

APPENDIX 3: ERRORS FREQUENTLY MADE IN PREPARING CLAIMS

Mortgagees can avoid the inconvenience and expense resulting from erroneous entries on the claim form by determining that all entries and computations are correct before the claim is submitted. The following are the types of errors most frequently found in mortgagee claim reviews.

1. Incorrect dates. More than half of the reimbursement demanded by HUD because of overpayment of mortgage insurance claims involve incorrect dates entered on the claim form.

Item 6 - Date Form Prepared

In some cases, the date of receipt of the Part A demonstrates that the mortgagee entered the date the deed was filed for record rather than the date of preparation and submission of Part A.

Item 8 - Due Date of Last Complete Installment Paid

Some mortgagees either transcribe the wrong date from the ledger or incorrectly compute the date resulting in an erroneous date of default.

Item 9 - Date of Possession and Acquisition of Marketable Title

Some mortgagees have incorrectly entered the date of the foreclosure sale, the date the property was secured, the date of vacancy although title had not been obtained or the date the redemption period began.

Item 10 - Date Deed Filed for Record

Some mortgagees have incorrectly entered the date the deed was mailed to the attorney, the date the redemption period expired, or the date Part A of the claim form was prepared.

Item 11 - Date Foreclosure Proceedings Instituted

Some mortgagees have incorrectly entered the date the case was referred to an attorney for foreclosure; the date the Mortgagor was notified, or the date a committee recommended foreclosure.

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Item 18 - Date of Firm Commitment

Some mortgagees fail to enter a date although the case is not in the Direct Endorsement Program or enter an incorrect date resulting in an incorrect debenture interest rate.

Item 19 - Date of Extension to Foreclosure

Some mortgagees have entered an extension date without obtaining HUD approval or meeting the extension requirements.

Item 20 - Date of Extension to Convey

Some mortgagees have entered an extension date without obtaining prior HUD approval.

Item 21 - Date of Release of Bankruptcy

Some mortgagees have incorrectly entered the date it learned of the release rather than the date of release, or entered a release date when the bankruptcy did not prevent timely foreclosure initiation or prosecution.

2.Hazard Insurance Recovery. Some mortgagees have failed to report actual or estimated hazard insurance recoveries in Item 27, resulting in an overpayment of insurance benefits.

3.Debenture interest is computed to the date in Item 104 when an earlier time frame was missed.

4.Debenture interest is computed from the date of an advancement although the mortgage was not in default.

5.Excessive or inappropriate protection and preservation expenses were claimed without prior HUD approval.

6.Protection and preservation expenses were incurred after the property was conveyed to HUD.

7.Incorrect amounts were entered in the escrow account in Item 109.

Some mortgagees have claimed disbursements in Items 305 and 311 when they were paid from the escrow account, claimed advances in Item 305 when escrow funds were available, deducted non-escrow disbursements from the escrow account or failed to enter the escrow balance, buydown and unapplied funds, or hazard insurance premium refunds in Item 109.

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8.Incorrect Entry of Disbursement Amounts in Item 305

Claims have been made for taxes paid after conveyance to HUD resulting in double payment or for other expenses incurred after conveyance, for penalties and interest on disbursements and attorney fees and foreclosure costs which should have been claimed in Items 306 or 307 for two-thirds reimbursement.