
CHAPTER 4. REPORTING OF LOANS

- 4-1. GENERAL. This chapter provides the required procedures for reporting loans for insurance registration and, payment of insurance charges billed by HUD. It is important that lenders follow these procedures without deviation. Loans must be properly reported and accepted by HUD in order to have insurance coverage. Lenders should reconcile their records of loans intended to be insured with HUD's listing of insured loans to make certain their loan portfolios are properly insured.

Loans that are not insured within the prescribed limits as set forth in this chapter, may be insured at a later date, if the loan is current and the lender certifies that fact. The insured will be charged for all past due premiums.

Lenders should pay particular attention to the insurance reserve section in this chapter as that determines the maximum insurance coverage on a portfolio. Each claim will be paid on 90 percent of the established loss, however the total portfolio is insured only up to 10 percent of all loans reported for insurance less adjustment.

4-2. REPORTING REQUIREMENTS.

- a. Reporting Forms. The forms used for reporting Title I Property Improvement Loans are:

- (1) For new loans. Title I Loan Reporting Manifest, Form HUD-56004 (Appendix 3, pages 1 and 3), or 80-column punched tabulating cards (Appendix 3, page 5).
 - (a) Lenders who utilize tabulating equipment or who have devices that convert required reporting data from other types of equipment to an 80-column tabulating card, have the option of reporting new loans for insurance registration either by means of punched tabulating cards or by manifest, or by both methods. However, to avoid duplicate billing, only one method may be selected for reporting any one loan. Further, if the Title I Loan Reporting Manifest is elected, only the 7/76 and 10/79 revisions shall be used.
 - (b) Lenders who elect to use the card method of reporting must order tabulating cards from their own source of supply. The card must conform to the illustration in Appendix 3, page 5. No other

type of tabulating card may be substituted, and no deviation from instructions for preparation of the card (Appendix 3, page 4) is permitted.

- (2) For refinancing of loans. Title I Refinancing Report, Form FH-5 (Appendix 3, page 7).
 - (3) For transfers of loans between lenders. Title I Transfer of Note Report, Form FH-6 (Appendix 3, page 9).
- b. When to Report. Title I Regulations require that a loan initially reported for insurance registration shall be reported within 31 calendar days from the date of the note or date upon which it was purchased from a dealer. Refinancings and transfers must be reported within 31 calendar days from the date of refinancing or transfer. A refinance or transfer report cannot be processed until the original note has been acknowledged on a Title I Billing Statement (Appendix 3, page 11) and the premium paid as billed.
- (1) To avoid month-end accumulations and permit timely notification to lenders of registration of loans for insurance, lenders who use manifest-type reporting shall submit reports daily when the volume is 14 or more.
 - (2) Low-volume lenders shall submit reports promptly when 14 items have been accumulated. In any event, regardless of the number of loans, a manifest shall be submitted at the end of each week.
 - (3) Lenders reporting new loans by punched tabulating cards shall submit cards promptly when a block of approximately 200 has been accumulated. For lesser accumulations, cards shall be submitted once each week.
- 4-3. MAILING INSTRUCTIONS. To expedite processing by HUD, cooperation of all lenders is requested in mailing manifests, punched tabulating cards, and reports according to the following instructions:
- a. Manifests (Form HUD-56004) or Punched Tabulating Cards are mailed to the Office of ADP Operations, Attention: Production and Data Control Division, Department of Housing and Urban Development, Washington, DC 20410. The cards shall be wrapped carefully in several folds of heavy wrapping paper and tied securely with strong cord to prevent
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- damage or loss in shipment. Only the 7/76 revision of the FH-4 or the 10/79 revision of the HUD-56004 shall be used.
- b. Refinancing Reports (Form FH-5) and Transfer of Note Reports (Form FH-6) are mailed to the Office of Finance and Accounting, Attention: Title I Branch, Department of Housing and Urban Development, Washington, DC 20410.
 - c. Avoid attachments of any kind to the Title I report forms. Unnecessary attachments, such as transmittal letters, result in delay of insurance registration since all report forms having attachments are set aside for special handling.
- 4-4. PREPARATION OF REPORTING FORMS. To minimize rejection of the data entered into HUD's automatic data processing equipment, all reports must be typed and the data carefully verified before mailing. Lenders are particularly cautioned to insert their names, addresses, and the correct 5-digit contract numbers on the manifests exactly as shown in the top portion of the billing statements. Lenders reporting by punched tabulating cards must verify the data punched into the cards before submission.
- a. Manifest and Punched Tabulating Cards. Instructions for preparation of the Loan Reporting Manifest (Form HUD-56004) and the tabulating card (if this method of reporting is elected by the lender) are provided in Appendix 3, pages 2 and 4. Only the 7/76 revision of the FH-4 and/or the 10/79 revision of the HUD-56004 shall be used.
 - b. Refinancing Reports and Transfer of Note Reports. Instructions for preparation of the Refinancing Report (Form FH-5) and the Transfer of Note Report (Form FH-6) are provided for in Appendix 3, pages 6 and 8.
- 4-5. CLEARANCE OF EXCEPTIONS. HUD's ADP equipment will reject a loan reported for insurance registration when the tabulating card submitted by the lender, or the tabulating card created by HUD from the manifest (Form HUD-56004) or from the Refinancing Report (Form FH-5), contains data that is in error, incompatible, or incomplete.
- a. Loans Rejected are listed in a section of the Title I Loan Statement, Form HUD 2041. This section is titled "Exceptions Reported," and each item in this section will be coded as to the reason for rejection. The original reporting document, whether a tabulating card, manifest, or refinancing report, is not returned to the lender. The reason for non-acceptance may be determined by matching the

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Identification column of the "Exceptions Reported" section with the listing of error codes and messages on the reverse of the Form HUD-2041 (Appendix 3, page 10).

- b. For the Rejected Loans that appear in the "Exceptions Reported" section, all items shall be corrected promptly by the lender, and the correct data shall be reported in the lender's next submission of a manifest or tabulating cards (for new loans) to obtain insurance registration. A corrected refinancing loan shall be resubmitted on a new Form FH-5. Form HUD-2041 shall not be returned when resubmitting corrections.
- 4-6. INSURANCE RESERVES. An insurance reserve is established for all participating lenders. For each eligible loan reported by an insured lender and accepted for insurance registry by HUD, a paper figure equal to 10 percent of the net proceeds of the loan is credited to the lender's insurance reserve. The cumulative credits to the insurance reserve for each lender will equal 10 percent of the net amount advanced by it on all eligible loans. Each lending institution is thus insured against losses on its overall lending operation, with the amount of each claim paid being subtracted from the insurance reserve recorded for the particular lending institution that submitted the claim.
- a. Annual Reserve Adjustments. On October 1, immediately following the expiration of 5 years after the date of the issuance of the contract of insurance by the Commissioner, the amount of insurance reserve to the credit of such insured is adjusted by carrying forward into the next annual period 90 percent of the unused reserves outstanding on such date. The insurance reserve of each insured is adjusted in like manner on each subsequent October 1. No such adjustment shall reduce the insurance reserve of any insured to an amount less than \$15,000.
 - b. Unused Reserves. The amount of unused reserves to be carried forward at the beginning of each annual period is determined according to the records of the Commissioner, and a statement showing the amount of such unused reserves is furnished each insured as promptly as possible after the close of each annual period. The monthly and annual reserve adjustments appear on the billing statement.
 - c. Commingled Reserves. The aggregate amount of loans advanced

by a lending institution, for the purposes of determining its general insurance reserve, shall include loans reported for insurance under both the property improvement and manufactured (mobile) home loan programs.

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- 4-7. COMPUTATION OF TERM AND INSURANCE CHARGE. The insurance charge for each loan is calculated by HUD and billed to the approved lending institution on a monthly statement. The method of computing the charge is explained in the following paragraphs.
- 4-8. NEW LOANS. Term. The term of the loan, for insurance purposes, is computed from the date of the note to the maturity date. HUD determines the final maturity date of the loan from the information furnished by the lender as to the date of the first payment, the number of payments to liquidate the loan, and the mode of payment. No charge is made for a fractional part of a month which is 14 calendar days or less, and a charge for a full month is made for a fractional part of a month which is 15 calendar days or more.
- 4-9. INSURANCE CHARGE. The regulations provide for an insurance charge computed on the net proceeds of each loan reported for insurance. The charge for a full month is made for the fractional period of a month if more than 14 days, but no charge is made if the fractional period is 14 days or less. For example, in the case of a loan for a term of 36 months and 14 days a charge is made for 36 months, and in the case of a loan for 36 months and 15 days a charge is made for 37 months.
- a. Lending institutions are billed on monthly statements. The statement covering initial insurance charges constitutes acknowledgement and acceptance of the loans for insurance registration.
 - b. No part of the insurance charge with the exception of loans made to improve nursing homes and other related medical facilities, may be passed on to the borrower if such charge would cause the total payments to exceed the maximum financing charge permitted.
 - c. The Regulations make no provisions for cancellation of insurance and provide only for refunds and abatement as set out in 24 CFR 201.13. Consequently, a lender deciding to discontinue reporting new loans for insurance cannot be relieved of the liability to pay future renewal insurance premiums on loans previously insured.

- d. Rates. The per annum insurance charge for Historical Preservation Loans is computed at the rate of fifty-five one-hundredths (.55) of one percent of the net proceeds. The per annum insurance charge for Property Improvement and Fire Safety Equipment Loans is computed at the rate of fifty one-hundredths (.50) of one percent of the net proceeds.

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- e. Calculation. To obtain the total insurance charge on the loan, the factor for 1 month (insurance rate divided by 12 months) is multiplied by the amount of net proceeds, and this result is then multiplied by the term in months.
- f. Billing. The total insurance charge is billed to the lender for each loan having a duration of 25 months or less. The insurance charge on those loans having a term in excess of 25 months is payable in installments. Each installment is the equivalent of the charge for one year, except the final installment is inclusive of any fractional part of a year when such fractional part is 6 months or less.
- g. Refund or Abatement. Title I Regulations for insurance charge refund and abatement are cited in paragraph 4-15.
- h. Due Dates. The initial insurance charge shall be paid within 25 calendar days of HUD's acknowledgment of the loan. The second and succeeding installments, if any, are billed on the first and each succeeding anniversary of the first day of the month in which the note was dated. These installments must be paid within 25 calendar days of such billing by HUD in order to avoid late charges (see paragraph 3-12.)
- i. Example. A Property Improvement Loan with proceeds to the borrower of \$1,000 is dated January 18, 1981, and matures on February 18, 1986. The insurance charge factor for one month is .00041667 (.0050 divided by 12 months).

PERIOD	TERM IN MONTHS	INSURANCE CHARGE	PAYABLE
1-18-81/1-18-82	12	\$5.00	- Within 25 calendar days of acknowledgement
1-18-82/1-18-83	12	\$5.00	
1-18-83/1-18-84	12	\$5.00	- Within 25 calendar days after billing
1-18-84/1-18-85	12	\$5.00	
1-18-85/2-18-86	13	\$5.42	by HUD

4-10. REFINANCING. The adjusted insurance charge in a refinancing transaction is the amount due HUD on the new note after credit has been allowed for the unearned charge paid on the loan being refinanced. The computation of the credit for the unearned charge of the loan being refinanced is explained below.

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- a. Unearned Charge. The unearned charge in a refinancing transaction is established by first determining the earned charge then subtracting that amount from the total charges paid. Detailed steps to be taken in determining the unearned charge are as follows:
- (1) Count the number of months between the date of the note being refinanced (old note) and the date of the refinancing note (new note) to obtain the earned charge months. Take into consideration that the exact number of days are counted.
 - (2) Multiply the monthly insurance charge factor times the number of months for which insurance charges are earned (see (1) above) times the original amount of proceeds of the old note being refinanced to obtain the amount of earned insurance charges.
 - (3) Deduct the amount of earned insurance charges (see (2) above) from the total insurance charges paid to obtain the amount of credit (unearned charge) due on the refinancing note. The ADP System automatically credits this amount to the insurance charge due on the new note, and bills the lender a net charge. (See Appendix 3, page 11). When withholding insurance charges on a refinanced loan, which appears under the Initial Billing Section, deduct the net charge (not the gross charge) for the note.
- b. Example. A Class 1 Property Improvement Loan dated June 10, 1980, for a term of 24 months, with loan proceeds of \$1,000, was charged a per annum insurance rate of .50 percent (monthly factor is .00041667), and all insurance charges were billed and paid for the 24 months period. The refinanced note was dated April 20, 1981. (See Appendix 3, page 11). For ADP purposes, all months contain 30 calendar days.

	Month	Day	Year
	16		80
Date of New Note	04	20	81

Date of Old Note	06	10	80	
	10	10	0	= 10 earned insurance charge months.

Full Term	24 months
Earned Term	-10 months

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Unearned Term	14 months
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Monthly factor	Earned Insurance Charge Months	Original Proceeds	Earned Insurance Charge
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.00041667	x	10	x	\$1,000	=	\$4.16670000
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Total Insurance Charges Paid (1 x \$10)	\$10.00
Earned Insurance Charges	- 4.17
Unearned Insurance Charges	\$ 5.83

- c. Example: A Historical Preservation Loan Dated September 6, 1980, for a term of 5 years, with loan proceeds of 410,000 was charged a per annum insurance rate of .55 percent (monthly factor is .00045833), and had been billed and paid for 24 months of insurance charges. On April 7, 1982, this note was refinanced. (See Appendix 3, page 11). For ADP purposes, all months contain 30 calendar days.

	Month	Day	Year	
	16		81	
Date of New Note	04	07	82	
Date of Old Note	09	06	80	
	07	01	01	= 19 earned insurance charge months.

Full Term	60 months
Earned Term	-19 months

Unearned Term	41 months
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Monthly factor	Earned Insurance Charge Months	Original Proceeds	Earned Insurance Charge
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.00045833	x	19	x	\$10,00	=	\$87.082700
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Total Insurance Charges Paid (1 x \$55)	\$110.00
Earned Insurance Charges	- 87.08
Unearned Insurance Charges	\$ 22.92

4-11. INSURANCE CHARGE PAYMENT. The insurance charge is billed to the approved lending institution on the Title I Loan Statement Form HUD-2041 (Appendix 3, pages 11 thru 17) which includes all insurance charges due. The billing statement also includes other data related to the lender's Title I needs. Features of the billing statement are:

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- (4-11) a. Initial Billing Section. An insurance charge listed in this section constitutes HUD's acknowledgment to the lender of loans accepted for insurance and itemizes insurance charges now due. All charges are made in accordance with the HUD Title I regulations. Final insurance registration of these loans is dependent upon payment of the insurance charge within 25 calendar days after the date of the Form HUD-2041. (See Appendix 3, page 11.)
- b. Renewal Billings Section. An insurance charge listed in this section represents the second or subsequent installment insurance charge for each previously registered loan having a duration in excess of 25 months and for which a renewal insurance charge is due. (See Appendix 3, page 12).
- c. Special Billings Section. Any corrective adjustments necessary as a result of an erroneous billing statement (overstated, understated, or adjusted reserve balance) are listed in this section. Also included in this section are insurance charges withheld by the lending institution under Schedules 1 or 2 of a previous month's reconciliation form (see paragraph 3-11) which HUD deems valid and collectible. (See Appendix 3, page 13.)
- d. Claims Section. Information relative to processed claims is set forth in this section. Claims listed in this section have been finalized and the related loans have been dropped from the billing records. Once a claim is listed in this section, the lending institution is no longer holder of the obligation. (See Appendix 3, page 14). Any further payments received on account by the lender after assignment of the claim must be forwarded to HUD. Such payments shall be made payable to the Federal Housing Administration and mailed to Mortgage Insurance Accounting, Attention: Billing and Receivable Division (Title I), Department of Housing and Urban Development, Washington, DC 20410.

- e. Summary Section. This section contains several beneficial features carefully prepared as a necessary aid to the lenders. These features include:

Cumulative total of monthly insurance charges billed.

- (2) The up-to-date net balance for each primary or earmarked insurance reserve which had activity during the previous month. In addition, each year the October 1 billing statements are mailed to all active Title I lenders in order to display the balance for

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each insurance reserve as of September 30. (See 24 CFR 201.12 of the Title I Regulations for Insurance Reserve provisions).

- (3) All claims paid or repurchased during a prior billing cycle. (See Appendix 3, page 15.)

- f. Return Sheet. Total insurance charges billed for the month are provided on this sheet. This sheet shall be detached from the other sections and returned with the lender's remittance check.

- (1) If deductions have been made from the total billed, the lender shall indicate that amount in the space provided on the "Return Sheet." (See Appendix 3, page 16).

- (2) Reconciliation of Insurance Charges, Form HUD-646 (See Appendix 3, pages 18 and 19), must also be completed and attached if there are loans to be reported as outlined in paragraph 3-11.

- g. Exceptions Reported. Rejected loans reported in this section shall be corrected and promptly resubmitted. (See paragraph 3-5). DO NOT return the "Exceptions Reported" sheet with the HUD-56004 when resubmitting. (See appendix 3, page 17).

4-12. HUD ASSIGNED NUMBERS. Title I Loan Numbers are assigned by HUD. If, at any time, the lending institution finds it necessary to correspond with HUD, the Title I Loan Number (If concerning an acknowledged loan) must be included.

- a. Title I Loan Number (previously FHA Loan Number). Each loan acknowledged for insurance is assigned a loan number by HUD.

Any number assigned having less than 7-digits shall be left justified with zeros. Example: Title I Loan No. 1234 shall be shown as 0001234. The loan number appears each time a particular loan is referenced on a billing statement. In case of a refinancing, a new loan number is assigned to the new note.

- 4-13. RECONCILEMENT FORM. Title I Monthly Statement- Reconcilement of Insurance Charges, Form HUD-646 (appendix 3, pages 18 & 19), must be completed and submitted with the remittance check and the "Return Sheet" of Form HUD 2041 if: (1) an amount other than the exact amount of the total insurance charges billed is remitted--the deductions to be shown under Schedules 1 and 2; or (2) there are loans to be reported in the categories covered by Schedules 3, 4 or 5. If the exact amount of insurance charges

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(4-13) billed is remitted, and there are no loans to be reported in any of the above mentioned schedules, only the "Return Sheet" need accompany the remittance check. The Reconcilement Form shall be signed by an authorized official of the insured institution. Facsimile signatures are acceptable. Instructions for completion of Schedules 1 through 5 of Form HUD-646, as applicable, are set forth below.

- a. Withholding on Prepaid Loans - Schedule 1. Any deductions made from the billing under Schedule 1 of the Reconcilement Form must relate to loans appearing in the particular statement being reconciled, and only for loans which have been prepaid in full prior to or within 25 calendar days after the date of the monthly statement being reconciled. Do not withhold remittance on loans which have been refinanced and have been or will be refunded as a credit of the unearned insurance charge on a subsequent monthly statement.
- b. Withholding for Other Reasons - Schedule 2. Any insurance charge withheld for other reasons shall be listed in Schedule 2, giving the reason for withholding payment.
- (1) Such reasons include loans acknowledged to the institution in error, duplicate insuring of loans, and loans found to be ineligible for insurance.
 - (2) Deductions must not be made in Schedules 1 or 2 for insurance charges on loans which have been refinanced and have been or will be reported to HUD. The withholding of such insurance charges will result in

automatic cancellation of the loan insurance.

- (3) The unearned portion of the insurance charges paid is refunded as a credit when the refinancing is acknowledged on a subsequent monthly statement.
- c. Differences in Loans Listed on Current Monthly Statement-Schedule 3. All loans for which the "net proceeds" or the "term in months" is incorrectly stated on the current monthly statement shall be listed under Schedule 3. The remittance must not be adjusted by any differences shown in this schedule. A subsequent statement will reflect any corrections or adjustments necessary for these items.
 - d. Loans Reported but Not Shown on Monthly Statement- Schedules 4 and 5. Each new and refinanced loan which was reported 60 calendar days or more prior to the date of the current

monthly statement, but has not been acknowledged by HUD on a monthly statement shall be listed under Schedules 4 and 5, as applicable.

- (1) The lender shall resubmit those new loans listed in Schedule 4 on its next manifest or include them in its next submission of punched tabulating cards.
 - (2) Refinanced loans included in Schedule 5 shall be resubmitted on Form FH-5.
 - (3) It is of utmost importance that all unacknowledged loans continue to be listed in Schedules 4 and 5 until they are acknowledged on a monthly statement.
 - (4) Proper adherence to the procedures in this subparagraph precludes the denial of a claim for payment by HUD because the loan had not been acknowledged for insurance.
- 4-14. LATE CHARGES ON INSURANCE CHARGES. HUD regulations require lenders to pay a late charge of 4 percent on the amount of their payment to HUD for insurance charges if paid more than 25 calendar days after the acknowledgement (new loans) or billing date (renewal and other loans) as shown on Form HUD-2041.
- a. No late charge will be required with respect to any loan which HUD fails to render a proper billing (Form HUD-2041)

to the lender. No late charges will be imposed on any loan listed under Schedules 1,2,4, and 5 of the Title I Monthly Statement--Reconcilement of Insurance Charges, Form HUD-646.

- b. The postmark date of the postal service on the envelope in which the remittance is mailed will be accepted by HUD as the date payment is made by the lender.
- c. Lenders will compute the late charge on the total amount due HUD after performing the reconcilement or on the amount billed, if paying as billed, when payment is not made within 25 calendar days after acknowledgement or billing date. If amounts are deducted from the billing during the reconcilement process, and HUD determines, through its research that the billing was proper, the late charge will be due.
- d. Show the amount of late charge, if due, on the Form HUD-646 and the "Return Sheet" of the Form HUD-2041 (See Appendix 3 pages 16, 18, and 19).

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- (1) If no exceptions are taken, the late charge calculation shall be as follows: Total Insurance Charges Billed as shown on the "Return Sheet of the HUD-2041 multiplied by four percent (.04).
 - (2) If exceptions are taken, the late charge calculation shall be as follows: Total Insurance Charges Billed as shown on the "Return Sheet" of the HUD-2041, less the total of the exceptions as listed in Schedules 1 and 2 of the HUD-646, multiplied by four percent (.04).
- e. When the late charge (as calculated above) is added to the total bill or the total bill less exceptions, the sum will represent the total amount due HUD. Lenders should issue one check for the total amount due HUD.
 - g. THE LATE CHARGE SHALL NOT BE PASSED ON TO THE BORROWER.
- 4-15. REFUND OR ABATEMENT. The Title I Regulations provide that there shall be no refund or abatement of any portion or installment of the insurance charge except:
- a. The charge on a refinanced note may be credited with the unearned portion of the paid charge, and future renewal premiums remaining on the original note will be abated;

- b. Insurance charges falling due after the claim is filed or the note is prepaid in full;
- c. The charge paid on a loan or portion thereof which is found to be ineligible; but no refund is made unless a claim is denied by the Commissioner or the ineligibility is reported by the insured promptly upon discovery and an application for refund made. In no event shall charges be refunded where the application for refund is not made until after the loan is paid in full.

4-16. LOAN ACKNOWLEDGEMENT DATE. The date of the monthly statement on which HUD lists the initial insurance charge for a loan is the "loan acknowledgement date." This date is necessary on all Refinancing Reports (FH-5), Transfer of Note Reports (FH-6), and Title I Claim for Loss Forms (HUD-637). Since individual loan reports are not maintained in HUD files, lenders must note the acknowledgement date on the loan jacket or other appropriate document.

- a. Such notation will make this date easily accessible to the lender to allow expeditious reconciliation on monthly

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- (4-16) insurance charge statements, thus assuring that all loans have been acknowledged for insurance.
 - b. The notation also precludes the possibility of denial of a claim for insurance benefits by reason of the lender not being in a position to furnish the required data on the claim form.
 - c. If the above forms are submitted to HUD without showing the loan acknowledgment date, they will be returned to the lender for correction and resubmission.