
CHAPTER 1 - INTRODUCTION

- 1-1. HOW TO USE THIS HANDBOOK. This handbook is a guide to be adapted, where necessary, to local legal requirements. If further direction or specific authorization is needed, field offices should contact the Single Family Servicing Division (HSSL) in Headquarters.

Chapter 3 covers situations common to all mortgages regardless of their status of collections, payment of taxes, etc. Subsequent chapters address situations that may evolve from a delinquency and, finally, unique situations such as recapture of subsidy.

- 1-2. AUTHORITIES AND RESPONSIBILITIES.

- A. Authorities. All Housing program authority stems from the Assistant Secretary for Housing - Federal Housing Commissioner, then through the Office of Single Family Housing. Except as specified in this handbook and supplements, authority not delegated to the field office resides in Headquarters.

Headquarters may, from time to time, increase or withdraw field office authority. If a field office needs increased authority or responsibility to deal with local situations or issues, it must request Headquarters approval.

- B. Support Services. These are specific services provided Housing by organizations not under Housing's authority. They include:

- 1) Office of Finance and Accounting (OFA).

- a. Post Insurance Division (AFMP), OFA. This division has final responsibility for maintaining the financial controls over individual cases in the Secretary Held Mortgage (SHM) portfolio. Field offices have terminals to access the automated Single Family Mortgage Notes System (SFMNS) for quick reference to an individual account's status. Field offices may also access the system for administrative purposes-such as name and address changes and payment plan modifications; but accounting functions are AFMP's responsibility.

In AFMP, the Single Family Notes Branch is responsible for all financial actions on individual accounts. Specific inquiries on those accounts should be addressed to the "Service Center", a Section within that Branch.

- b. Regional Accounting Division (RAD), OFA. The RAD is the field arm of OFA. Field offices will contact the RAD primarily for payment of real estate taxes and special assessments on SHM accounts. Once disbursements are made, it is the RAD's responsibility to notify AFMP to update the account.
- 2) The Single Family Mortgage Notes System (SFMNS). The SFMNS is a contracted system providing automated mortgage accounting and servicing. It is supported by a lock box facility solely for processing mortgage payments. This system is under OFA's Systems and Management Oversight Division (AFM). (See the SFMNS User's Guide and related memoranda for guidelines for the SFMNS.)
- 3) Office of General Counsel (OGC). The OGC is represented in the field by staff attorney-advisors, who should be contacted about legal issues specific to the jurisdiction.

The Assistant General Counsel for Home Mortgage Insurance (GHH) handles all SHM questions that cannot be answered by local attorney-advisors. GHH will be involved in coordinating the foreclosure of SHM mortgages and administration of the national contract for the services of foreclosure attorneys or agents. All contacts with the foreclosing agent and attorneys must be coordinated through GHH, except as otherwise specified.

When cases have not already been referred to GHH for foreclosure, but the services of counsel are necessary (deeds-in-lieu of foreclosure, bankruptcies, etc.), those cases should be referred to Regional/Chief Counsel.

- C. Field Office Delegations. Field office organization patterns differ generally below the Housing Management Division level. All delegations of authority to the field by Headquarters are published in the Federal Register. The Redelegation of Authority is included as Exhibit 1-1. Operating guidance, such as this handbook, are designed to explain those delegations.

The delegations are:

- 1) Housing Management Director. Authority for the following responsibilities should not be delegated below the position of Director, Housing Management Division:
 - a. Authority to compromise and settle claims against mortgagors.
 - b. Authority to execute releases/satisfactions and

assignments.

- 2) Chief, Loan Management; Chief, Loan Management and Property Disposition; Supervisory Loan Specialist. Authority for the following responsibilities may be delegated to the foregoing positions:
 - a. Authority to approve forbearance agreements.
 - b. Authority to issue statements of accounts, including payoff and bring-current amounts.
 - c. Authority to accept partial payments and payments in full.
 - d. Authority to accept deeds-in-lieu of foreclosure.

D. Field Office Responsibilities and Limitations

- 1) Maintenance of Legal File. The mortgage security instruments and legal files were decentralized to the individual office's Housing Management Division Directors as part of the redelegation. However, the responsibility of securing and protecting those files rests with the office's Administrative Officer.
- 2) Satisfaction of Liens. Once the Satisfaction of Lien has been prepared by the Field Counsel, it will be returned to your office and should be executed by the authorized signing official. The document must then be notarized by a bonded notary in accordance with the notary laws in your State. The Satisfaction of Lien must be recorded, following local practice, and forwarded to the mortgagor or mortgagor's agent, as appropriate. (see also instructions in this Handbook on Payoffs.)

- a. After sufficient payoff funds have been credited to the mortgagor's account in SFMNS, OFA will complete financial transactions and enter Status Code 56 (loan paid off) on Loan Screen 1. A memorandum to verify completion of financial transactions will be sent to the Chief, Loan Management Branch. This memorandum also will indicate if there is a refund in process or if any outstanding taxes have not yet been posted to the account. OFA will inform the mortgagor when a refund is forthcoming. Neither taxes in process nor a mortgagor refund affects continuation of satisfaction processing.
- b. After the financial processing has been completed by OFA, Field Loan Management staff will request field counsel to

prepare the release of deed of trust or satisfaction of mortgage.

c. Upon receipt of the release, Loan Management staff will record the satisfaction, release of deed, etc. All legal documents should be transmitted to the mortgagor or mortgagor's agent, as appropriate, by certified mail.

3) Satisfaction of Section 235 Recapture Liens. Directors, Office of Housing must assure that all staff responsible for processing Section 235 recapture liens have received a copy of the instruction contained in the January 6, 1986 redelegation. Those instructions will be included as Chapter 7. Until the revised chapter is available, continue to follow the instructions and guidelines set forth in the following memorandums, except where changed as a result of the redelegation:

- February 9, 1984, Documentation Require to Satisfy Section 235 Recapture Liens
- May 22, 1984, Section 235 Recapture of Assistance Payment Reasonable Costs of Sale and Improvements
- December 11, 1984, Satisfaction of Section 235 Recapture Liens Involving Deeds-in-lieu of Foreclosure

request copies of these memoranda from the Single Family Servicing Division, Office of Insured Single Family Housing.

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4) Acceptance of reduced payoff amounts, waiving delinquent interest and compromising and settling claims. Shortages involving a mortgage payoff must not be written off on a routine basis. Decisions to write off must follow guidelines at 3-8.

5) In the case of an assumption of the mortgage, neither HUD nor field staff has legal authority to waive any part of a continuing indebtedness. Field offices cannot write off any amounts prior to mortgage payoff.

D. Staffing. Field office managers must assure that staff assigned to debt collection are adequately trained and given the opportunity for any required professional improvement.

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