlement date of the original claim, whichever is later.

The need for mortgagees requesting the local HUD Offices to review and approve more than the "one" supplemental claim submission for the same case should be few, if any. However, mortgagees requesting local HUD Offices to approve such supplemental claims must:

osubmit the request in writing,

oprovide thorough justification and documentation to show and support the exceptional situation required for approval of the request, and

omaintain a copy of HUD's approval and supporting documentation in the claim review file.

### 7-3 ATTORNEY FEES.

As of June 25, 1994, mortgagees are not required to file separate supplemental claims directly to the Office of General Counsel for attorney's fees which exceed the Federal National Mortgage Association (FNMA) fee schedule.

For routine legal actions, HUD reimburses mortgagees for attorney's fees based on the FNMA Schedule of Standard Attorney's and Trustee's Fees. Formerly, mortgagees were generally instructed to enter the amount actually paid to the attorney, regardless of whether the fee exceeded the FNMA fee or whether the amounts were reasonable, and the initial claim payment was limited to the allowable amount. Mortgagees must now follow the instructions below regarding what may be claimed for attorney's fees. Generally, mortgagees may enter no more than the FNMA fee for a routine legal action and may enter only reasonable amounts for contested foreclosures, contested evictions, contested bankruptcies, required probate procedures, etc. If the mortgagee complies with the guidance, the need to file a supplemental claim for additional funds for attorney's fees should be eliminated in all but a very few cases.

However, as before, if the mortgagee believes it is entitled to more than the amount HUD actually reimbursed in the initial claim payment, the mortgagee may file a supplemental claim for attorney's fees. However, mortgagees may file only one supplemental claim, so any claim for additional attorney's fees must be included in

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that one supplemental claim. In addition, supplemental claims for attorney's fees should no longer be sent to the Home Mortgage Division, Room 9258, as had been previously directed.

If a supplemental claim for attorney fees is filed, it may include other items. To support the additional fees, the supplemental claim must include a complete Form HUD-27011 (supplemental); a copy of the Parts A and B of the original Form HUD-27011 and Parts C, D and E as applicable; a copy of the final advice of payment letter; the mortgagee's comments on the necessity for the increased fee; and copies of documentation necessary to support the additional claimed amount.

Mortgagees are expected to maintain adequate documentation in the claim review files to support all attorney's fees. This will be subject to verification during the post claim review. If a mortgagee's claim is more than the amounts allowed by the following instructions, it will be considered a monetary finding and the mortgagee will be billed for the statistically calculated overpayment for all claims within the review period.

See Paragraph 1-10 for instructions on how reimbursement for attorney's fees may be claimed on the initial Part B claim submission.

#### 7-4 CLAIM FORM.

A.A supplemental claim is filed using Part A of Form HUD-27011 accompanied by the other claim parts to be amended or supplemented, following the instructions for the original claim type. The information to be entered is identification, date, correction of information provided in the original claim, items omitted in the original claim, and if items were incorrectly reported in the original claim, the difference between the amount reported and the amount that should have been reported, including debenture interest computation.

B.The reason for the submission of the supplemental claims must be stated on the reverse side of Parts A or B.

## 7-5 TIME REQUIREMENTS.

A.HUD will not accept claims to supplement or correct errors in the initial claim more than six months after the date of final payment except for:

1.Cases where HUD requests or requires pursuit of a deficiency judgment. A supplemental claim for costs related only to the deficiency judgment may be submitted up to three months after the deficiency judgment is obtained or denied. If this results in the claim being submitted more than

one year after final settlement of the initial Part B claim, an extension to file must be obtained (see paragraph 1-6 F.4b).

- 2.Correction of an estimated hazard insurance premium if received by HUD within two weeks of the insurer's notice of adjustment, but not more than twelve months after the date of final payment (See paragraph 1-6).
- 3.Remittance of overpayments and funds received by the mortgagee after the claim was filed.
  - 4. Claims awaiting HUD decision.
- 5.Claims initially received within 6 months after the date of final payment where HUD has requested additional documentation. In such case HUD will accept the claim within the latter of:
  - a.six months after the date of final payment; or
- $$\rm b.45$  days after the date of HUD's letter requesting additional documentation.
- B.Claims for amounts paid after the date the original claim was filed will be paid only if the obligation was incurred before the deed or assignment to HUD was filed for record or was paid on HUD's written instruction.
- C.Supplemental claims (on Parts A or B) must not be filed before receipt of final payment of the original claim on Part B except when Part A was overpaid (See paragraph 1-6).
- 7-6 EXTENSION OF TIME REQUIREMENTS.

Extensions to file supplemental claims are generally not approved. However, if the mortgagee cannot comply with the time requirements for a particular action because of circumstances beyond its control, a request for an extension of time (form HUD-50012) should be submitted to the local HUD office (See paragraph 1-6).

# 7-7 CLAIMS FOR ADDITIONAL FUNDS.

Mortgagees may not claim additional funds when there are offsetting amounts due HUD. When a supplemental claim is filed for additional funds, copies of receipts and other supporting documentation that apply to the request must accompany the claim. Insufficient documentation will result in either denial or return of the supplemental claim.

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Generally, when a claim for additional funds is being filed based on a date being corrected on the Part A claim, the supplemental claim must provide a certification as to the accuracy and validity of all other dates on the Part A claim which impact on time requirements and the payment of interest on the claim. This certification must include a statement that all such dates have been rechecked against the claim filing instructions in this Handbook. The certification must also include a statement describing the document of origin for each of these dates.

Examples of the documents needed to establish a basis for the following are:

SUPPORT NEEDED FOR: SUPPORT DOCUMENTS (copy of):

Due Date of Last Installment Mortgage Payment History Record

Date of Possession and Title Legal documentation (sheriff's deed, recorded deed in lieu, proof of eviction date, inspection report)

Date of Deeding or Assignment Recorded Deed or Assignment

Date of Foreclosure Institution First Legal Action Taken (filing of or Deed in Lieu complaint or publication of notice of sale) or Recorded Deed in Lieu

Unpaid Loan Balance Mortgage Note and Payment History Record

Expiration Date of Extension Form HUD-50012 approved by Local HUD Office (before expiration of time frame)

Date of Notice/Extension to Assignment Acceptance Letter Form Convey HUD-50012

Date of Bankruptcy Release Court Action (bankruptcy release notice or release of stay)

Protection and Preservation Form HUD-27011

Part C filed with original claim

submission
Disbursements (Taxes, HIP,
eviction costs) Foreclosure Paid receipts
Costs, Attorney's

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Fees, Bankruptcy Costs, other disbursements

- If incurred after date of deeding or all assignment, obtain local HUD Office

written approval for payment before filing supplemental claim.

- Form HUD-27011 Part D filed with original claim submission;
- If taxes were paid after date of assignment or deed, obtain local HUD Office written approval for payment before filing supplemental claim.

In all instances, the reason for submission of the supplemental must be entered on the reverse of the Part A in the mortgagee comment section.

Foreclosure and Acquisition Costs, and Attorney/trustee fees are reimbursed at 2/3 of the allowed amount. A supplemental claim should not be submitted for the 1/3 of the cost or fee for which the mortgagee is responsible.

7-8FUNDS DUE HUD. If HUD overpaid a claim due to the mortgagee's or HUD's error or if a any payment relating to the mortgage transaction is received after the original claim was submitted, a supplemental claim must be filed and a check for the amount due must be attached to the face of the supplemental claim.

A.If the claim involves an overpayment, explain in the "Mortgagee's Comments" on the reverse of Part A how the overpayment occurred.

B.If the amount overpaid or received involved a computation of interest, the overpaid interest must be included in the reimbursement to HUD. The amount must include interest calculated by the mortgagee and included in Part B and interest calculated by HUD for the period from the date of claim to the date of payment.

The supplemental claim, with check attached, must be sent to the appropriate address:

Post Office Box for Regular Mail: HUD-Single Family Claims P. O. Box 954507 St. Louis, MO 63195-450 Street Address for Express Mail or Courier: HUD-Single Family Claims Mercantile Bank

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#### A.To HUD Headquarters

- 1. The original Parts A and B for the supplemental claims.
- 2. Supporting documents for the supplemental claim.
- 3. Copies of the Parts A and B submitted in the original claim.
- 4. Copies of Parts C, D and E, if applicable.

B.To the Local HUD Office, ATTN: Single Family Loan Management Branch

- 1.Copies of Parts A and B, if applicable
- 2. The original of Parts C, D and E, if applicable

Note: See paragraph 1-8 for claim file documentation requirements.

For an illustration of the document submission requirements refer to one of the following tables depending on the claim type:

Supplemental Claims for Conveyances - See Table 2-1
Supplemental Claims for Assignments - See Table 3-1
Supplemental Claims for Automatic Assignments
- See Table 4-1
Supplemental Claims for Coinsurance - See Table 5-1
Supplemental Claims for CWCOT - See Table 6-1

7-10CLAIM PREPARATION. A supplemental claim is completed using the instructions for the original claim type, except as instructed in this Chapter. Enter only information necessary to correct the original claim and information identified below by the word "REQUIRED".

Do not file a supplemental claim for additional reimbursement prior to receipt of payment of the original Part B and do not file a corrected claim. All corrections requesting additional reimbursement must be made by supplemental claims filed after payment of the original Part B claim.

Whenever a supplemental claim is filed for additional funds attach copies of supporting documents (i.e. extension letter, ledger cards, receipts, etc.) to the claim form submitted to HUD Headquarters.

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A.Instructions for the Completion of HUD Form 27011, Part A, Initial Application.

### INITIAL APPLICATION

Item 1 Claim Type - REQUIRED. Place an "X" in the space for Claim Type 05 = Supplemental.

Items 2 and 3 FHA Case Number and Section of Act Code - REQUIRED. Enter the FHA Case Number and the appropriate Section of the National Housing Act ADP code. All mortgages endorsed since 1962 use the first style shown below, with three numerals, then a hyphen, then six numerals (or seven including the check digit). Be sure to include the hyphen on the claim, whether the claim is submitted on paper or through electronic data interchange (EDI), even though CHUMS may omit it. The three other acceptable FHA case number formats, for pre-1962 mortgages, are also illustrated below. All models include the Section of the Act (SOA) ADP codes. The formatted case number appears on the MIC or the advanced notice of S/F Annual MIP unless the case is included in CHUMS, as in "5" below.

(1) X X X - X X X X X X Or X X X - X X X X X X X X X FHA Case No.

X X X

SOA ADP Code

- - (3) X X X X X X X X X X X X FHA Case No. SOA ADP Code

  - (5) X X X X X X X X X X X X X X FHA Case No. SOA ADP Code (used in CHUMS)

Item 4 Default Reason Code. Not applicable.

Item 5 Endorsement Date - REQUIRED. Enter the correct date.

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Item 6 Date Form Prepared - REQUIRED. Enter the date this form is completed and submitted to HUD.

Items 7

through 11Due Date of First Payment to Principal and Interest; Due Date of Last Complete Installment Paid; Date of Possession and Acquisition of Marketable Title; Date Deed or Assignment Filed for Record or Date of Closing or Appraisal; Date Foreclosure Proceedings (a) Instituted or (b) Date of Deed In Lieu. If the previously reported dates were incorrect, enter the correct date.

Item 12 Holding Mortgagee Number (Payee) - REQUIRED. Enter the complete 10-digit mortgagee number of the holding mortgagee.

Note: This number determines the payee's name and the address to which the insurance benefits check and claim payment data are mailed.

Item 13 Servicing Mortgagee Number - REQUIRED. Enter the complete 10-digit mortgagee number of the servicing mortgagee.

Note: This number determines the name and address to which all computer generated letters and claim payment data are mailed. If this item is not completed, all mail will be sent to the holding mortgagee.

Item 14 Mortgagee Reference Number - REQUIRED. Enter the loan number (maximum 15 digits) used by the mortgagee for identifying the case if any. This number will be printed on the benefits check. If the mortgagee is FNMA or GNMA, the FNMA or GNMA loan number must be entered.

Item 15 Original Mortgage Amount - REQUIRED. Enter the original mortgage amount. This figure should be

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taken from the mortgage note. If there has been a recast of the mortgage, make a notation of the recasting on the reverse side of Part A under "Mortgagee's Comments" and make reference to 24 CFR 203.342.

Item 16 Holding Mortgagee EIN - REQUIRED if initial claim was 03 - Automatic Assignment. Enter the complete 9-digit Employer Identification Number.

Items 17

through 35If the previously reported information was incorrect, enter the correct information.

Item 35 Name and Address of Mortgagee - REQUIRED. Enter the name and address of the mortgagee, including the ZIP code.

Item 36 Name and Address of Mortgagee's Servicer - REQUIRED. Enter the name and address of the mortgagee's servicer, including the ZIP code. Include the name and telephone number of a contact person who can answer questions about the claim.

Items 37

and 38 Mortgagee Official Signature, Date and Title, and Servicer Signature, Date and Title - REQUIRED.

The claim must be signed and dated by an official of the holding mortgagee if the holding mortgagee is filing the claim. If a servicer is filing the claim on behalf of the mortgagee, an official of the servicer must sign and date the form. The application will be returned if it is not signed or if it contains a stamped or duplicated signature.

Items 39 through 44Not applicable.

Mortgagee's Comments, if any. Enter the reason for submitting the supplemental claim and use this area to justify unusual circumstances as well as other information required by the instructions.

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HUD's Comments, if any. HUD USE ONLY.

B.Instructions for the Completion of HUD Form 27011, Part B, Fiscal Data. Do not complete Part B if the required changes relate only to Part A; however, if there are changes relating only to Part B, the required items of Part A must be completed. Use the same instructions to complete the supplemental claim that were used to complete the original claim.

PART B

## FISCAL DATA

Item 100 Mortgagor's Name and Property Address - REQUIRED. Enter the mortgagor's name and property address as they appear in Item 33 of Part A.

Items 101

and 102 FHA Case Number and Section of Act Code - REQUIRED. Enter the FHA Case Number and Section of the Act Code as they appear in Items 2 and 3 of Part A.

Item 103 Mortgage's Reference Number - REQUIRED. Enter the mortgagee's Reference Number as it appears in Item 14 of Part A.

Item 104 Date Form Prepared. Enter the date the supplemental form is prepared and submitted to HUD.

Item 105 Expiration Date to Submit Title Evidence, if Applicable. Complete only if the previously reported date was incorrect.

Item 106 Check if Supplemental - REQUIRED. Check this box.

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Items 107

through 132 &

Items 134-137Use instructions of original claim type. If an amount was reported incorrectly on the original claim, enter only the difference between what was reported and what should have been reported. This may be either a positive or negative figure. If the difference is a negative figure, enter the difference on the appropriate line in the "deduction" column (Column A). If the difference is a positive figure, enter on the appropriate line the difference in the "addition" column (Column B). If either of these columns is shaded, place the amount in the opposite column in brackets.

Item 133 Contact: Holding Mortgagee, Name and Telephone Number; or Contact: Servicing Mortgagee, Name and Telephone Number - REQUIRED: Enter the name and telephone number of a person in the holding or servicing mortgagee's office who can answer questions concerning the information reported on this claim form.

Items 138

and 139 Mortgagee Official Signature, Date and Title (not necessary if signed by servicer) or Servicer Signature, Date and Title REQUIRED. A signature

must appear in at least one of these blocks; however, it is acceptable if both the mortgagee and the servicer wish to sign this form.

Mortgagee's Comments. - Use this area to justify information required by these instructions.

HUD's Comments. - For HUD's use only.

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C.Instructions for the Completion of HUD Form 27011, Parts C, D and E, Support Documents (Continuations 1 and 2).

# PARTS C, D AND E

The parts must be prepared in the same manner as the original claim. Complete only those items which are in need of adjustment and enter only the difference between what was reported and what should have been reported. If changes are necessary only to Part A the other parts need not be completed.

Calculate the interest due the mortgagee or owed to HUD by using the same dates and interest tables that were used for the original calculation, provided these dates and interest rates were correct. If the dates or interest rates were incorrect, recalculate the interest for all expenses claim in the original. Show only the difference in the interest due.

If the amount paid in the original claim was an overpayment, enclose the expense and interest adjustment in brackets.

HUD will calculate the remaining interest accumulating after the date of the original Part B.

EXAMPLE: An expense for repairing windows of the \$168.95 was incorrectly shown on an original submission of Part C as \$186.95 -- an overstatement of \$18 (\$186.95 - \$168.95).

The interest calculation dates: 9/11/83 (date of expenditure) to 10/1/84 (date on original part B).

Solution:Part C of the supplemental claim should show an adjusted expense of \$18.00 and an adjusted interest amount of \$1.52 (\$18.00 x .0002191781 x 386). Both the \$18 and the \$1.52 should be inclosed in brackets on Part C and transferred to Part B, line 110, columns B and C. A check with the FHA CASE number clearly noted should be attached.

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