Special Attention of: Transmittal for Handbook No.: 4350.4 CHG-7

Directors of Housing; Directors of Multifamily Housing Division;
Asset Management Branch Chiefs;
All HUD-Approved Mortgagees

1. This transmits additional guidance for filing Notices of Default, Form HUD-92426, and describes suggested and required actions in the event of a "rolling default."

2. Explanation of Materials Transmitted:

Changes on pages 2-34, 2-40, and 2-41 inform mortgagees in greater detail when Form HUD-92426 must be filed in order to avoid surcharges for late or improper filings. Chapter 2 has been reformatted in order to eliminate printing and typographical errors contained in the existing Chapter 2, and the language contained in the "Note" in paragraph 2-26 has been restated at paragraph 2-39 for consistency.

3. Effective Date: Upon receipt.

4. Filing Instructions:

Remove: Insert:
The Foreword and the entire Foreword dated 2/92;
Table of Contents of various Table of Contents,
dates; All pages of Chapter 2 pages ii through
of various dates. ix dated 6/96;
Chapter 2, pages 2-1 through 2-43 dated
6/96.

Assistant Secretary for Housing-
Federal Housing Commissioner

HMM: Distribution: W-3-1, R-1, R-2, R-3-1(H)(RC), R-3-2, R-3-3, R-6, R-6-2,
R-7, R-7-2, R-8, ASC

4350.4

Foreword

There may be up to 400 mortgagees servicing HUD-Insured mortgages on nearly 16,000 multifamily projects with a combined value of approximately $45 billion as of the issue date of this handbook. This handbook outlines what HUD believes to be procedures that mortgagees should use as servicing practices; it restates certain minimum servicing standards and requirements that are Regulatory (or Statutory) in nature. It also contains suggestions and recommendations for loan administration. Required practices are typically expressed by "must," "shall," or "may not." Advisory or recommended practices are expressed
by "ought to," "should," or similar expressions.

This handbook establishes procedures for HUD Field Offices to follow in reviewing the mortgagee servicing activities of mortgagees that hold or service HUD-insured mortgages on multifamily projects and in obtaining compliance with the Department's mortgage servicing requirements.

By including selected Mortgagee Letters in an Appendix, this handbook provides lenders who hold or service these mortgages a convenient reference for existing procedures and requirements of the Department. Mortgagees should file future Mortgagee Letters, as they are issued, in that Appendix. Failure to do so may result in their new employees pursuing inaccurate or incorrect mortgage servicing procedures; the resulting lack of current information will not excuse mortgagees from their servicing responsibilities. Appropriate HUD employees also should file new Mortgagee Letters in the Appendix. Mortgagee Letters that are issued after the issuance of this Handbook are hereby incorporated into this Handbook by this specific reference.

This handbook does not establish new rules of procedure nor does it change the existing policy of the Department. Earlier issuances are supplemented by this handbook and HUD's expectations of mortgagees are clarified. As of the issue date of this handbook, HUD Field Offices bear primary responsibility for conducting on-site reviews of various mortgagee servicing activities of mortgagees that service mortgages insured under HUD's single family mortgage insurance programs.

This handbook provides guidance to HUD Field and Regional Offices for submitting information regarding mortgagees that service insured multifamily mortgages to the appropriate HUD Headquarters staff when the Field Offices are recommending the imposition of sanctions against multifamily mortgagees.

References:
Hbk. 2000.3, Office of Inspector General Activities
Hbk. 4010.1, Definitions, Policy Statements and General Rulings
Hbk. 4060.1, Mortgagee Approval Handbook
Hbk. 4060.2, Mortgagee Review Board
Hbk. 4060.3, Field Office Guide for Mortgagee Monitoring
Hbk. 4065.1, Previous Participation Handbook
Hbk. 4110.2, Mortgagees' Guide Home Mortgage Fiscal Instructions
Hbk. 4350.1, Insured Project Servicing Handbook
Hbk. 4370.1, Reviewing Annual and Monthly Financial Reports
Hbk. 4370.2, Financial Operations and Accounting Procedures for Insured
Multifamily Projects

Hbk. 4372.1, Audit Guide for use by Independent Public Accountants for Audit of Mortgagors having HUD-Insured or Secretary held Multifamily Mortgages

Hbk. 4561.1, Coinsurance for Mortgage Lenders (Section 221(d))

Hbk. 4561.2, Management Servicing and Disposition Requirements for Projects with 221(d) Co-insured Loans

Hbk. 4566.1, Coinsurance for Private Lenders - Section 223(f)

Hbk. 4566.2, Management Servicing and Disposition Requirements for Projects with 223(f) Co-insured Loans

iii 6/96

4350.4 CHG-7

List of forms mentioned in this Handbook:

<table>
<thead>
<tr>
<th>Form No.</th>
<th>Form Name</th>
<th>Appendix No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD-434</td>
<td>Statement of Taxes</td>
<td>5-D</td>
</tr>
<tr>
<td>HUD-2537</td>
<td>Mortgagee's Application for Partial Settlement (M/F Mtg.)</td>
<td>5-C</td>
</tr>
<tr>
<td>HUD-2741</td>
<td>Instructions for Applications for Insurance Benefits (M/F Mortgages)</td>
<td>5-A</td>
</tr>
<tr>
<td>HUD-2742</td>
<td>Fiscal Data in Support of Claim for Insurance Benefits (M/F Mtg.)</td>
<td>5-E</td>
</tr>
<tr>
<td>HUD-2744A</td>
<td>Allocation of Mortgagee Receipts and Disbursements, Schedule A</td>
<td>5-F</td>
</tr>
<tr>
<td>HUD-2744B</td>
<td>Mortgagee's Report of Project Collections, Schedule B</td>
<td>5-G</td>
</tr>
<tr>
<td>HUD-2744C</td>
<td>Mortgagee's Report of Project Disbursements, Schedule C</td>
<td>5-H</td>
</tr>
<tr>
<td>HUD-2744D</td>
<td>Other Disbursements by Mortgagee</td>
<td>5-I</td>
</tr>
<tr>
<td>HUD-2744E</td>
<td>Mortgagee Report of Special Escrow, Schedule E</td>
<td>5-J</td>
</tr>
<tr>
<td>HUD-2747</td>
<td>Application for Insurance Benefits (M/F Mortgage)</td>
<td>5-B</td>
</tr>
<tr>
<td>HUD-9250</td>
<td>Reserve Fund for Replacements Authorization</td>
<td>N/A</td>
</tr>
<tr>
<td>HUD-9807</td>
<td>Request for Termination of Multifamily Mortgage Insurance</td>
<td>3</td>
</tr>
</tbody>
</table>
This transmits the revised policy for holding and investing funds in the Reserve for Replacement Account and Residual Receipts Account, Change 6 to HUD Handbook 4350.4, Insured Multifamily Mortgagee Servicing and Field Office Monitoring Handbook.

Also transmitted are corrections to Paragraph 1-17. Regulatory Authority, which reflect the mortgagee approval regulations that were revised and renumbered by a final rule which was published on December 9, 1992. The new citation for the mortgagee approval regulations is 24 CFR Part 202.
Filing Instructions - Continued:

Remove Insert

Page 1-13 dated 2/92 Page 1-13 dated 12/95
Page 1-14 dated 1/94 Page 1-14 dated 12/95
Pages 2-22 & 2-23 dated 2/94 Pages 2-22 & 2-23 dated 12/95
Page 2-24 dated 10/92 Page 2-24 dated 12/95
Page 2-25 dated 2/92 Page 2-25 dated 12/95
Page 2-26 dated 2/92 Page 2-26 dated 12/95
Page 2-27 dated 2/92 Page 2-27 dated 2/92
Page 2-28 dated 2/92 Page 2-28 dated 2/92
Page 2-29 dated 2/92 Page 2-29 dated 2/92
Page 2-30 dated 2/92 Page 2-30 dated 2/92
Page 2-31 dated 10/92 Page 2-31 dated 2/92
Page 2-32 dated 2/92 Page 2-32 dated 2/92
Page 2-33 dated 2/92 Page 2-33 dated 2/92
Page 2-34 dated 2/92 Page 2-34 dated 10/92
Page 2-35 dated 2/92 Page 2-35 dated 2/92
Page 2-36 dated 2/92 Page 2-36 dated 2/92
Page 2-37 dated 2/92 Page 2-37 dated 2/92
Page 2-38 dated 2/92 Page 2-38 dated 2/92
Page 2-40 dated 2/92 Page 2-40 dated 2/92
Page 2-41 dated 2/92 Page 2-41 dated 2/92
Page 2-42 dated 8/93

Assistant Secretary for Housing-
Federal Housing Commissioner

U.S. Department of Housing and Urban Development

HOUSING

1. This transmits Change 5 to HUD Handbook 4350.4, Insured Multifamily Mortgagee Servicing and Field Office Remote
2. **Explanation of Materials Transmitted:**

This change allows the mortgagor to request the mortgagee to invest funds in the Reserve for Replacements and Residual Receipts in a tax-exempt mutual fund.

3. **Effective date:**

Upon receipt

4. **Filing instructions:**

<table>
<thead>
<tr>
<th>Remove</th>
<th>Insert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table of Contents</td>
<td>Table of Contents</td>
</tr>
<tr>
<td>Pages iv through vi</td>
<td>Pages iv through vi, dated 2/94</td>
</tr>
<tr>
<td>Pages 2-22 through 2-38</td>
<td>Page vii, dated 2/92</td>
</tr>
<tr>
<td>Pages 2-22 &amp; 2-23, dated 2/94</td>
<td>Page 2-24, dated 10/92</td>
</tr>
<tr>
<td>Pages 2-25 through 2-30, dated 2/92</td>
<td>Page 2-25, dated 10/92</td>
</tr>
<tr>
<td>Page 2-31, dated 10/92</td>
<td>Page 2-31, dated 10/92</td>
</tr>
<tr>
<td>Pages 2-32 through 2-38, dated 2/92</td>
<td>Page 2-32 through 2-38, dated 2/92</td>
</tr>
</tbody>
</table>

_________________________________________

Assistant Secretary for Housing - Federal Housing Commissioner

_________________________________________

W-3-1, W-2(H), W-3(A)(H) (OGC) (ZAS), W-4(H), R-1, R-2,
R-3-1, R-3-2, R-3-3, R-6-2, R-7, R-8, State Agencies & All
HUD-Approved Mortgagees

U.S. Department of Housing and Urban Development

HOUSING

_________________________________________

Special Attention of: Transmittal Handbook No.: 4350.4
Regional Administrators, CHG-5
Directors of Regional Housing,
Managers of Category A, B, and C Offices Issued: 2/23/94
Directors of Housing Management Division,
Directors of Housing Development Division,
Loan Management Branch Chiefs

1. This transmits Change 5 to HUD Handbook 4350.4, Insured
Multifamily Mortgagee Servicing and Field Office Remote Monitoring.

2. Explanation of Materials Transmitted:

This change allows the mortgagor to request the mortgagee to invest funds in the Reserve for Replacements and Residual Receipts in a tax-exempt mutual fund.

3. Effective date:

Upon receipt

4. Filing instructions:

Remove Insert

Table of Contents
Pages iv through vii
Pages 2-22 through 2-38
Table of Contents
Pages iv through vi, dated 2/94; Page vii, dated 2/92
Pages 2-22 & 2-23, dated 2/94
Page 2-24, dated 10/92
Pages 2-25 through 2-30, dated 2/92
Page 2-31, dated 10/92
Pages 2-32 through 2-38, dated 2/92
Page 2-39, dated 10/92

Assistant Secretary for Housing
- Federal Housing Commissioner

W-3-1, W-2 (H), W-3 (A) (H) (OGC) (ZAS), W-4 (H), R-1, R-2,
R-3-1, R-3-2, R-3-3, R-6-2, R-7, R-8, State Agencies & All
HUD-Approved Mortgagees

HUD-23 (9-81)

U.S. Department of Housing and Urban Development

HOUSING

Special Attention of: Transmittal Handbook No.: 4350.4
Regional Administrators, CHG-4
Directors of Regional Housing, Issued: February 1, 1994
Managers of Category A, B, and C Offices,
Directors of Housing Management Divisions,
Loan Management Branch Chiefs, and
All HUD-approved Mortgagees
1. This transmits Change 4 to HUD Handbook 4350.4, Insured Multifamily Mortgagee Servicing and Field Office Remote Monitoring Handbook.

2. Explanation of Material Transmitted:

   a. This change gives the mortgagee the authority to place escrow funds for taxes and insurance in accounts where the total funds exceed $100,000 per banking institution.

   b. This change establishes criteria for determining which banking institution is qualified to hold deposits in excess of $100,000.

3. Effective date:

   Upon receipt

4. Filing Instructions:

Remove                               Insert

<table>
<thead>
<tr>
<th>Remove</th>
<th>Insert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table of Contents,</td>
<td>Table of Contents,</td>
</tr>
<tr>
<td>Pages iv through vi, dated 2/92</td>
<td>Pages iv through vi, dated 1/94;</td>
</tr>
<tr>
<td>Pages 1-13 through 1-15</td>
<td>Page vii dated 2/92</td>
</tr>
<tr>
<td>Pages 2-11 through 2-37</td>
<td>Pages 1-13 dated 2/92;</td>
</tr>
<tr>
<td></td>
<td>Pages 1-14 through 1-16</td>
</tr>
<tr>
<td></td>
<td>Pages 2-11 &amp; 2-12 dated 1/94</td>
</tr>
<tr>
<td></td>
<td>Pages 2-13 through 2-17</td>
</tr>
<tr>
<td></td>
<td>Pages 2-18 through 2-23</td>
</tr>
<tr>
<td></td>
<td>Pages 2-24 through 2-29</td>
</tr>
<tr>
<td></td>
<td>Pages 2-30 through 2-31</td>
</tr>
<tr>
<td></td>
<td>Pages 2-32 through 2-37</td>
</tr>
<tr>
<td></td>
<td>Page 2-38 dated 10/92</td>
</tr>
</tbody>
</table>

4. Filing Instructions (Continued):

Remove                               Insert

<table>
<thead>
<tr>
<th>Remove</th>
<th>Insert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pages 2-24 through 2-29</td>
<td>Pages 2-30 through 2-31</td>
</tr>
<tr>
<td>dated 2/92</td>
<td>dated 10/92</td>
</tr>
<tr>
<td>Pages 2-32 through 2-37</td>
<td>Pages 2-38 dated 10/92</td>
</tr>
</tbody>
</table>

Assistant Secretary for Housing
- Federal Housing Commissioner
1. This Transmits
   Change No. 3 to HUD Handbook 4350.4

   Explanation of Material Transmitted:

   a. The change conforms the language contained in the "Note" on page 2-37 to the procedures for retaining Forms HUD-9250 that were described in Mortgagee Letter

b. Handbook users also are reminded to file Mortgagee Letter 93-12 and future multifamily mortgagee letters in Appendix No. 7 of the Handbook.

Effective Date: Upon Receipt.

Filing Instructions:
Remove: Page 2-37 dated 10/92 
Insert: Page 2-37 dated 8/93

Assistant Secretary for Housing
- Federal Housing Commissioner

W-3-1, W-2(H), W-3(A)(H), (OGC) (ZAS), W-4(H), R-1, R-2, R-3-1,
R-3-2, R-3-3, R-3, R-6-1, R-6-2, R-7, R-7-1, R-8
State Agencies & All HUD-Approved Mortgagees

HUD-23 (9-81)
W-3-1 Directives Management Officers--Headquarters and Regions,
library, ACIR (Advisory Commission on Intergovermental Relations)

U.S. Department of Housing and Urban Development

Special Afternoon of: Regional Administrators,
Directors of Regional Housing, Transmittal Handbook No.: 43504 CHG-2
Managers of Category A, B, and C Offices,
Directors of Housing Management
Divisions, Loan Management Branch Chiefs,
All HUD-approved Mortgagees

Issued: 7/8/93

1. This Transmits
Change No. 2 to HUD Handbook 4350.4

Explanation of Material Transmitted:


b. Previous editions of this form are obsolete. Supplies of these forms are maintained in the HUD Regional Offices. Forms may be obtained from the HUD Regional Offices. Requests for forms should be sent to the attention of "Forms Supply."
Effective Date: Upon Receipt.

Filing Instructions:

Remove: Page marked, "Appendix 3, (RESERVED)"

Insert: Appendix 3, pages 1 and 2 dated 7/93

Assistant Secretary for Housing - Federal Housing Commissioner

W-3-1, W-2(H), W-3(A) (H) (OGC) (ZAS), W-4(H), R-1, R-2, R-3-1,
State Agencies & All HUD-Approved mortgagees,
R-3-2, R-3-3, R-3, R-6-1, R-6-2, R-7, R-7-1, R-8

HOUSING

Special Attention of: Transmittal Handbook No.: 4350.4 CHG-1

Regional Administrators,
Directors of Regional Housing, Issued: October 7, 1992
Managers of Category A, B, and C Offices,
Directors of Housing Management
Divisions, Loan Management Branch Chiefs,
All HUD-approved Mortgagees

1. This Transmits
   Change No. 1 to HUD Handbook 4350.4

Explanation of Material Transmitted:

a. The change makes technical, administrative, and
typographical corrections that were undetected during
proofreading of the original Handbook. Brief comments
on several of the corrections follow.

b. Physical Inspections by Mortgagees. Chapter 2 of the
handbook required and still requires that physical
inspection reports be mailed to HUD Field Offices and
project owners within 30 days from the date of the
inspection. This requirement has not changed.
However, in Chapter 5, Field Office criteria for
recommending sanctions against mortgagees were not
consistent with the Chapter 2 reporting requirement in
that a 15 day timeframe/deadline was used as an
evaluating criterion in Chapter 5. This Change No. 1
eliminates that inconsistency and contains the text
that should have been printed when the Handbook was
issued. Because some misunderstandings may have
resulted from the inconsistency, one sentence has been added to the original text on page 2-20 to encourage mortgagees (but not require them) to inform HUD Field Offices when the mortgagees can anticipate being unable to meet the 30 day reporting deadline. When they do so, HUD Field Offices are expected to take extenuating circumstances into consideration before recommending sanctions against a mortgagee.

c. "Table 2" in Chapter 2: "Note 1" on page 2-29 has been revised to remove a possible ambiguity about the effect of leap years on various deadlines.

d. This Change makes a minor, technical/administrative correction to the general description of mortgage insurance claims payments on page 4-7.

f. Because the errata should have been but were not detected during final proofreading and printing, this Change is effective retroactive to the Issue Date of the original Handbook: February 1992.

Effective Date: Upon Receipt, retroactive to February 1992.

Filing Instructions:

Remove:                           Insert:
Handbook Cover Page                         Handbook Cover Page
Pages 2-17, 2-18, 2-19,                  Pages 2-17 dated 2/92
2-20, 2-21, 2-22, 2-29,                  and 2-18 dated 10/92;
2-30, 2-37; 4-7, 4-8;                    Pages 2-19 dated 2/92
5-7 through 5-12, dated 2/92             and 2-20 dated 10/92;
Pages 2-21 and 2-22                    Pages 2-21 dated 10/92
dated 10/92;                           Pages 2-29 dated 10/92
Pages 2-30 dated 2/92                   and 2-30 dated 2/92;
Page 2-37 dated 10/92                    Pages 4-7 dated 10/92
Pages 4-7 dated 10/92                   and 4-8 dated 2/92;
Pages 5-7 dated 2/92                   Pages 5-7 dated 2/92
and 5-8 dated 10/92.                  and 5-8 dated 10/92.
Pages 5-9 through 5-12                 Pages 5-9 through 5-12
dated 10/92

Assistant Secretary for Housing
-Federal Housing Commissioner

U.S. Department of Housing and Urban Development
HOUSING

Special Attention of: Transmittal Handbook No.: 4350.4
1. This Transmits


2. Explanation of Material Transmitted:

a. This handbook provides practices and procedures for investing and servicing mortgagees to use in servicing mortgages insured under HUD's multifamily mortgage insurance programs.

b. This handbook contains instructions for HUD's Field Offices about conducting a program of remote monitoring of multifamily mortgagees from within the Field Offices. It provides procedures for the Field Offices to use in evaluating the results of their remote monitoring activity. It contains guidance for the Field Offices to use when recommending the imposition of sanctions against multifamily mortgagees.

3. Effective Date:

Upon receipt.

4. Filing Instructions:

Insert:

HUD Handbook 4350

Assistant Secretary for Housing
- Federal Housing Commissioner

W-3-1, W-2(H), W-3(A)(H), (OGC) (ZAS), W-4(H), R-1, R-2, R-3-1, R-3-2, R-3-3, R-3, R-6-1, R-6-2, R-7, R-7-1, R-8, State Agencies & All HUD-Approved Mortgagees

HUD-23 (9-81)
W-3-1 Directives Management Officers--Headquarters and Regions, library, ACIR (Advisory Commission on Intergovermental Relations)