U.S. Department of Housing and Urban Development

H O U S I N G

Special Attention of:

Transmittal Handbook No.: 4700.1 REV-1

Issued: September 19, 1983

1. This Transmits
   Handbook 4700.1 REV-1, "Title I Property Improvement Loan Operating Handbook", dated 9/83.

2. Explanation of Material Transmitted:
   This revision reflects recent regulatory and policy changes. Included are changes in the lien security requirements and the addition of separate sections for Historic Preservation and Fire Safety Equipment loans. A separate chapter has been established for credit investigation, underwriting and collection procedures because there is a need for the Department to provide more detailed guidance for participating lending institutions.

3. Cancellations:
   Handbook 4700.1 dated June 1973 and subsequent changes.

4. Filing Instructions:

Remove:	Insert:
Handbook 4700.1 dated 6/73 and all changes	Handbook 4700.1 REV-1 dated 9/83

Assistant Secretary for Housing
Federal Housing Commissioner

Handbook 4700.1 REV-1

U.S. Department of Housing and Urban Development
Washington. D.C. 20410

Program Participants

and Departmental Staff

September 1983

Title I Property

Improvement Loan

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CHAPTER 1. ADMINISTRATIVE POLICY

1-1. SCOPE. Title I of the National Housing Act, as amended, provides programs by which financial institutions, the building and allied industries, and the Federal Government combine in assisting borrowers to make eligible improvements to their property. The guiding principles set forth in this chapter may be interpreted as the general administrative policy of HUD. This statement of policy is presented to clarify questions which may arise and to offer helpful suggestions based on the experience of HUD in its insurance activities with property improvement loans over a period of many years.

1-2. RESPONSIBILITIES. The operation of the property improvement program is based on the good faith of all concerned--good faith on the part of the individual borrower who applies for and receives a loan, good faith of the dealer or contractor in carrying out the terms of the contract and rendering proper service to the customer, good faith of financial institutions in acquiring and servicing property improvement loans, and good faith of HUD in carrying out its obligations and responsibilities. Although certain regulatory measures are necessary to accomplish mutual objectives, a large responsibility is placed upon participating lending institutions for the exercise of discretion and prudent practices in carrying out the program.

1-3. CONTRACT OF INSURANCE. Under Title I of the National Housing Act as amended, the Assistant Secretary for Housing-Federal Housing Commissioner is authorized and empowered to insure banks, trust companies, personal finance companies, credit unions, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which he/she finds to be qualified and approves as eligible for credit insurance against losses which they may sustain as a result of eligible property improvement loans. Application for a property improvement loan contract of insurance shall be submitted on Form FH-21, (see Appendix 1) to the HUD Field Office servicing the area. Following their review, a recommendation will be made and the application referred to Headquarters for a determination of approval or rejection.

a. Qualifications for a Contract of Insurance. The following institutions are eligible to hold a contract of insurance:

(1) Financial institutions which have held a contract of insurance and have demonstrated to the Commissioner the

(1-3) ability to conduct satisfactorily their property improvement loan operations.

(2) Members of the Federal Reserve System, of the Federal Home Loan Bank System, and institutions whose deposits are insured by the Federal Deposit Insurance Corporation.

(3) Any Federal, state, or municipal government agency that is or may hereafter be empowered to conduct an installment lending operation.

(4) Any lending institution not mentioned above may qualify if it meets the following conditions:

(a) It is a chartered institution or other permanent organization having success ion.

(b) It is subject to inspection and supervision by a governmental agency, or if not subject to such inspection, it has sound assets properly proportioned to its liabilities and reflects a net worth of at least $100,000.

(c) If not under acceptable supervision, submission of a detailed audit of its books prepared by an independent public accountant. The IPA must be either a certified public accountant or a public accountant licensed by a regulatory authority of a state or other political subdivision of the United States on or prior to December 31, 1970. To retain approval, the approved lender must file with OMA an audit report each year within 75 days of the close of its fiscal year.

(d) Its principal activity is that of lending funds or investing in mortgages, consumer installment notes, or similar advances of credit, and it demonstrates its ability to pass on borrower's credit and to effect collection.

(e) It is permitted by statute in the jurisdiction(s) in which it proposes to operate, to make property improvement loans.

(f) It has quarters and lending facilities that are in keeping with the accepted facilities of financial institutions making consumer credit loans.

(1-3)b. Lender Contract Numbers are assigned by HUD. If, at any time, the lending institution finds it necessary to correspond with HUD, the Lender Contract number must be included.

(1) Upon acceptance of a financial institution as a HUD approved Title I lender, a contract and an acceptance letter are prepared by HUD and forwarded to the approved lender. It is at this time that the lender is first made aware of his/her 5-digit Contract Number with HUD. It is extremely important that the Contract Number of the insured institution is shown correctly on all documents to HUD, especially documents reporting loan information since that information will be used as direct input for HUD's automated system.

c. Termination of Contract of Insurance. A contract of insurance may be terminated with respect to any future business at any time, upon five days written notice from the Commissioner, where it appears to the Commissioner that a financial institution is not exercising proper credit judgment, is not taking the steps which may reasonably be considered necessary to safeguard its outstanding loans, or is not exercising proper care in the selection of the dealers from whom it purchases notes. Violations of Equal Credit Opportunity laws and other consumer protection laws, such as: Fair Credit Reporting, Truth-in-Lending, and Holder in Due Course laws, are basis for termination of a contract of insurance. Cancellation of a contract of insurance will in no way adversely affect the insurance reserve on eligible loans already accepted for insurance recordation. In addition all lending institutions are expected to comply with the provisions of Title VIII of the Civil Rights Act of 1968, Executive Order 11063, and all Regulations issued pursuant to these authorities.

(1) If the insured elects to discontinue making property improvement loans, it may request a termination of the contract of insurance. All insurance reserves earned by such insured as of the date of termination by the Commissioner will remain to its credit until exhausted by the filing of claims for loss. Please note paragraph 1-16(c) concerning future renewal insurance premiums.

(2) Written notice of the contemplated action must be given to the Commissioner sufficiently in advance of the desired effective date to permit an orderly processing of pending loan reporting manifests.

1-4. LENDING AREA. A financial institution may make loans only in the trading area usually served by the institution in its normal operations, unless prior approval is received from the Commissioner. A lending institution must be in a position to investigate credit, make spot checks of the improvements being financed, and have its own employees or qualified representatives make personal contact with delinquent borrowers.

1-5. DEALER-CONTRACTORS. Dealer-contractor originated business represents a substantial amount of all improvement loans reported for insurance. The role of the dealer--contractor and salesman is one of prime importance, as they, in effect, represent the lending institution in negotiations with property owners. Therefore, the lender must select carefully the dealer-contractor from whom it purchases notes, and a direct and constant control should be maintained over the business transacted.

a. Irregularities. HUD is aware of the abuses inflicted on consumers by some elements active in the home improvement field. These abuses may include such practices as grossly overstating the merits of the product, faulty workmanship, assuring performance of doubtful attainment, promising cash bonuses on repeat sales in the neighborhood, encouraging trial purchases, cash rebates, inflating the sales price, and not disclosing to the borrower that the note includes allowable financing charges.

1-6. DEALER-CONTRACTOR APPROVAL. HUD does not approve dealer-contractors for participation in the program. This is a responsibility of the lending institution.

a. Dealer-Contractor File. The regulations require the insured institution to have a file on each dealer-contractor containing an application signed and dated by the dealer-contractor.

(1) It is further required that the file contain a signed and dated approval of the dealer-contractor, and supported by information in the file that the dealer-contractor is: reliable; financially responsible; qualified to perform satisfactorily the work to be financed; and equipped to extend proper service to the customer.

(2) The absence of such a file containing a dealer-contractor application approval with supporting

information is a violation of the regulations. Loans

(1-6) purchased from such unapproved dealer-contractors do not meet the requirements of the insurance contract and may result in denial of benefits if a loss occurs.

(3) Where claims for reimbursement are shown to be the result of default because of fraud or faulty performance on the part of the dealer-contractor, the insured may be called upon to furnish the Commissioner with the file containing its approval of the dealer-contractor. Evidence of improper dealer selection or supervision by the lender may result in disciplinary action against the lender.

b. HUD will not permit lending institutions to use insurance coverage afforded under the program for testing the dependability of dealer-contractors. The lender should have full knowledge of the principals of the firm, the salesmen, and their method of operation. Only a thorough investigation will develop adequate and reliable information upon which the lending institution can make a proper decision.

c. Approval Procedure. When accepting a dealer application, the lender is required to document the following procedures retain the documentation in the dealer's file.

(1) Obtain a completed Dealer-Contractor Application, and a current financial statement.

(2) Check the HUD Consolidated List of Debarred, Suspended and Ineligible Contractors and Grantees to ascertain if the firm or any of its principals or sales personnel are listed thereon.

(3) Order a credit report on the firm and a local retail credit report on each of the principals. (Information on paying habits of the principals on their personal obligations is useful in evaluating the financial stability of the business they operate).

(4) Make direct checks on trade and banking references and also with the local HUD Field Office for any adverse experience with dealer-contractor's asking for approval.

(5) Inspect the dealer's place of business to determine the permanency and the adequacy of available equipment.

(6) Obtain copies of brochures, descriptive literature, guarantees, sales contracts, and price lists. Obtain the names of sales personnel and check their names against the consolidated list.

(7) Carefully analyze the information developed to determine whether the principals are of good character and the firm is solvent, financially responsible, qualified by experience to do the proposed work, and equipped to give customer proper services.

1-7. SUPERVISION BY LENDING INSTITUTION. Review the contents of the Dealers and Contractors Guide (HUD-30-F) with the approved dealer and supply copies for the sales staff. Caution all dealers on debt consolidation, bonus offers, etc. Inform the dealers that he/she will be responsible for the acts of the sales staff. The following procedures are the minimum requirements for a lender's supervision of dealer-contractors.

a. When the dealer brings in his/her first loan application, set up a dealer experience record showing at least the volume of loans purchased, transactions rejected, claims filed, and borrower complaints received or irregularities discovered.

b. Make an inspection of the improvements on the first transaction discounted by a new dealer and interview the borrower prior to disbursement. Thereafter by phone, spot check an average of at least one of every five loans discounted.

c. Make a inspection of the improvements and interview the borrower in one of every five contracts performed by the dealer wherein the net proceeds of the loans exceed $3,500.

d. Require each approved and active dealer to submit an up-to-date financial statement annually.

e. Supplement the financial statement obtained by up-to-date credit report(s) or direct inquiries to the dealer's supply sources, as considered necessary.

f. Analyze dealer experience records at least twice yearly. Principal considerations in this analysis must be:

(1) The application reject ratio. If in excess of 40 percent, review the rejected applications to determine the dealer's area of operation, the quality of the

paper being presented, etc. An excessive ratio is unprofitable to a lending institution.

(2) The number and nature of complaints received to ascertain the quality of the dealer's workmanship, past cooperation in satisfying complaints, and tendencies to perpetrate irregularities.

(3) Evaluate the dealer's record by comparing the number of loans purchased in relation to those delinquent and on which a claim for loss has to be filed. Excessive delinquency and losses on loans originated by a certain dealer may be the basis for termination of your approval. Your own loss ratio with HUD may be a basis for this comparison.

g. At least every three months visit the dealer's place of business to observe the condition of the premises, and discuss any problems encountered, and changes in sales personnel.

h. The dealer file should indicate the date of all inspections, interviews, spot checks and telephone contacts made by the lender.

1-8. LENDERS RESPONSIBILITY FOR SERVICE COMPLAINTS. The lending institution shall be responsible for maintaining a record of all complaints received and entering them on the dealer control record. The procedure for handling complaints for dealer loans are as follows:

a. Record the date the complaint was received and the nature of the complaint.

b. Notify the customer of the efforts being made to have the complaint corrected.

c. Notify the dealer of the customer's dissatisfaction and request that any intentions be submitted within 15 days.

d. Follow-up the dealer/contractor with a letter within 15 days if there has been no correction made or explanation received.

e. Notify the customer that the matter has been concluded and the file is being closed when the complaint has been resolved.

f. Notify the local HUD office of the dealer's failure or refusal to correct the complaint and send a copy of this notification to the Director, Office of Title I Insured Loans, Washington, DC 20410.

g. Notify the local HUD office of any disputes or stalemates regarding the justification of complaints. Ask for their help or assistance in resolving the problem.

h. Ask for and await final word from HUD regarding disposition of the matter.

i. The complainant should be informed of the possible administrative action by HUD in the event the dealer does not correct the problem.

j. The responsibility for reporting violations or irregularities as required in Section 201.5(b) of the Title I Regulations and Chapter 1, paragraph 1-10, of this Handbook should in no way affect the handling of the service complaint.

k. Borrower complaints that are ignored or processed with minimal effort may lead to delinquency problems and losses. Lenders are reminded that in purchasing dealer contracts, the liability of resolving complaints is extended to the lender as well as the dealer. Failure to resolve borrower complaints by the lender could jeopardize the insurance benefits. Therefore, it is incumbent upon the lender to put forth every effort towards resolution.

1-9. MAINTENANCE OF RECORD ON EACH APPROVED DEALER-CONTRACTOR. As a basis for determining whether continued dealer approval is warranted, the insured institution is required to periodically analyze, not less than once each 90 days, the control record on each dealer-contractor. A suggested control record which an institution may use is supplied by HUD upon request. Whenever an institution has occasion to withdraw approval of a dealer-contractor, the dealer file should clearly indicate the reason for the action, the date, and indicate by whom taken.

1-10. REPORTING IRREGULARITIES TO HUD. Material irregularities or unethical practices perpetrated by anyone participating in the program must be immediately reported to HUD. The report may be sent either to the local HUD Field Office or directly to Headquarters in Washington.

1-11. TEMPORARY DENIAL. The precautionary measures listing has been abolished and has been superseded by procedures outlined in

Title 24 CFR 24.18, Temporary Denial of Participation. When irregularities or disregard for the statute and regulations on the part of dealer-contractors, or salesmen employed by them are brought to the attention of HUD, lending institutions will be notified. When such notification is received from the Commissioner or his/her authorized agent, the dealer-contractor will be denied the benefits of program participation.

(1-11)a. Lending institutions should consult with the local HUD office if a dealer-contractor problem arises when they believe assistance is needed.

b. Ineligible Persons. A procedure outlined in Title 24, CFR Part 24, has been established under which individuals, companies, or institutions may be barred entirely from further participation in various housing programs. Insured lending institutions will be given appropriate notification of action taken under this procedure.

CHAPTER 2. DISBURSEMENT OF ELIGIBLE LOANS

2-1. GENERAL. This chapter provides the lending institution with the policy and required documentation in connection with the disbursement of eligible loans for each property improvement loan program.

2-2. PROTECTIVE INSURANCE. Lenders attention is called to the statutory or regulatory restrictions, Federal or State, which may affect the handling of insurance in their respective jurisdictions. While HUD has no objection to lending institutions selling credit life or other types of protective insurance to borrowers under the Title I program, the purchase of such insurance shall be a purely voluntary basis, and the cost of of the insurance shall not be incorporated in the net proceeds of the loan nor be added to the maximum permissible financing charged. In order to permit the borrower to notify the lender of any questions or misunderstandings relating to the protection to be provided, the lender may include proper confirmation of the premium charge for the protection insurance in the "Advance Notice of Approval" forwarded to the borrower. The lender may bill the borrower for the premium, if desired, on an installment basis; however, the payment coupon should clearly segregate the loan and insurance premium payment.

2-3. FLOOD INSURANCE. Flood insurance coverage in an amount at least equal to the value of the loan advance or the available limits of coverage, whichever is less, is required as a condition for obtaining a loan for the repair, improvement, or construction of a structure located in an area identified by the Secretary as an area having special flood hazards.

a. You cannot obtain flood insurance under the National Flood Insurance Program unless the community is participating. You are permitted to obtain private flood insurance provided the coverage meets or exceeds the National Flood Insurance requirements.

SECTION 1 - TITLE I PROPERTY IMPROVEMENT LOANS

2-4. ELIGIBLE IMPROVEMENTS. The following basic policy may be supplemented by a specific ruling as to any particular project or item about which there may be doubt on the part of the lending institution, upon application to the Director, Office of Title I Insured Loans, Department of Housing and Urban Development, Washington, DC 20410. Requests for rulings should be supported, if possible, by descriptive or illustrated literature in the case of a specific individual item as well as by plans and specifications where general projects involving various improvements are contemplated.

2-5. INELIGIBLE IMPROVEMENTS. Lending institutions must review carefully the partial list of ineligible improvements given in Section 201.7 of the HUD Regulations. The omission of any item from this list should not be construed as rendering such omitted item eligible for financing. Any improvements made prior to the loan approval are ineligible for financing.

2-6. MAXIMUM LOAN AMOUNTS are changed periodically to conform with economic conditions. At the time a loan is made, lenders must make certain that the loan does not exceed the maximum allowable amount as set forth in the HUD Title I regulations.

2-7. EXISTING STRUCTURES - CLASS 1 LOANS. The structure to be improved must exist as a completed building that is occupied or used, was formerly occupied or used, or has been made ready for occupancy or use. In the case of a new residential structure, the building must be completed and occupied, and if the amount of advance is in excess of $600, the building must have been completed and occupied for 90 days before the date of the application.

a. Class 1(a) Loans. No part of a loan may be used to finance the cost of completing an unfinished structure. Structures commonly known as "shell houses" are not deemed "completed" within the meaning of the regulations. This does not exclude a loan for the repair of a previously completed structure which has been damaged but not substantially destroyed by deterioration, flood, fire, or other casualty; nor does it exclude the construction of an attached garage or other attached building in connection with a completed house or other existing buildings, such as apartment houses, hotels, office buildings, hospitals, orphanages, colleges, churches, and manufacturing industrial plants.

(1) Eligible expenditures are limited to those for structural alterations, repairs, additions to the structure itself, or other improvements to or in connection with the structure which substantially protect or improve the basic livability or utility of the property. The enlargement of the size of the structure, new flooring, new porch, roof, plumbing, wiring, painting, plastering, awnings, and heating systems, which in themselves are alterations and improvements, are eligible expenditures.

(2-7) (2) Certain improvements in connection with the structure are also eligible, such as making structures barrier-free and accessible to handicapped or disabled persons, grading and landscaping, permanently installed lawn sprinkler system, the construction of private sidewalks, curbs, fences, and driveways, the installation of a septic tank or cesspool, and the drilling of a well together with necessary pumping equipment and piping to serve the structure. These improvements although physically removed from the structure, are eligible.

(3) A loan to convert one type of building into a different type will be eligible provided a substantial part of the original building is left standing. For instance, a loan for the conversion of a house into a commercial type structure would be eligible if the walls and other main structural elements are left standing. A new stairway, new windows, rooms, porch, etc., may be added, and partitions changed.

(4) A loan to demolish a structure or move a structure off the premises would not be eligible except where such demolition or moving is for the purpose of improving an existing structure remaining on the property.

(5) Loans to finance the cost of insulating an existing structure, putting on a new roof, installing a new bathroom, adding closets, repairing the floors, walls, or ceilings are eligible.

(6) Heating systems, including stokers, oil burners, coal, gas and electric furnaces, and plumbing and wiring, when made a permanent part of the realty, are eligible.

(7) Solar energy heating systems are eligible provided they meet the Commissioner's standards outlined in HUD 4930.2 Intermediate Minimum Property Standards supplement. Inquiries should be addressed to the local HUD office for a determination of eligibility.

(8) Equipment and machinery such as presses, drills, lathes, and other similar items used in an industrial or commercial establishment are not eligible regardless of the method or permanence of installation.

(9) Farm or dairy equipment and machinery, except bulk milk tanks and milk coolers, are not eligible.

(2-7) (10) Built-in kitchen equipment designed to be installed and remain as a permanently attached integral part of a kitchen is eligible provided the structure is residential and the borrower is the owner of the property or has a renewable lease having an original term of not less than 99 years. Free-standing household appliances, as well as draperies and other furnishings, are not eligible. Prior to disbursing the loan proceeds, the lender must obtain a completed Certificate of Eligibility for installation of built-in-kitchen appliances (Form FH-801) signed by the borrower and dealer.

(11) Carpeting purchased and installed in a residence with the intent that it become and remain a part of the real estate will be eligible if the borrower is the owner of the property or has a renewable lease having an original term of not less than 99 years. The carpeting must meet HUD's minimum standards. Carpeting in a kitchen, bathroom, or patio is not eligible. Prior to disbursing the loan proceeds, the lender must obtain a completed Certificate of Eligibility for carpet installation (Form FH-802) signed by the borrower and the dealer/seller.

(12) The following principles are applicable, bearing in mind that loans for eligible improvements must be upon existing structures or in connection therewith:

(a) The repair, improvement, or addition must be physically attached to and a part of the structure.

(b) Improvements and additions which are removable or temporary, are generally not eligible. Items which are generally considered as trade fixtures or equipment for commercial or industrial use are not eligible.

(c) An ineligible item does not become eligible merely because it is attached to the realty.

(13) A mobile home unit may be improved with Class 1(a) property improvement loan terms, if the following criteria are met:

(a) The mobile home has been placed on property owned by the borrower or is being purchased under a real estate contract.

(2-7) (b) The wheels of the unit have been removed and the unit has been placed on a permanent foundation.

(c) The security for the mobile home loan is in the form of a deed of trust or mortgage covering the realty and the unit is no longer capable of being repossessed as personal property.

(d) All utility connections-including water and sanitary facilities are operable so that the unit is complete and habitable.

(e) The unit has been occupied for at least 90 days, if proceeds are in excess of $600.

(f) The unit is carried on the tax rolls of the locality as real property.

(14) A mobile home that is considered personal property which is located on a private site or in a mobile home park is eligible for a maximum loan of $5,000 for a maximum period of 12 years. The proceeds of the loan may only be used to improve, repair or alter the structure.

b. Class 1(b) Loans. The property to be improved must be individually owned. Corporate Entities are not eligible borrowers. The proceeds of a class 1(b) loan must be used to alter, repair or improve a structure, or convert a structure to further its use as a dwelling for two or more families. ("Family" as used in the regulations is defined as one or more persons living, sleeping, cooking, and eating on the same premises as occupants of one living unit.) For example, a one-family house may be converted into a dwelling for two or more families and may be improved by painting or by installing a new heating system or a new plumbing system; a commercial building may be altered to provide living accommodations for two or more families. Class 1(b) loans for improvements to residential structures having commercial units are permissible, provided the improvements benefit the commercial portion of the structure only incidentally, if at all.

(1) The maximum class 1(b) advance is based on the number of living units in the structure after the improvements

have been made.

(2) If there is any doubt as to whether a proposed project is eligible for class 1(b) financing, all the facts of the case may be submitted to Washington for an official ruling.

2-8. NEW STRUCTURE-CLASS 2 LOANS. Examples of new structures eligible for a class 2 loan which may be erected on improved or unimproved real property are: barns, garages, service buildings, gasoline stations, tourist cabins, bunk houses for itinerant farm laborers, and industrial or commercial buildings.

a. A class 2 loan may not include the cost of trade equipment used in the operation of the business that will occupy the structure. The loan may include the cost of heating or lighting systems and similar items which are eligible for class 1 improvement loans. For example, a loan may be used to erect a commercial building, including a heating system, but no portion of the proceeds may be used to buy and equip the structure with trade fixtures.

b. A class 2 loan must be used to finance the building of a new structure that will be ready for use upon completion. It is not permissible to purchase an existing structure nor to apply the proceeds to complete a structure that is partially built.

c. More than one new structure may be built on a single piece of property, but the principal amount of any one loan may not exceed the maximum loan amount for any one property.

d. No portion of a class 2 loan may be used for demolishing existing structures to make room for a new structure. However, the erection of a new structure on an old foundation would be eligible.

2-9. RESTRICTIONS ON ELIGIBILITY OF LOANS FOR INSURANCE.

a. Prior Liens. A HUD property improvement loan may not be made to supplement an obligation not reported for insurance, the payment of which is secured by a prior lien created in connection with the proposed work. However, if the insured loan is also secured, and such security has priority over the uninsured obligation, the loan may be made.

b. Supplemental Costs. A loan may include the cost of architectural and engineering services. However, a loan may not include the cost of land, or the cost of an appraisal, if such cost is in addition to the maximum permitted financing charges.

c. Additional Loans. The regulations do not limit the number of loans an individual borrower may obtain to improve one property as long as the total outstanding balances of all such loans at any time do not exceed the maximum permitted for the particular type of loan involved. An individual owning several properties may obtain any number of loans to improve each property, provided the HUD improvement loans outstanding on any particular property at no time exceed the maximum loan permitted for the type of loan involved and the prior approval of the Commissioner is obtained, when required.

d. Prior Approval of Credit. If a proposed loan would result in a total principal amount of HUD improvement loans outstanding in excess of $15,000 (exclusive of financing charges) to any borrower, the prior approval of the Commissioner must be obtained before the transaction will be eligible for insurance. The principal amount outstanding applies to anyone who, as an eligible borrower on a proposed loan, is primarily or secondarily liable on any prior HUD improvement loan. Such approval may be obtained from the Field Office having jurisdiction over the site of the property to be improved. This approval applies solely to the applicant as an acceptable risk for the additional credit and must not be construed that all other aspects of the loan are acceptable.

e. Delinquency on Prior Loans. If the lender has knowledge that the borrower is past due more than 15 days in the payment of either principal or interest on an obligation owing to or insured by a department or agency of the Federal Government, the transaction will not be eligible for insurance.

2-10. DISTINCTION BETWEEN "DIRECT LOANS" AND "DEALER LOANS". It is important that a clear understanding exist as to the elements constituting "direct loans" as distinguished from "dealer-contractor loans".

2-11. DIRECT LOANS. The lending institution may disburse the proceeds of the note to the borrower by cash, check, or money order drawn solely in favor of the borrower(s), or by crediting the borrower's account. Dealer-contractor approval, completion certificates, dealer-contractor's contract or sales agreements, advance notices, and borrower authorization certificates are not required for such loans if the dealer-contractor does not assist the borrower in obtaining financing. A loan is not a direct loan if the dealer-contractor participates in the financing in

(2-11) any manner, such as presenting the loan application to the lending institution, receiving the check or money order (although made payable to the borrower), or accompanying the borrower to the institution for the purpose of receiving payment. In other words, disbursement must be made to the borrower in such a way that he/she will have complete control of the funds at all times.

a. To qualify as a "direct loan", the loan must be applied for by and disbursed directly to the borrower without any intervention on the part of the dealer either in the application for or the disbursement of the loan. The "direct loan" procedures will be used only where all contracts and arrangements for the loan are made by the borrower.

b. The credit application, bearing the borrower's signature must be filled out and completed by one of the following:

(1) The borrower or borrowers; or

(2) The maker of the note other than a borrower; or

(3) A person acting at the direction of a borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration or improvement of the loan borrower's property. (An officer of the lending institution will normally qualify under this category.)

c. Before a loan may be made to a lessee of commercial property, the owner of the property must join in signing the note. If the owner is unwilling to sign, this requirement will be waived if prior credit approval of the applicant by the Commissioner is obtained, The requirement that prior credit approval be obtained on loans made to lessee's in those instances where the owner does not join in execution of the note is applicable to all such loans without regard to the amount involved. A loan in excess of $2,500 will require the owners to sign a mortgage regardless if he or she signs the note or prior approval is obtained.

(1) In submitting the transaction for approval, all papers bearing on the case, including the recommendation of the institution, the credit application, balance sheet, profit and loss statement, credit reports, and other supporting papers should be forwarded to the local HUD office in order to insured prompt consideration.

(2) The Commissioner's letter granting prior credit approval when required in accordance with the above, must be included in the file if a claim for loss is made.

2-12. DEALER/CONTRACTOR LOANS. On loans not made directly to the borrower, the financial institution must have investigated and approved the dealer-contractor, who must be in good standing with the insured (see Chapter 1). The lender must have in its possession a properly signed and dated completion certificate, a copy of dealer-contractor's contract or sales agreement, and a borrower's authorization certificate, if the note is payable to the insured. (The authorization certificate is not necessary if the note is purchased from dealer-contractor who is the original payee).

a. An advance notice of the intention to disburse the loan to the dealer-contractor must be mailed or delivered to the borrower, at least six days prior to disbursement to the dealer-contractor, (see Section 2-17).

b. The purpose of the foregoing disbursement procedure is to protect the borrower, the lending institution, and the Government by making certain that all improvements contracted for are actually completed to the borrower's satisfaction and that other persons do not obtain the loan proceeds without the work being completed.

2-13. LOAN DOCUMENTS. In addition to the credit application and note, other documents are required when disbursing loans under certain circumstances. These documents, when applicable, must be included in the file if a claim for loss is made. Figure 1 is self-explanatory and may be used as a convenient reference to determine the loan documents required.

FIGURE 1

GRAPHICS MATERIAL IN ORIGINAL DOCUMENT OMITTED

a. On loans for civil defense shelters, Statement of Eligibility is required (FHA Form 226).

b. On loans including permanently installed carpeting, Certification 802 (see appendix 2) is required.

c. On loans including permanently installed kitchen equipment, certification 801 (See appendix 2) is required.

d. On loans including the installation of a septic tank a certification executed by the borrower and dealer stating the tank is in conformance with local sanitary and zoning regulation is required.

2-14. BORROWER'S AND DEALER'S COMPLETION CERTIFICATE, FORM HUD 56002. The completion certificate provides for two types of transactions: first, the furnishing and installation of articles and materials and completion of all work, and second, the delivery of articles and materials only.

a. In either case the service performed by the dealer-contractor must constitute the entire consideration for which the note was executed and delivery by the maker. Under this provision, articles and materials or services not being delivered or performed by the dealer-contractor may not be included in the transaction. The completion certificate may not be attached to the note or credit application, nor may it have any other appendage.

b. The certificate must be dated and signed. The signature of only one eligible borrower is required as well as the signature of the person approved by the lender as dealer. As a precaution against forgery, the signature on the borrower's portion of the certification must be compared with the signature on the credit application and note.

2-15. DEALER-CONTRACTOR'S CONTRACT OR SALES AGREEMENT. In dealer-contractor disbursement transactions, lending institutions are required to obtain a copy of the contract or sales agreement, signed by the borrower and the dealer-contractor, describing the type and extent of improvements to be made and the material to be used. The unit cost should be shown, and the stated cost of the improvements must be in agreement with the credit application.

a. The contract or sales agreement must be a type regularly used by the dealer-contractor in his business. Signatures on the lender's copy may be a carbon imprint of the signatures on the original. A copy of the signed contract or sales agreement must be attached to the credit

application when the application is submitted to the lending institution.

b. HUD does not approve or furnish dealer-contractor contract or sales agreement forms. If a dealer-contractor has any question regarding a contract or sales agreement, he/she should obtain the advice of counsel in the jurisdiction where operations are contemplated.

2-16. BORROWER'S AUTHORIZATION CERTIFICATE. The certificate must be properly dated and signed by all borrowers, makers and co-signers on the note. All signatures must be genuine. The signatures must be compared with the signatures on the credit application and note as a precaution against forgery. It is permissible to incorporate the contents of the borrower's authorization certificate in the note, credit application, or completion certificate. Lending institutions are urged to consult their own attorneys as to what effect, if any, such incorporation will have on the validity and enforceability of the note. HUD does not furnish this form, Figure 2, illustrates an acceptable form of borrower's authorization certificate.

FIGURE 2

BORROWER'S AUTHORIZATION CERTIFICATE
(FOR DEALER LOANS ONLY)

___________, 19

I/(We) hereby authorize and direct the __________________________

____ to pay the proceeds

of my/(our) note dated ________________________ for $_______________

to ____.

(Signature)____________________________________.

(Signature)____________________________________.

2-17. ADVANCE NOTICE TO BORROWER. At least six days prior to making disbursement to a dealer-contractor, the lending institution is required to mail or personally deliver to the borrower written notice of its intention to make the loan if there is no

(2-17) objection from the applicant. It is not required that the borrower acknowledge receipt of the notice; however, the insured must have a record of having mailed or delivered such notice. The suggested record of such delivery is a dated carbon copy of the notice or a dated notation in the loan file.

a. Supplies of the advance notice are not furnished by HUD as it is believed that the institutions should issue the notice on their own stationary. As the regulations require such notice to be on a form approved by the Commissioner, this shall be considered as official approval of any notice containing in its text the minimum data in either of the suggested forms illustrated below.

b. Lenders should add to this notice any additional information that may be helpful to the homeowner in fully understanding the transaction. Frequently, a warning is expressed against bonus selling and the borrower is cautioned that the completion certificate should not be signed until he is satisfied as to the completion of the job.

c. In case the amount of a HUD property improvement loan is to be increased, a second advance notice reflecting the new amount must be mailed to the borrower and disbursement not made until at least six days thereafter. If, for example, the notice is mailed on the first day of the month, disbursement shall not be made before the seventh day of the month. In a case where the amount of the loan turns out to be less than the amount indicated in the notice, it will not be necessary to send the customer another notice.

d. Suggested Notice Forms. Figures 3-5.

FIGURE 3

(Letterhead of Institution)
OUR NOTICE OF INTENTION TO EXTEND A
PROPERTY IMPROVEMENT LOAN TO YOU

__________________, 19

Dear :

We are pleased to have received your application for credit in the net amount of $_____ for ______months, under Title I of the National Housing Act as presented to us by _________________________. In the event the application is approved, the face amount of your note will be $_____________ which included financing charges and will be payable in monthly installments of $__________.

If you have any questions regarding this transaction, or if we can be of assistance in any way, kindly let us hear from you within 6 days from the date of this notice. Otherwise, if the loan is finally approved, we shall purchase your note and pay the proceeds to the dealer named above. It will be a pleasure to have you as a customer.

Cordially,

FIGURE 4

(Letterhead of Institution)
ADVANCE NOTICE TO THE APPLICANT FOR AN
FHA PROPERTY IMPROVEMENT LOAN

____________________, 19

Dear :

We have found your credit to be satisfactory for the net amount of $ ____, for ______ months, under Title I of the National Housing Act as presented to us by ____.

The face amount of your note will be $____, which includes financing charges and will be payable in installments of $______ per month.

It is our intention to make this loan by disbursing the funds to the above named dealer when all necessary documents, including a certificate indicating the work has been completed, are received in proper order, but not earlier than 6 days from this date.

If you have any questions regarding this transaction, or if we can be helpful in anyway, kindly let us hear from you within 6 days from this date.

Cordially,

(1) Lender may want to provide for an expiration on this letter.

(2) Lender may add provision that gives protection in case of changing conditions of the borrower or dealer that impact the approval of the loan.

FIGURE 5

(Letterhead of Institution)
ADVANCE NOTICE OF ACCEPTANCE AND INTENT
TO PURCHASE AN FHA TITLE I NOTE

______________, 19

Dear :

We will purchase the note payable to the contractor listed below. The face amount of your note will be $______, which includes financing charges and will be payable in monthly installments of $__________.

It is our intention to disburse the funds to the dealer when all the necessary documents, including a completion certificate indicating the work has been satisfactorily completed, are received in proper order, but not earlier than 6 days from this date.

If you have any questions regarding this transaction, or if we can be of assistance in any way, kindly let us hear from you within 6 days from this date.

Cordially,

SECTION 2 - HISTORIC PRESERVATION LOANS

2-18. ELIGIBLE IMPROVEMENTS. To be eligible under this part a loan must be for the purpose of rehabilitating, preserving, or restoring a historic residential structure which is listed or determined eligible for inclusion in the National Register of Historic Places, either individually or as part of the district. Eligibility of improvements to any structure may be determined by the State Historic Preservation Officer or any other person authorized by the Secretary of Interior. Whenever possible, accessibility for the handicapped or disabled should be considered when preserving a building (for technical assistance see ANSI A.117.1-1980 Standard).

a. "Rehabilitation" means the process of returning a structure to a state of utility, through repair or alteration, which makes possible an efficient contemporary use. In rehabilitation, those portions of the property important in illustrating historic, architectural, and cultural values are preserved or restored.

b. "Preservation" means the process of sustaining the form and extent of a structure essentially as it now exists. Preservation aims at halting further deterioration and providing structural stability, but does not contemplate significant rebuilding.

c. "Restoration" is defined as the process of accurately recovering the form and details of a structure as it appeared at a particular period of time by means of removal of later work and the placement of the original missing work.

d. "Non-Residential use". A building which has an incidental non-residential use may be eligible for a historic preservation loan, provided the non-residential use does not exceed 20 percent of the total usable floor area of the structure. Likewise a building which has more than 20 percent non-residential use, but will be fully residential when rehabilitation, preservation, or restoration is completed is eligible.

2-19. INELIGIBLE IMPROVEMENTS. A loan may not be made to improve libraries, bridges, industrial, or commercial structures even though such places or structures are listed in the National Register of Historic Places.

a. No part of the proceeds may be used for the following exterior walls, except where the proposal receives the approval of the State Historic Preservation Officer.

(1) Sandblasting.
(2) Application of primastone
(3) Application of aluminum siding.
(4) Application of asbestos shingles.
(5) Application of plastic siding.

2-20. ELIGIBILITY REQUIREMENTS. Before an application for a loan can be made, the borrower must obtain a Certificate of Eligibility, Form FH-1(HP), (see Appendix 2), from the lender and submit it to the State Historic Preservation Officer for review and approval. Under no circumstances may the improvements be started before an application for the loan is approved by the lender. (See Appendix 2 for a listing of the name and address of State Historic Preservation Officers.)

a. A $25.00 review fee must accompany the Certificate of Eligibility submitted to the State Historic Preservation Officer (SHPO).

b. The SHPO will verify the property's National Register status and will take one of the following actions regarding the proposed improvements:

(1) Approve them,
(2) Approve them conditioned upon the incorporation of some

modification that the SHPO will outline,
(3) Disapprove them, or
(4) Make no comment.

If the SHPO approves the improvements, approves them conditionally, or does not comment, the applicant may then apply to the lender for a loan using the regular credit application for Property Improvement Loan (Form HUD 56001) to which the FH-1(HP) must be attached. It is expected that the SHPO will act on the Certificate of Eligibility within 45 days after receiving it.

c. If the SHPO makes no comment, the review fee is to be returned to the applicant. If the SHPO disapproves the proposed improvements, they must be changed and the certificate resubmitted for further review.

d. The $25.00 application fee will be retained by the SHPO only in those instances where approval, disapproved or modification recommendations concerning the improvements have been made.

2-21. ELIGIBLE LOANS. A direct-to-borrower loan, obtained by the borrower direct from the lender, without the intervention of anyone having a financial interest, is the only acceptable and eligible loan transaction.

a. A dealer/contractor, although furnishing the contract or proposal, may not participate in the application for, or the disbursement of the loan proceeds.

b. A person acting at the direction of the borrower who has no financial interest, directly or indirectly, in the contract for the rehabilitation, preservation, or restoration of the historic structure may assist in the making of the application. (An officer of the lending institution will normally qualify under this category).

2-22. LOAN DOCUMENTS. Other than the certificate of eligibility and the credit application and promissory note, there is no further documentation needed in support of a historic preservation loan. The entire general administrative policy; including security, prior credit approval, credit investigation, etc., outlined in Chapter 1 is applicable to all historic preservation loans.

SECTION 3 - FIRE SAFETY EQUIPMENT IN HEALTH CARE FACILITIES

2-23. GENERAL. This section contains the requirements which financial institutions may obtain insurance on loans made for the purchase and installation of fire safety equipment for nursing homes, extended health care facilities, intermediate health care facilities and other comparable health care facilities.

2-24. ELIGIBLE IMPROVEMENTS. A loan for purchasing and installing fire safety equipment and other related items are the only eligible improvements under this section.

a. "Fire Safety Equipment" means any device or facility which is designed to reduce the risk of personal injury or property damage resulting from fire in nursing homes, extended care facilities, intermediate health care facilities, or comparable health care facilities. The safety equipment includes any device or construction feature which is recognized in the latest edition of the Department's Minimum Property Standards for Care Type Housing (4920.1) or the Life Safety Code of the National Fire Protection Association (NFPA).

b. Other related items include changes to improve egress (widening of doors, construction or improvements of ramps,

etc.) as well as warning detection systems recognized by such standards.

2-25. ELIGIBLE BORROWERS. The borrower must be the owner of a nursing home, extended care facilities, intermediate care facility or other comparable health care facility where the installation of fire safety equipment in such facility is provided for and required by fire safety codes.

2-26. ELIGIBLE PROPERTIES. In addition to qualifying as a proprietary facility or a facility of a private non-profit corporation or association properly licensed and regulated by state, municipality or other political subdivision, the facility must be free and clear of all liens other than those specifically approved by the Commissioner.

2-27. FEES AND CHARGES. A loan may not include expenses incurred in perfecting security, i.e., recording fees, documentary stamp taxes, title examination charges, and hazard insurance premiums. These costs may, however, be collected from the borrower in cash.

a. An origination fee or initial service charge not to exceed 1-1/2 percent of the original principle amount of the loan may be collected from the borrower as compensation for setting up the loan.

b. A handling charge of $500, may be assessed the borrower for any transaction wherein a refinancing is consummated.

c. A late charge not to exceed 5 cents per $1.00 of each installment past due more than 15 days may be collected. A late charge may not exceed a maximum of $50.00 for any one installment.

d. The insurance charge of .50 of 1 percent per year on the net proceeds may be passed on to the borrower provided such charge is fully disclosed to the borrower.

e. In the event of prepayment of the loan, the lender may assess a reasonable penalty provided the approval of the Commissioner is obtained.

2-28. PRIOR APPROVAL. Any proposal to purchase and install fire safety equipment under this part must first be approved by the Fire Safety Marshal or other state or local official or agency having primary jurisdiction for fire safety equipment of the health care facility.

a. A proposal, properly approved, and together with an application for credit with supporting credit investigation must be submitted to the local HUD office for prior credit approval. Upon approval of the credit worthiness and stability of the applicant borrower, a letter shall be issued by the Commissioner setting forth the terms and conditions upon which a fire safety loan will be deemed eligible for loan insurance.

2-29. DIRECT LOANS. The loan must be initiated and obtained by a borrower directly from the lender. In these cases the application for and disbursement of monies must be made by the borrower without the intervention or participation of a dealer or other intermediary having a financial interest in the transaction.

2-30. DEALER LOANS. Loans may be initiated and obtained through a dealer-contractor that has previously been approved by the lender. A loan of this type requires supportive documentation (in Chapter 1).

2-31. SECURITY. In all states except Louisiana, the loan shall be secured by a properly recorded and perfected financing statement and security agreement covering the fire safety equipment.

a. The security agreement shall be perfected in the manner specified by the Union Commercial Code as adopted in each state.

b. If prior liens on the underlying realty by operation of law attach to the fire safety equipment the Commissioner or the lender may require the borrower to obtain a subordination agreement or a disclaimer from the holder of the prior lien.

c. As additional security, a recorded lien on the improved real estate shall be required for any loan in excess of $25,000. The lien shall be in the form of a real estate mortgage, deed of trust or other form of security instrument approved by the Commissioner.

d. In the State of Louisiana, the loan shall be secured by a chattel mortgage covering the fire safety equipment, which shall be filed or recorded as required by law. If prior liens on the underlying realty attach to the collateral the Commissioner or the lender may require that a severance agreement be obtained from each person, other than the borrower, having any interest in the real estate on which the equipment is installed.

2-32. LOAN REQUIREMENTS. The note and security instrument or instruments, shall be on forms approved by the Commissioner and valid and enforceable in the jurisdiction in which the property to be improved is located.

a. The minimum principal amount permitted under this part is $10,000.

b. The loan shall be written as a simple interest obligation and provide for equal monthly payments scheduled in accordance with amortization tables provided by the Commissioner.

c. The obligation must contain a provision for acceleration of maturity, at the option of the holder, upon default in the payment of any installment.

d. The note and security instrument must contain a provision permitting prepayment of the loan in whole or in part upon any due date a payment is due.

e. It is permissible to enter into a new obligation for the purpose of liquidating a previously insured loan. The new obligation may not provide for an additional advance; however, the rewritten obligation may include the unpaid principle, uncollected earned interest and a handling fee. In rewriting an obligation, care must be exercised in assuring the protection and continued validity of the original security instrument.

2-33. CONTRACT PROPOSALS. The contract proposal must be a lump sum contract of a specified amount and limited only to the purchase and installation of fire safety equipment.

a. The Commissioner may prescribe assurance of completion of the contract.

b. Upon full completion of the contract, a completed certificate, on a form approved by the Commissioner, must be signed by the borrower and the dealer/contractor.

c. Any contract or subcontract executed for the purchase and installation of fire safety equipment shall provide that there will be no discrimination against any employee or applicant for employment because of sex, religion, race, color, or national origin.

(2-23)d. The contract or proposal must be of a type generally used by the dealer's business. A copy of the signed contract must be attached to the credit application when the application is submitted to the lending institution.

CHAPTER 3. CREDIT INVESTIGATION AND COLLECTIONS

3-1. CREDIT INVESTIGATION AND APPROVAL. In applying for and accepting a contract of insurance, the lending institution assumes the responsibility of applying sound principles in the evaluation of credit. The lending institution, in considering the credit of the applicant, is advised that HUD insurance coverage does not relieve it of the responsibility of exercising the care that a prudent lender would take if the loan were not being offered for insurance. The institution's profit depends upon the type of credit approved; to make a loan to a borrower knowing that the additional indebtedness cannot be repaid benefits no one.

a. Credit Application. The applicant shall furnish the lending institution with an executed Credit Application, Form HUD-56001, (See Appendix 1), approved or provided by HUD for each loan made or note purchased. The lending institution must assure that all questions are answered and that the form is dated and executed by the eligible borrower(s), that if the proceeds are to be disbursed to a dealer-contractor, the persons selling the improvements have signed; and that if prepared by other than the applicant, the person preparing the application has signed. Where a borrower occupies property under a lease, the lessor must give consent in writing to the making of the improvements and procurement of the loan. Lenders are reminded that the appropriate social security numbers of the applicants must be placed on the credit application.

b. Credit Investigation. The application must be supplemented by either a commercial credit report on the borrower or evidence of the lender's investigation of the borrower's credit to satisfy the lender that the applicant represents an acceptable credit risk. Such other information as is considered desirable must be obtained and on the basis of all information in its possession, the lending institution must then pass upon the acceptability of the credit risk.

c. Credit Approval. With possession of the credit application and a commercial credit report, the loan officer is in a position to make a credit judgment. A determination that the applicant has a steady and sufficient income that will allow, after the payment of living expenses, plus other obligations, sufficient overage to make payments on the loan can be generally ascertained with a systematic review of credit information. Points to be considered in reviewing the application are as follows:

(3-1) (1) The same basic review and criteria utilized by the loan manager should be made regardless of the amount borrowed and the length of time required for repayment.

(2) The name and address of the applicants, their length of residence and number of dependents provide specific credit information, such as,

(a) The name and address establishes the identity of the person being checked and can prove a valuable aid to the collection department in the event of default.

(b) Generally, stability of the applicant may be determined by the length of residence at one address.

(c) The number of dependents provides a good insight, since assuming a like income, it is not probable that a young couple with 4 children can afford to incur as much debt as an older couple without dependents.

(3) The borrower's employment, other income, his/her length of employment and the type of business also provide key insights into his/her ability to repay the debt.

(a) Most people work for salary and wages and it is relatively easy to verify income with their employers. Verified income amounts should be noted in writing on the application.

(b) The length of employment, the probability of continued employment and the employing firm are all important. The loan officer should know the major employers in the locality and should be aware of seasonal or other layoff policies. Employment by a government agency, national, state or local is usually a good indicator of continued income.

(c) When an applicant has held a position for only a short time, the previous employment record will provide additional useful information. A switch from one employer to another in the same line should not be regarded as a warning against credit worthiness, though a complete change of field might be so construed.

(3-1) (d) Some applicants will, of course, be self-employed, and it is not always possible to obtain financial statements, copies of tax returns, or 6ther data to verify income. In some cases a Commercial Credit Reference Book can be of great assistance. The listing gives the type of business, when the firm was started or came under its present control, the net worth and a rating of its credit performance. Another source of information on self-employed individuals is the commercial bank which holds the applicant's checking account. The bank will usually verify the length of time the account has been established, the average balance and the number of overdrafts, if any.

(4) The next portion of the application provides the applicant's credit background.

(a) The names of lenders or merchants who have previously extended credit are obtained, as well as information about checking and savings accounts. Occasionally this section will also provide clues to unreported obligations. For some reason, the applicant who is trying to conceal an outstanding obligation will often give the name of the creditor as a reference.

(b) If the applicant is not currently in debt, this part of the application may be the only source of credit information. In such cases, a call to the lender holding his/her checking account may reveal instances of repeated return of checks.

(5) Perhaps the most important part of the application is the outstanding debts. With this information it is possible to establish a ratio of income to outstanding debts.

(a) In some instances, the information in this part of the application is sufficient for on-the-spot rejection of the loan.

(b) A lack of debts is not, in itself, justification for making the loan. It may be that the information has been omitted, or factors such as litigation may change the situation.

(c) Never make the assumption that no debts exist merely because none are listed.

(6) Security. A loan in excess of $2,500, exclusive of financing charges, must be secured by a lien on the improved property. Liens may, of course, be obtained on loans of a lesser amount if so desired.

(1) Normally this is accomplished by obtaining a mortgage or deed of trust. UCC-1 Financing Statement, Assignment of Rents and Agreements Not to Encumber or Land Contract Equity Liens do not satisfy this requirement.

(2) To obtain a lien, all owners of the property must sign the mortgage instrument. It is not however, required that all owners obligate themselves on the note.

(3) Reasonable expenses incurred by the lender in obtaining a lien may be passed on to the borrower. These expenses must be collected in cash, are limited to those allowed in Section 201.4(b), and may not be included in the loan proceeds.

(4) All liens obtained, whether required or not, may not be released without the prior approval of the Commissioner.

(7) Inflated Prices. It is important that the lending institution determine that the amount of credit applied for is in proper proportion to the value of the work to be done. Lending institutions are expected to exercise diligence to detect the inflated charges for work to be done with proceeds of the Title I loan. It is obvious that loans which finance excessive costs represent unsound credit advances on which collection will be difficult. More important than this consideration, however, is the fact that lending money under such conditions is a grave disservice to homeowners. Lenders must limit the approval of such dealers.

3-2. ELIGIBLE NOTES. A note must bear the genuine signature of the borrower(s) and be valid and enforceable against the borrower(s) as defined in the regulations. Any signature in addition to that of the borrower(s), such as the co-makers or endorsers, must be genuine. If the note is executed for or on behalf of a corporation, or in a representative capacity, the note must create a binding obligation of the principal. The name of the payee must be stated, and the numerical and written face amounts must be in agreement. The note must stipulate the number and amount of the equal periodic payments, and if the note calls for monthly installments, the first payment must be due no later than two calendar months from the date of the note.

a. It is suggested that the date fixed for the first and subsequent payments should be made agreeable to the borrower and correspond whenever possible with the date on which the borrower receives his/her income. The note must contain a provision for acceleration of maturity upon default.

b. Note Forms. HUD does not furnish the lending institution with note forms. Lending institutions have the responsibility of drafting note forms that are valid and enforceable in the jurisdiction where the loans are made. if it is a dealer loan, and the dealer is the designated payee, the reverse of the note must bear a complete with or without recourse endorsement by the dealer-contractor. The note must also contain the proper consumer claim and defense notice as required by the Federal Trade Commission.

Example:

WITHOUT RECOURSE

Pay to the Order of the Doe Bank
ABC Home Improvement Company

BY:_______________ TITLE: _________________ MANAGER: ________________

3-3. FINANCE CHARGES. The maximum finance charge allowed by the regulations is intended to cover all expenses that may be incurred by this institution in placing the transaction on its books, except the following expenses which may be incurred in taking security for the loan; recording or filing fees, documentary stamp taxes, title examination charges, and satisfaction fees. These costs may not be included in the face amount of the note, nor paid out of the proceeds of the loan. However, they may be paid by the borrower as a separate item. The recovery is limited to the actual cost to the lender. No points or discounts of any kind may be assessed or collected in connection with the loan transaction.

3-4. PREPAYMENT REBATE. Where the prepayment of an installment is merely a voluntary payment prior to its due date, such payment shall not be construed as increasing the rate provided for in the regulations. However, if the entire balance outstanding on

the note is paid in advance, the lending institution must calculate a rebate of the full unearned portion of the total financing charge. The prepayment rebate will be calculated in the same manner as a refinancing rebate, commonly identified as the rule of 78's.

a. Acquisition charge. Where the law of the jurisdiction permits an acquisition or minimum retained charge, such charge may be deducted from the rebate. See booklet HUD-91355, Table of Factors, for applicable factors.

b. In computing the prepayment rebate the lender is not required to make a rebate of less than $1.00 except on application of the borrower.

This section is not applicable to any loans wherein the earned charges are calculated by the actuarial method.

3-5. REFINANCING. HUD recommends that lending institutions utilize the refinancing privilege permitted by the regulations in cases where the facts and circumstances justify retention of the borrower to pay out the obligation in full. Care must be taken in refinancing to be certain that security is not released. The dropping of a signature in refinancing is considered a release of security. Each refinancing transaction should be reported within 31 days from the date of refinancing on the Title I Refinancing Report, Form FH-5, (See Chapter 4).

a. All loans previously insured may be refinanced in accordance with the provisions of the regulations in effect at the date of refinancing. However, fire safety equipment loans may not include an additional advance and will not be covered by the provisions of (b) and (c) below since the earned interest charges will be calculated by the actuarial method.

b. In refinancing notes previously reported for insurance, with or without an additional advance, the unearned portion of the financing charge must be subtracted from the total charge. If no additional advance of funds is made, the financing institution may assess the borrower a handling charge as authorized by the regulations. For simplicity in handling, it is suggested in the refinancing of an account that it be effective on the due date of an installment.

c. For all Title I loans, if all of the provisions of a loan will remain intact, with the exception of the interest rate and the payments, a simple modification agreement may be used to reduce the annual percentage rate and monthly payments. Under these conditions, no insurance reporting to HUD is required.

Refinancing and modification transactions only apply to borrowers previously obligated on the loan being refinanced or modified. The maximum interest rate in effect on the date of the application for refinancing.

Since modification procedures can only be used to reduce interest rates on loans, the parties can agree on any rate of interest below the FHA maximum rate which was in effect at the time of the application for the existing loan.

d. The formula for computing the amount of unearned charge is:

(1) Charge for full term x appropriate factor * = unearned charge.

* The appropriate factor for any loan being refinanced may be obtained from booklet HUD-91355.

(2) Example:

Date of note: September 2, 1976
Face amount: $5,413.51
Net Proceeds: $4,000.00
Financing Charges: $1,413.51
84 Monthly Payments: $64.46 commencing October 2, 1976
Loan Refinanced: May 2, 1980

.22297* x $1,413.51 = $324.68 (unearned charge)

*Factor of 84 payment loans, 44 payments of which have become due.

3-6. COLLECTIONS. A lending institution is expected to pursue an aggressive policy in the collection of HUD property improvement loans. In carrying out such a policy, it is suggested that form notices, dictated letters, telegrams, telephone calls, and personal contacts be used. A system should be established calling for automatic follow-up, such as the fifth, tenth and fifteenth day after default occurs. If this does not produce results, the account should receive special handling. The use of the telephone is recommended, but if results are not obtained, the borrower should be personally contacted by a collector. Every effort should be made to discover the reason for default and to effect reinstatement of the account. It is of the utmost importance to keep in close touch with the borrower when a note has become delinquent. Constant follow-up is essential to a successful collection program.

(3-6) a. Definitions-Delinquency and Default. A loan is considered in default when all collection efforts have failed to produce further payments and future collectibility of the loan is in doubt as determined by the lender. The date of default is the date of the earliest unpaid installment. A loan is considered delinquent any time a payment is due and not paid.

b. Lender Collection Attitude. Effective loan servicing techniques call for an awareness of lender personnel of the psychological differences and varying lifestyles among borrowers. Servicing practices which are effective with one borrower may not be effective with another. However, the lender is expected to pursue an aggressive collection policy. The lender, in communicating with the borrower, should work with the borrower in correcting the delinquency.

c. Delinquency Control.

1. The lender shall have an organized means of identifying, on a daily basis, the payment status of delinquent loans.

2. The system employed shall provide current information to permit collection personnel, wherever located, to initiate and follow-up on collection activities.

3. The lender's records shall be documented to reflect all of their collection activities.

4. As a means of delinquency control, the lender shall accept from the borrower and credit to the borrowers account, a partial payment of any amount due at the time the partial payment is tendered, including late charges.

d. Staffing. A successful collection department is one which utilizes understanding and flexibility in its operations. There is no substitute for human judgment in loan servicing and that function should not be relegated to a computer or encased in a rigid system.

1. Collection personnel shall be qualified to evaluate delinquent accounts in relation to the circumstances of the borrower in order to make sound decisions regarding the possibility of avoiding defaults.

2. The collection staff shall be familiar with HUD Regulations.

(3-6) 3. The staff shall be accessible to delinquent borrowers for personal interviews.

4. The collection staff shall be knowledgeable of community organizations which can provide services to the borrower, treat the causes of the default, and help the borrower to become current.

e. Lender Collection Techniques. Delinquent borrowers generally fall into three categories: Occasional delinquents, chronic delinquents and critical delinquents. Collection techniques must be adapted for each category. Contact with borrowers is the most basic collection tool and must be attempted as early as possible. Some techniques for contacting the delinquent borrower are listed below:

1. Letters and Automatic Notices. Computer-prepared cards and form letters are sometimes effective, particularly with occasional delinquents. If form letters are used, adequate controls should be established to avoid sending duplicates to the same borrower, especially in the same situation. Personal letters obviously, cover a much broader area than the form letter.

2. Telephone Calls. The simplest form of direct communication with a delinquent borrower is by telephone. In conducting telephone interviews it is important to be both firm and courteous, and to contact the delinquent at a time most appropriate, make reference to the loan provisions and the methods of legal recourse available to the lender. Successful telephone interviews will generally preclude the necessity of a personal interview. All pertinent information developed during the telephone call shall be fully documented in the collection records. A system should be established calling for automatic follow-up, such as the fifth, tenth, and fifteenth day after delinquency occurs. If this does not bring results, the account should receive special handling.

3. Personal Interviews with Delinquent Borrowers. A face-to-face interview with the borrower prior to filing a claim is a recommended procedure. These interviews have historically played an important role in reinstating accounts that otherwise would result in a claim. Personnel representing the lender at such meetings should be empowered to propose reasonable repayment plans and should be familiar with the limits of their authority. If a lender's employee, either in

a face-to-face meeting, in correspondence, or by telephone, agrees to a repayment plan, the fact that he had no authority to do so should not serve as justification for later unilateral abrogation of the plan by the lender,

4. Delinquency Counseling. When normal collection techniques are not effective, consideration may be given to professional or community service counseling for the delinquent borrower.

f. Legal Action. In the case of recalcitrant borrowers who have the ability to pay, and if warranted by the facts of the transaction, the lending institution should consider the advisability of instituting legal action. An insured lending institution may claim reimbursement for legal expenses within the amounts set out in the regulations.

g. Extensions. A lender is prohibited from extending payments beyond the original maturity of a loan. This does not prevent lenders from accepting late loan payments, carrying a loan past due, or deferring payments to be repaid within the original maturity period. If it is desired to defer all remaining installments of a loan, it recommended that it be refinanced. If refinancing is not practicable, lending institutions may request an extension of the claim period to carry the account delinquent for a longer time in order to work out a satisfactory plan of liquidation. Requests for such extensions should be made on HUD Form 9229, Requests for Extension of Title I Claim Period, (See Appendix 1), prior to the expiration of the allowable period.

h. Assumption Agreements. Where circumstances warrant, a lender may permit the assumption of the balance of a Title I note to a third party. It should be made clear, however, to all parties that the terms of the note must remain in full force and effect and the assumption cannot relieve the original borrower(s) of liability on the note, unless the prior approval of the Commissioner is obtained. In the event of a subsequent default and necessity to make claim for reimbursement of loss, the claim file must contain evidence of a demand for payment for all parties.

3-7. ADVANCE PAYMENTS. The acceptance of a voluntary payment of note or more installments prior to the due date shall not be construed as increasing the maximum permissible financing charge as provided in the regulations. However, if the prepayment sum exceeds two full installments it is recommended that the lending institution have a clear understanding with the borrower as to

the date of the next payment. Too long a period should not elapse between the application of a lump sum payment and the date for continuation of regular payments unless there are legitimate reasons for an extended lapse of time. It is important to maintain the paying habit of the borrower.

3-8. PERMISSIBLE LATE CHARGES. Late charges are limited to 5 cents for each $1.00 of each installment more than 10 days in arrears. No late charge on a past due installment may be accrued in excess of $5.00. A late charge is to reimburse the insured for work involved following the borrower for a delinquent payment. It is not a part of the original finance charge, which is determined at the time the loan is granted on the basis that the note will be paid in accordance with its terms. The collection of late charges shall not be considered in computing the maximum financing charge which the insured institution may charge the borrower. Late charges may not be collected if daily interest charges are being assessed.

a. Application of Late Charge. If the borrower makes a payment to be applied to his regular installment it is not permissible for the lender to deduct late charges that have been billed unless the borrower specifies such deductions. However, if in the absence of specific instructions from the borrower, the lender advised the borrower in writing that a portion of a payment will be applied to late charges and the borrower expresses no objection, such application shall be considered permissible insofar as HUD Regulations are concerned.

b. Evidence of Billing. Evidence supporting the application of late charges collected must be included in the file when a claim for loss is made. HUD does not reimburse the institution for uncollected late charges.

c. Provisions for Interest after Maturity. It is not intended that late charges shall take the place of interest on the principal after the maturity of the whole obligation. Thus, a provision for such interest after maturity will not conflict with the limitations set forth in the Regulations which refer only to interest or late charges taken on a specific installment for failure to make that payment on time.

3-9. PRE-CLAIM COLLECTION ASSISTANCE. Pre-claim collection assistance is available when the financial institution determines that all collection efforts on a defaulted account has been exhausted. Upon proper request HUD Form-55083, (See Appendix 1), HUD writes to the borrower(s) advising of the

seriously delinquent condition of the account and urging that they immediately contact the financial institution to arrange a satisfactory repayment schedule. Detailed information about this plan may be obtained from the local HUD Field Office. Lending institutions are requested to use this plan only as a last measure prior to filing a claim for loss with HUD. The plan should not be used when the lending institution knows the borrower is a "skip" or knows there is a dispute or complaint by the borrower.

3-10. FORECLOSURE. Except for fire safety equipment loans, an insured may proceed against security taken and file a claim for deficiency, if any, provided the prior approval of the Commissioner is obtained. In the case of a fire safety loan, the lender may elect to assign the loan to the Commissioner in exchange for payment of insurance benefits or it may exercise its right under the note and security instrument in lieu of making a claim for insurance benefits. In the case of the latter option, the lender may not file for any deficiency which may result.

3-11. CLAIM FOR LOSS. Claim for reimbursement of loss on an eligible note maybe made to the Commissioner after default, provided written demand has been made upon the borrower for the full unpaid balance of the note. (Suggested phrasing of the demand letter is given in Chapter 4.) With the exception of fire safety equipment loans for nursing home facilities, the allowable claim period will run to 6 months after the due date of the final installment unless an extension of the claim filing period has been requested. On a fire safety equipment loan, the claim filing period shall be 9 months and 31 days after the due date of the earliest unpaid installment unless an extension is requested and approved by the Commissioner.

A. When all efforts to collect a defaulted Title I account have been exhausted, Title I lenders are required to notify the appropriate Credit Bureau that a default exists and a loss claim will be filed with the United States Department of Housing and Urban Development. See Chapter 5 for claim filing procedures.

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 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 error code shown in the Insurance Charge or Reject

Identification column of the "Exceptions Reported" section with the listing or 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.

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.

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
1-18-84/1-18-85	12	$5.00		days after billing
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.

a. Unearned Charge. The unearned charge in a refinancing
(4-10) 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

Unearned Term 14 months

Monthly factor		Earned Insurance Charge Months		Original Proceeds		Earned Insurance Charge
.00041667	x	10	x	$1,000	=	$4.16670000

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

Monthly factor		Earned Insurance Charge Months		Original Proceeds		Earned Insurance Charge
.00045833	x	19	x	$10,00	=	$87.082700

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:

(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 reconcilement 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. Cl aims 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

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) Reconcilement 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

(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).

(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 reconcilement on monthly

(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.

CHAPTER 5. SETTLEMENT OF CLAIMS

5-1. INTRODUCTION. When a claim for loss on a defaulted loan insured under Title I of the National Housing Act is received by HUD, every effort is made to process it expeditiously so that its certification for payment by the Treasury Department can be made promptly. This Chapter provides guidance to the lender in preparing its claim for submission. It not only outlines the required documents, forms, and papers, but also explains what information is necessary so that the claim can be processed, in most cases, without further correspondence. Careful adherence to these procedures will result in payment of Title I claims within a minimum of time and thereby reduce processing costs of both the lenders and HUD.

a. Accurate and Complete Claims. If the claim submitted is accurate and complete in every detail, its examination for compliance with statutory and regulatory requirements and the verification of the allowable loss can be completed without delay. In such cases, the lender receives its check from the Treasury Department in a relatively short time. When inaccuracies and omissions require correspondence with the lender to obtain clarification or completion of information, payment of the claim is unavoidably delayed.

b. Data and Documentation. An accurate and complete claim requires certain data and documentation which must be obtained at the inception of the loan. Some of these requirements will vary, depending on the HUD Title I Regulations in effect at the time the application for the loan was made. It is important, therefore, that personnel engaged in initiating transactions as well as those who are responsible for preparing and submitting claims be familiar with these requirements. Chapters 1, 2 and 3 contain the administrative policies and requirements concerning the disbursement of eligible loans.

c. Amount Payable on Losses. The amount of claim is limited to 90 percent of the calculated principal and interest loss sustained by the lender, plus other allowances permitted by the regulations. Interest at 7 percent per annum will be computed on the outstanding principal balance from the date of default to the date of application for reimbursement of loss, or to a date nine months and 31 days from date of default, whichever period of time is the lesser. In no event shall the total interest allowances exceed the maximum permissible financing charge on the principal amount outstanding nine months and 31 days from the date of default.

5-2. ASSEMBLING AND EXAMINING THE NECESSARY PAPERS. When the lender has exhausted all collection efforts and wishes to file claim under its contract of insurance, the first step is to assemble all documents, forms, ledger cards, and correspondence relating to the account in a file. The Transmittal Sheet of the Title I Claim for Loss in Appendix 4, page 3 provides a convenient reference in determining when the documents listed therein are required. The documents in this file should be carefully examined for completeness and the file should be carefully checked to determine that the documents listed below, as required, are included. In summary we require that the total file be submitted including your collection history and other related forms, documents and letters.

a. Credit Application, Form FH-1. This form should be examined to determine:

(1) that it has been properly dated;

(2) that the borrower's interest in the property improved has been clearly stated as an owner or lessee;

(3) if lessee, that the expiration date of the lease has been indicated;

(4) if leased commercial property, that the owner has either joined in signing the promissory note or HUD's prior credit approval was obtained (in the latter event, the approval letter should be included in the claim file);

(5) that the description and estimated cost of the improvement(s) have been fully stated;

(6) that the property improved, if a residential structure, had been completed and occupied for ninety days or longer;

(7) that all other items on the form have been completed;

(8) that the application has been properly signed by the eligibility borrower(s); and

(9) that, if proceeds were disbursed to a dealer-contractor, the person selling the improvement(s) has signed.

(5-2) (10) If the examination disclosed inaccuracies or omissions, an explanation should be prepared for inclusion in the file.

(11) The credit application submitted with the claim must be an ORIGINAL. If the original cannot be furnished or if the loan application is unsigned, a statement signed by an officer of the lending institution should be submitted, setting forth the reason(s) why a copy of the application is being included and/or from what source the information on the unsigned application was obtained for consideration of the claim.

b. Promissory Note. The note should be examined to determine that it has been properly dated; that the payee has been stated; that the numerical and written face amounts are in agreement (if the two amounts are not in agreement, a signed statement from the makers acknowledging the true amount should be obtained); that the date of the first payment and the amount and number of periodic payments have been indicated; and that the signatures of all note signers are genuine. If the note was executed for and on behalf of a corporation, a corporate resolution should be attached empowering the makers of the note to create a binding obligation of the principal.

c. Assignment of Note. The note on which a claim is paid is assigned in full to the United States, and 10 percent of the calculated loss will be borne by the lender. The note is not assignable even though HUD may make full recovery of the amount due on the note, nor will there be any transfer of the credit of funds in such instances. In no case may an insured lending institution ask a borrower, dealer or other person to reimburse the institution for co-insurance loss, or any other deduction made by HUD in settlement of a claim, since the National Housing Act intends that such loss will be borne by the lender. Since the lending institution is no longer holder of the note, it has no legal basis for requesting the obligor to make further payment. Any amounts received on account by the lending institution after claim must be forwarded promptly to HUD.

(1) The reverse of the note should be examined to assure that it bears a complete endorsement of the dealer-contractor (if it is a dealer loan) and that the assignment to the United States of America by the lender indicates the name of the lending institution, is signed by an authorized official with title indicated, and is dated.

(5-2) (2) The reverse of the note shall be in the following form:

"All right, title and interest of the undersigned is hereby assigned (without warranty, except that the note qualifies for insurance) to the United States of America.

____
(Lending Institution)

____
By:

____
Title:

____
Date:

d. Borrower's and Dealer's Completion Certificate, Form FH-2. The complete certificate should be examined to determine that it has been completely executed and signed by an eligible borrower and by the person approved by the lender as the dealer. As in the case of the promissory note, signatures to the certificate must be genuine. This certificate is not to be signed or dated until after the improvements have been satisfactorily completed by the dealer. This document is not required for direct loans.

e. Dealer's Contract or Sales Agreement. The contract or sales agreement should be inspected to determine that a complete description of the material to be used and the work to be performed has been states; that the unit cost is shown; and that the stated cost of the improvement(s) is in agreement with the credit application. The contract or sales agreement must be signed by an eligible borrower and by the dealer, although the signatures appearing on the original. The date of the contract or sales agreement should be prior to the commencement of the improvements and should bear a close relationship to other required dealer documentation. This document is not required for direct loans.

f. Advance Notice to Borrower. At least six (6) calendar days prior to making disbursement to a dealer, the lender must give the borrower written notice of the approval of his/her credit application. This document is not required for direct loans.

(1) If additional improvements are made, a supplemental advance notice must be sent to the borrower. In any

event, it is not required that the borrower acknowledge receipt of such notice(s).

(5-2) (2) The lender must, however, produce a record of having mailed or delivered such notice(s). As acceptable records of delivery would be a dated carbon copy of the notice(s) or a dated entry in the borrower's loan file.

(3) Supplies of the advance notice are not furnished by HUD. Lenders should issue the notice on their own letterhead stationery.

g. Borrower's Authorization Certificate. Where proceeds are paid to someone other than the borrower, the authorization certificate should be inspected to determine that it has been completely executed and signed by all borrowers and all makers and co-signers on the note. As in the case of the promissory note, the signatures of all parties to the certificate must be genuine. This document is not required for direct loans.

h. Demand Letter. A final demand letter must be sent to the borrower(s) and a copy made a part of the claim file. The demand letter should be unconditional and for the full unpaid balance of the note. To avoid forms of demand letters which are not wholly acceptable, the following phrasing is suggested:

"The option to accelerate maturity of your note is exercised at this time, by reason of the fact that periodic payments have not been made in accordance with its terms. The entire balance of $______ plus interest of $_______, making a total of $_______ is now due and payable."

i. Ledger Cards. If the borrower had prior Title I loans with outstanding balances at the time the defaulted note was made, the file should contain a ledger cared on the earlier obligations. If claim is being filed on a defaulted note which had been refinanced, the ledger card covering the prior loan refinanced, clearly stating the unpaid balance and the amount of rebate, should be made a part of the claim file.

(1) Certified Statements in Lieu of Ledger Cards. If the lender has converted to automatic data processing, certified statements executed by an official of the

institution are acceptable alternatives to payment records itemized on ledger cards.

(5-2) (2) Statement Certification. As applicable, and for compliance with specific regulations, the statements should certify as follows:

(a) That a prior loan was not past due more than 15 days when proceeds of a later loan were disbursed;

(b) That the outstanding aggregate loan balance with respect to the same property or structure did not exceed the dollar limitation prescribed for the type of loan involved;

(c) That the total outstanding principal balance on all Title I loans at one time did not exceed the dollar limitation set for the type of loan having the largest permissible limit, exclusive of financing charges. If in excess of the largest permissible limit, a letter granting prior approval of the Assistant Secretary for Housing-Federal Housing Commissioner should be in the file.

j. Attorney's Papers. When an attorney was employed to effect collection and the claim is to include attorney's fees actually incurred and paid, a complete statement from the attorney should be obtained and made a part of the file. A transcript of the judgment should also be included in the file when the note was reduced to a judgment. For further information on judgements and attorney's papers, see paragraph 4-4 of this Handbook.

k. Proof of Claim. The lender is required to service loans in accordance with acceptable practices of prudent lending institutions. This, of course, includes timely filing of Proof of Claim in decedent estate and bankruptcy cases. If a Proof of Claim in a decedent estate or bankruptcy action is filed with the administrator or referee, a copy of such Proof of Claim should also be in the claim file.

(1) Bankruptcy. The assignment of the Proof of Claim in bankruptcy should identify the District Court by District and Division; cite the names of all bankrupts; show the bankruptcy number, the United States of America as assignee, the amount of the claim, the

corporate name of the lender; and bear the signature and title of an authorized official (i.e. an officer of the lending institution).

(5-2) (2) Decedent Estate. The assignment of the Proof of Claim in a decedent's estate should identify the administrator or executor; show the name of the deceased, the United States of America as assignee, the amount of claim, and the corporate name of the lender; and bear the signature and title of an authorized official.

l. Certificate of Eligibility, FH-1(HP). Loans made available under the Historical Preservation category shall be made only for the rehabilitation, preservation or restoration of historic structures. The proposed improvement(s) to the historic structure shall be submitted to the State Historic Preservation Officer of any other person authorized by the Secretary of the Interior in the state where the historic structure is located. If the proposal, is approved, the approval should be indicated on the FH-1(HP) and made a part of the claim file upon submission to HUD for insurance benefits. (Reference Section 201.1606 of the Title I Regulations.)

m. Evidence of Fire Safety Marshal's Approval. Loans insured under the Fire Safety Equipment category shall be considered only where a proposal has been submitted and approved by the Fire Safety Marshal or other State or local official or agency, or other authority having primary responsibility or jurisdiction for the fire safety requirements of the health care facility. This document shall be made a part of the claim file when claim is submitted on a defaulted Fire Safety Equipment Loan. (Reference Section 201.1125(a) of the Title I Regulations.)

n. Additional Documents. While the aforementioned documents represent the basic papers required for loans insured under Title I, additional forms and certificates are necessary under certain circumstances. These and the applicable Title I Regulations are:

(1) Letter granting prior approval of the Assistant Secretary for Housing-Federal Housing Commissioner, Sections 201.5(e) and 201.1611;

(2) Certificate of Eligibility, Form FH-801, on loans which

include built-in-kitchen appliances, Section 201.6(d)(6);

(3) Statement of Eligibility, Form FHA-226, on loans which include civil defense shelters, Section 201.6(e);

(4) Certification of loans which include septic tanks, Section 201.6(f);

(5) Certificate of Eligibility, Form FH-802, on loans which include permanently installed carpeting, Section 20l.6(g).

5-3. SECURITY INSTRUMENTS. If security has been taken in the form of a real estate mortgage, deed of trust, conditional sales contract, chattel mortgage, mechanics lien, or other security device for the purpose of securing the loan, it should be recorded in accordance with the statutes of the applicable jurisdiction. Where security has been recorded the insured shall, prior to filing claim, place on record an assignment to the United States of America of said security. A $25 fee will be paid the lender for expenses in recording any security or other recordable assignment to the United States of America. In those instances where the lender or its attorney is of the opinion that the assignment should not be recorded, the lender should include in its submission of claim a full explanation of the reason the assignment was not recorded, and if circumstances warrant, the Regulations will be waived. A waiver, however, cannot be considered unless a complete statement of the operative facts is included with the claim submission.

a. Assignment of Security. While a marginal form of assignment, similar to that used in assigning a note, is acceptable in some jurisdictions, it has been found that in most instances a separate form of assignment which fully identifies the security is required, The local recording office can advise lenders of the requirements in the applicable jurisdiction.

b. Preparation. Unavoidable delays will be eliminated if the assignment is prepared as indicated below. The assignment should:

(1) Cite a nominal consideration;

(2) Designate the United States of America as assignee;

(3) Follow the instrument for description of the property;

(4) Show recording references, i.e., date, book, page;

(5) Show the name of the lender, be dated, and signed by an authorized official;

(6) Bear the corporate seal;

(7) Be acknowledged and dated by a Notary Public.

5-4. JUDGMENTS. While the regulations do not specifically require a lender to litigate on a Title I note, there are instances wherein a judgment is required to establish the validity and enforceability of the obligation. In addition, from a collection standpoint, and from facts singular to a particular transaction, the lender should consider the advisability of instituting legal action.

a. Assignment of Judgment. The assignment of the judgment should be prepared from a copy of the transcript and should provide the data indicated below. As in the case of other security, the Clerk of the Court for the local jurisdiction can advise lenders regarding the requirements for an acceptable assignment to transfer interest. The assignment should:

(1) Cite a nominal consideration;

(2) Designate the United States of America as assignee;

(3) Identify the court by name, state and county;

(4) Fully cite the awards of the court, i.e., principle, interest, fees and costs;

(5) Recite the true balance due on the total judgment in the covenant;

(6) Show the name of the lender, be dated, and signed by an authorized official;

(7) Bear the corporate seal;

(8) Be acknowledged and dated by a Notary Public.

b. Attorney's Statement of Collections. In all instances, where an attorney is engaged, the full amount collected by the attorney should be credited to the account, and the file should contain a statement from the attorney itemizing the amounts and dates of payments collected and the cost of such collections. Attorney's fees for collections are reimbursable only if paid by the lender. unique to the Fire Safety Equipment Loans, attorney's fees shall not exceed $250. The attorney's fees for the remaining Title I

improvement loans are limited to 25% of the amount collected by the attorney on the defaulted note (excluding recording expenses), provided the borrower is liable for the payment of such fees under the laws of the jurisdiction applicable to the note, and provided the lender does not waive its claim against the borrower for such fees.

(1) All payments received after the maturity of the note, including the amount collected by the attorney, should be itemized in the space provided on the Title I Claim for Loss, Schedule A-Deductions, Section III, (See appendix 4, page 7).

(2) The full amount collected by the attorney and attorney's fees should be shown on the Title I Claim for Loss, Schedule B-Additions, Section III (See appendix 4, page 9).

c. Attorney's Statement of Fees. In all instances, the fees incurred must be supported by a receipted bill from the attorney.

(1) In accordance with Property Improvement Loan, attorney's fees for a judgment secured by confession after default are limited to $10 or 15% of the balance due on the note, whichever is the lesser.

(2) Attorney's fees for a judgment secured through suit are limited to $50 or 15% of the balance due on the note, whichever is lesser. This does not apply to Fire Safety Equipment Loans.

(3) Attorney's fee for collections and expenses incurred by an attorney for Fire Safety Equipment Loan litigations shall not exceed $250 per case.

d. Attorney's Waiver of Lien. Examine to determine that the Attorney's Lien included in the judgment has been satisfied or waived; if waived, that the statement waives all rights of subsequent claim, and that the statement has been signed by the attorney.

5-5. TITLE I CLAIM FOR LOSS (HUD-637). When the examination of the claim papers has been completed, the next step is the preparation of the HUD-637, which is designed to accommodate all Title I loans. This package includes a cover sheet and four 3ets of forms as follows: Transmittal Sheet (Parts 1 and 2), Application Voucher (Parts 3 thru 6), Schedule A-Deductions (Parts 7 thru 10) and Schedule B-Additions (parts 11 thru 14).

Schedules A and B shall be completed prior to entering date on the Application Voucher. The schedules consist of three sections; however, all Title I property improvement loans covered in this Handbook are to use Section III on both schedules, leaving Sections I and II blank.

a. Mandatory Completions. The Transmittal Sheet and both Schedules A and B (applicable section only) must be completed. Lenders who do not wish to complete the "total insured loss" under block 16 on the Application Voucher must, at a minimum, complete blocks 1 thru 15 and 17 thru 19. Only items 1, 3, and 5 are mandatory items under block 16.

b. Time Requirements. Claim shall be filed no later than 6 months after the due date of the final installment provided for in the note where a Property Improvement Loan or Historical Preservation Loan has defaulted. Where a Fire Safety Equipment Loan has defaulted, claim shall be filed no later than 9 months and 31 days after the due date of the earliest fully unpaid installment provided for in the obligation. Unless an extension of the claim filing period is requested by the lender and approved by the Secretary, the above claim filing periods must be met according to regulatory requirements. Request for such extensions must be in writing and submitted to the Director, Office of Title I Insured Loans. Attach an approved copy of the extension request to the claim package.

c. Payments received after Filing Claim. Should the maker of the obligation tender payments thereon to the insured institution subsequent to the filing of this application, such monies will be accepted for, and proceeds immediately transmitted to Director, Mortgage Insurance Accounting, OFA, Attention: Receipts and Deposits Branch, Department of Housing and Urban Development, Washington, DC 20410, in accordance with the HUD Regulations.

5-6. COMPUTATION OF INSURED LOSS. Information required by the forms in the claim package is sufficient for the lender to compute the total insured loss. After having completed the Transmittal Letter, Section III of Schedules A and B, and the upper portion of the Application Voucher (blocks 1 thru 15), the lender may enter its computation in the column headed "Certified Information furnished by Applicant" (block 16). It is not mandatory that the lender compute the total insured loss under block 16 of the application voucher (See paragraph 4-5a). If the lender elects to compute the total insured loss (block 16), a verification of the lender's computations is made upon receipt of the claim package by HUD. Where discrepancies are detected

during the verification process, HUD will enter corrections in the column headed "HUD USE ONLY" , Verification of Amount Due. Parts 4, 7, and 12 are returned to the lender, indicating any alterations made to the claim, with the Treasury check issued in payment of the claim.

5-7. EXAMPLE OF COMPUTATION OF INSURED LOSS WHERE UNEARNED FINANCE CHARGE IS COMPUTED BY THE " RULE OF 78'S METHOD". The following hypothetical case is prepared for the information of lenders to illustrate the manner in which loss is determined on defaulted Title I property improvement loans. Let us assume that a 10 year Historical Preservation note for $51,660, payable in 120 monthly installments of $430.50 with date of first payment August 1, 1977 was executed July 1, 1977. The financing charge (at 12% per annum) of $21,660 was taken using the factor tables in paragraph 2-16. The borrower received $30,000 (net proceeds) in cash. Installments were paid when due up to and including the payment of April 1, 1979, but the May payment was not made. On June 30, 1979, the lender, having received no further payments, demanded full payment of the balance of the note. On July 31, 1979, the lender decided to submit a claim and furnish the information and documentation required by the Title I Claim for Loss, Form HUD-637. The case discussed here, is illustrated in Appendix 4, pages 3, 5, 7, and 9.

a. Schedule A- Deductions, Section III. Since no additional funds were received after the date of default, no amounts will be entered in this section. Normally, the total amount of principal and interest received by the lender on account of the loan from any source, which has not been applied in reduction of the borrower's indebtedness, would be entered here. NOTE: The refund of insurance premiums listed as item 1 does not include Title I insurance charge. The Title I insurance charge adjustments, if any, will be computed by HUD and applied on a future Title I Billing Statement, Form FHA-761.

b. Schedule B-Additions, Section III. Since this claim involved a secured loan, no litigation actions were entered. This section is used to itemize each allowable expenditure incurred by the lender while processing the defaulted loan. A statement of expenses and receipts shall be included for each time entered in this section of the claim form.

c. Application Voucher. Based on the information contained in the claim file, complete blocks 1 thru 15. The computation for items listed under block 16 is made in accordance with the following comments and is inserted on the Application Voucher as illustrated on page 5 of Appendix 4. The item

(5-7) numbers listed below relate to the numbers in the left margin of the Application Voucher.

Item No.	Comments
(1)	Enter the total finance charge which has been included in the face amount of the note. Example: Face amount of Note ($51,660) less proceeds to borrower ($30,000) equals total finance charge ($21,660).
(2)	The finance charge is considered distributed over the period of the loan and is prorated to the date of default. The proration is based on the outstanding balance for the total period of time from the date of the note. Twenty-one of the one hundred twenty regular payments were received, the default being in the twenty-second period. The factor to be used, therefore, is .3321861233 based on the formula is subparagraph 4-7d. The charge to be prorated ($21,660) multiplied by this factor represents the finance charge earned to default. The amount that will be allowed under this claim is $7,195.15 ($21,660 x .3321861233).
(3 & 4)	The loan proceeds paid to the borrower of $30,000 added to the earned finance charge of $7,195.15 yielded $37,195.15.
(5 & 6A)	Since $9,040.50 was received in regular

installments, this amount is subtracted from the total amount due up to the time of default, leaving a balance due of $28,154.65.

(6B) This line is to be used when the regulations require that the finance charge be calculated by the "actuarial method" and an amortization schedule is used.

(7 & 8) No additional deductions were listed on Schedule A, therefore, enter a zero on line 7 and bring down the amount shown on line 6A.

(9) Interest at 7% was due, therefore, on $28,154.65 from May 1, 1979 to July 31, 1979, the date on which the claim was filed. The table headed "Exact Number of Days in Fractional Parts of a Year" (see Appendix 4, page 15) shows the total number of days between May 1, 1979 and July 31,

(5-7) 1979 to be 91. The interest factor for 91 days at 7% per annum as shown in the interest table (see Appendix 4, page 16) is .0174521. This factor, when multiplied by the outstanding balance due as of May 1, 1979, ($28,154.65) results in interest for this period of $491.36.

(10) Add lines 8 and 9 to arrive at the unpaid principal balance (including the prorated finance charge) and the uncollected earned interest.

(11 & 12) No allowable expenses were listed in section III of Schedule B. Enter a zero here, then bring the figure from line 10 down to line 12.

(13 & 14) Since the Historic Preservation Loan is considered a "type A" loan, enter 10% of line 10, Unpaid Principal Balance and Earned Interest, on line 13. Subtract the computed 10% ($2,864.60) from line 12 ($28,646.01) for the Total Insured Loss ($25,781.41) on line 14.

Blocks 17, 18, and 19 shall contain the full name and address (including ZIP code) of the lending institution, signature and title of the authorized official attesting to the certification statement, and the date the application is signed, respectively.

d. "Rules of 78's" Formula for Determining Earned Finance Charge Proration Factor. Outlined below is the formula for determining the proration factor required to compute the earned finance charge to the date of default.

(1) m = number of days to first payment
n = number of periods in loan
d = number of payments made before default

$$\frac{\frac{mn}{30} + dn - \frac{d(1 + d)}{2}}{\frac{mn}{30} + \frac{n(n-1)}{2}} = \text{Proration Factor}$$

(2) To illustrate how this formula is used, the following shows how the factor was determined for the hypothetical case explained in subparagraph c (Item 2) above and illustrated in Appendix 4, page 5.

$$\frac{\frac{31 \times 120}{30} + 21 \times 120 - \frac{21 (1 + 21)}{2}}{\frac{31 \times 120}{30} + \frac{120 (120 - 1)}{2}} = .3321861233$$

5-8. THE "ACTUARIAL" METHOD. Section 201.1265 of the HUD Regulations mandates the method of calculation that must be used to determine the earned and the corresponding unearned interest (finance charge on a defaulted Fire Safety Equipment Loan. According to this section of the Regulations, the insured lender shall be calculated according to the "actuarial" method. This method of interest computation treats each loan exactly as though it were an interest bearing, direct reduction loan. Thus, with the use of a standard direct reduction loan amortization schedule or a table of actuarial refund factors, the amount or earned/unearned interest can be determined.

a. The amortization schedule is a useful guide for both the borrower and the lender. The schedule provides the whole picture for a loan: (1) the monthly payment; (2) how much each payment during the entire life of the loan is divided between interest and principal; and (3) how much of the loan is outstanding at any time.

(1) The amount of earned interest can be determined by simply accumulating the interest listed in the interest column of the schedule up to, but not including, the date of default. The following example shows the amount of interest earned on a $1,000 loan financed at 11% for 20 years which defaulted on the 15th installment. The example is based on the amortization schedule in Appendix 4, page 10.

$109.28	=	Interest for 12 months as totaled on the schedule.
9.03	=	Interest for 13th installment.
9.02	=	Interest for 14th installment.
8.71	=	Partial interest earned in 15th installment. ($9.01/.30 days = .30 x 29 days = $8.71)
$136.04	=	Interest Earned Up to Date of Default

(2) The instructions immediately preceding block 16 of the Application Voucher (See Appendix 4, page 12) states, in part "Where the 'Actuarial Method' is used, start with line 6B..." This instruction applies only when the amortization schedule is used to determine the earned/unearned interest. The amount to be placed on line 6B is the unpaid principal balance shown on the schedule as of the last fully paid installment, plus

any interest earned in the following (default) period. Using the example from (1) above the amortization schedule in Appendix 4, page 10, the unpaid principal balance to be placed on line item 6B of the Application Voucher is determined as follows:

$982.71	=	Balance as of the last fully paid installment.
8.71	=	Interest earned up to date of default (29 days).
$991.42	=	Unpaid Principal Balance as of Date of Default.

b. Actuarial refund tables provide another convenient source of exactness in this process of interest computation. Once the number of unpaid installments are determined, the appropriate factor can be located on the refund table and applied against the monthly installment figure. The answer (amount of unearned interest) should then be subtracted from the total amount of interest to obtain the amount of earned interest up to the date of default. Detailed instructions for the use of the tables are explained below. Paragraph 5-9c, item (2) shows an illustration.

(1) Compute the number of full payments remaining to maturity. This would be the number of payments still remaining less one (do not count the payment on the date of default). Because interest is considered earned up to the date of default, the number of days between the last fully paid installment and the date of default (but not including the date of default) are earned interest days. Thus, the date of default should be added on the payments remaining as one day.

(2) From the Amortization Refund Tables, find the page for the appropriate annual percentage rate. Under the heading "months", find the number of full payments remaining. Add to this factor, the daily factor which represents the day of default. Multiply the resulting factor times the monthly installment. This is the amount of unearned interest (finance charge).

(3) Subtract the amount of unearned interest from the total amount of interest calculated for the full term loan to obtain the amount of earned interest.

5-9. EXAMPLE OF COMPUTATION OF INSURED LOSS WHERE UNEARNED FINANCE CHARGE IS COMPUTED BY THE "ACTUARIAL METHOD" USING ACTUARIAL REFUND TABLES. Let us assume that a 20 year, $50,000 (net

(5-9) proceeds to be entered in block 11 of the Application Voucher) Fire Safety Equipment Loan financed at 11% per annum interest rate, payable in 240 monthly installments of $516.10 with date of first payment August 20, 1977 was executed July 20, 1977. Installments were paid when due up to and including the payment of September 30, 1978, but the October payment was not made. On November 30, 1978, the lender, having received no further payments, demanded full payment of the balance of the note. On December 28, 1978, the lender decided to submit a claim and furnished the information and documentation required by the Title I Claim for Loss, Form HUD-637. The case discussed here is illustrated in Appendix 4, pages 11 through 14.

a. Schedule A- Deductions, Section III. No additional funds were received after the date of default; therefore, no entry will be made in Schedule A. (See paragraph 4-7a.)

b. Schedule B- Additions, Section III. No expenses were incurred as a result of processing this claim. (See paragraph 5-7b).

c. Application Voucher. Blocks 1 through 15 of the case illustrated in Appendix 4, page 12, were based on information contained in the claim file. Completion of all items under block 16 by the lender are optional. It is required, however, that the lender, at a minimum, complete items 1, 3, and 5 of block 16.

(1) Although the instructions preceding block 16 recommends starting the calculations on line 6B when the actuarial method is used, all items (1 through 14) under block 16 have been completed in this example to add clarity and is recommended to lenders who elect to completely calculate the total insured loss with the use of the actuarial refund tables.

(2) The computation for items listed under block 16 were made in accordance with the following comments and inserted on the voucher. The item numbers listed below relate to the numbers in the left margin of the voucher.

Item (1) - In this case, the total finance charge is obtained by multiplying the monthly installment figure times the number of installments required to amortize the loan (see block 12) less the amount of proceeds to the borrower.

Monthly Installment	$ 516.10

Installments Required	x 240
	$123,864.00
Proceeds to Borrower	- 50,000.00
Total Finance Charge	$ 73,864.00

Item (2) - The earned finance charge is obtained by first determining the unearned finance charge which is then subtracted from the total finance charge shown in item 1, above.

(a) Compute the number of full payments remaining to maturity:

Original Number of Installments Required to Amortize Loan	240
Number of Installments Made	-14
Number of Installments Remaining	226
Installment Due on Date of Default	- 1

Full Installments Remaining 225

(b) For interest purposes, one (1) day will be added to the number of full installments remaining, which represents the day of default on which interest is not earned by the lender.

(c) With the use of the appropriate actuarial refund table (see Appendix 4, pages 17 and 18), locate the factor for the 225th month. Add to this factor one (1) daily factor. Then multiply the sum of the factors times the monthly installment for the unearned interest.

Monthly Factor		Daily Factor			
129.909371	+	0.028696	=	129.93806	
				x 516.10	Monthly Installment
				$67,061.03	Unearned Finance Charge

(d) Subtract from the total finance charge (item 1) the unearned finance charge to determine the earned finance charge of "Charge Prorated to Default", (item 2).

Total Finance Charge	$73,864.00
Unearned Finance Charge	-67,061.03
Charge Prorated to Default	$ 6,802.97

Items (3 and 4) - The total proceeds to the borrower should be entered in block 11 and as item 3 under block 16. Add items 2 and 3 to determine the amount of principal and

(5-9) earned finance charge due the insured up to the time of default.

Items (5 and 6B) - The number of monthly installments received on this loan prior to maturity totaled 14. This number is placed in the line provided by item 5. A total of $7,225.40 ($516.10 x 14) was received in regular installments. This amount is subtracted from the amount due up to the time of default, leaving a balance due of $49,577.57.

Items (7 and 8) - Enter zero on line 7. Bring the amount shown on line 6 down to line 8.

Item (9) - Interest at 7% was due on the outstanding balance, computed from the date of default to the date of the claim application. For the purpose of determining the date of default, the Regulations provide: "any payment received on an account, including payments on judgements predicated thereon, shall be applied to the earliest unpaid installment."

(a) The table headed "Exact Number of Days in Fractional Parts of a Year" (see Appendix 4, page 15) shows the total number of days between October 20, 1978 and December 28, 1978 to be 69. The interest factor for 69 days at 7% per annum as shown in the interest table (see Appendix 4, page 16) is .0132329. This factor, when multiplied by the outstanding balance as of the date of default, results in the earned interest for this period.

(b) $49,577.57 x .013239 = $656.06 (enter as item 9).

Item (10) - Add items 8 and 9. The answer ($50,233.63) is entered as item 10.

Item (11 and 12) - Enter zero on line 11. Bring the amount shown on line 10 down to line 12.

Item (13) - Since the Fire Safety Equipment Loan is considered a "Type A" loan, enter 10% of item 10 as item 13 ($5,023.36).

Item (14) - Subtract item 13 from item 12 for the total insured loss and enter the answer on line 14 ($45,210.27).

Blocks 17, 18, and 19 shall contain the full name and address (including ZIP code) of the lending institution,

signature and title of the authorized official attesting to the certification statement, and the date the application is signed, respectively

5-10. CANCELLATION OF VOLUNTARY REPURCHASE OF CLAIMS. A claim may be withdrawn upon return of the Treasury check. In the event the check has been accepted for deposit, the insured may voluntarily repurchase the claim by submitting its official check for the claim amount, provided in each instance the transaction is consummated not later than 31 days from the date the Treasury check was received by the lender.

HUD-Wash., D. C.

FH-21
Rev. 10/68

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

Form Approved
OMB No. 63-R0337

APPLICATION FOR TITLE I CONTRACT OF INSURANCE

TITLE I, SECTION 2 NATIONAL HOUSING ACT

FEDERAL HOUSING COMMISSIONER
WASHINGTON, D.C. 20411

Date ________________ 19__

We hereby apply for a Contract of Insurance with respect to Property Improvement Loans under the provisions of Title I, Section 2 of the National Housing Act, as amended, and the Regulations of the Federal Housing Commissioner issued thereunder. We submit the following information on our qualifications, including the exhibits attached, (See item 12) as set forth on the reverse side, incorporated in and made a part hereof:

1. Name *(Exact Corporate Title)*

2. Type of Institution *(Check Applicable Box)*

- 0. ☐ Federal Credit Union
- 1. ☐ National Bank
- 2. ☐ State Bank
- 3. ☐ Savings Bank
- 4. ☐ Savings & Loan Association
- 5. ☐ State Chartered Credit Union
- 6. ☐ Finance Company
- 7. ☐ Other ________ *(Specify)*

3. Date Organized

4. Incorporated under laws of:

5. Member of:

- ☐ Federal Deposit Insurance Corporation
- ☐ Federal Reserve System
- ☐ Federal Home Loan Bank System
- ☐ Federal Savings & Loan Insurance Corporation

If not a member of the stated, we are under the supervision of:

6. Trading Radius within which loans will be originated or serviced *(maximum mileage from your lending office)*

7. List Branch Offices originating or servicing these loans *(State which)*

8. We propose to: *(Check one or both)*

- ☐ Make loans direct to Borrower
- ☐ Purchase notes from Dealer

9. We propose to: *(Check one or both)*

- ☐ Hold notes for our own account
- ☐ Sell notes to: ________

10. Our main office telephone No. *(area code, number, extension)*

11.

☐ PLACE OUR NAME ON THE FHA PROPERTY IMPROVEMENT LOAN MAILING LIST.

Signature

BY:

Title of Officer

Address of Institution *(Number & Street)*

City, State and Zip Code

(SEE REVERSE SIDE FOR REQUIRED EXHIBITS)

FH-21 Rev. 10/68

12. We submit the following exhibits as part of our application:

(a) A detailed statement of our proposed policy and procedures for making FHA insured property improvement loans.

(b) A detailed statement of our proposed policy and procedures in purchasing dealer paper including methods of determining that the dealer is reliable, financially responsible and qualified to perform satisfactorily the work to be financed and to extend proper service to the customer.

(c) A statement setting forth in detail the collection procedures to be employed for FHA insured property improvement loans.

(d) A resume of the consumer credit lending experience of the officer to be in charge of making these loans.

(e) A copy of our most recent financial statement (not over 6 months old).

(f) A copy of the note form we propose to use on Title I loans.

If your institution is not subject to federal or state supervision, the following exhibits are also required:

(g) A detailed audit of our books made by an independent accountant, not in our own employ, certified by an officer of our company, showing an acceptable corporate net worth.

(h) A letter or letters from banking institutions setting forth amount of credit available for FHA property improvement loan financing.

NOTE:

If notes will be sold give full details, to whom, on what basis or arrangements, and if written agreements have been executed, send two copies in each case as an additional exhibit.

Forward original application and required exhibits to the Director of the FHA Insuring Office for your area.

FH-13
Rev. 8/62

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

Form Approved
Budget Bureau No. 63-R0844

FHA Title I Loan Program (Property Improvement Loans)
DEALER-CONTRACTOR APPLICATION

INSTRUCTIONS: Submit one copy to each financial institution with which you expect to discount notes.

TO: (Insured Institution)	Date

As provided in Section 201.8(a)(1) of the Regulations issued by the Federal Housing Commissioner under Title I of the National Housing Act, this application is submitted for your approval as a Dealer-Contractor.

Trade Name	Phone Number	Ownership ☐ INDIVIDUAL ☐ PARTNERSHIP ☐ CORPORATION
Number and Street	Date Business Established	
City, Zone, State	Years at Present Address	
Previous Address	Years at Previous Address	Number of Salesmen
Type of Business (General Contracting, Lumber Yard, Heating, etc.)	Date Financial Statement	Identify Salesmen on Separate Attached Sheet

IF PARTNERSHIP OR CORPORATION, IDENTIFY PRINCIPALS

Name	Title	Home Address
1.		
2.		
3.		

EMPLOYMENT HISTORY OF PRINCIPALS FOR PAST TEN YEARS *(If more space is needed, use an attached sheet)*

Name of Principal, Capacity, and Dates Employed	Names and Addresses of Employers	Type of Business
1.		
2.		
3.		

Bank of Deposit

FINANCIAL INSTITUTION(S) DISCOUNTING PAPER:

Name	Address	Dates From Year	To Year

FH-13 Rev. 8/62

TRADE REFERENCES: (NAME SUPPLIERS OF MAJOR PRODUCTS FINANCED WITH TITLE I LOANS)

Name	Address

If paper to be financed represents the sale of a specialty product, give trade name and manufacturer: (Attach descriptive literature and price list.)

Sales Area	No. of Branches

Addresses of Branches

Describe any Guaranty Given Buyers

I (we) hereby understand that I (we) am (are) fully responsible for the Title I activity of all my (our) sales personnel, that ethical and proper selling practices will be followed, and that immediate attention will be given to all complaints involving materials, workmanship or sales representations.

I (we) hereby certify that the above statements are true. I (we) understand this application shall remain the property of the financial institution to which it is submitted and, if requested, a copy may be furnished to the FHA.

Trade Name	By: (Name and Title)

WARNING

Any person who knowingly makes a false statement or a misrepresentation in this application shall be subject to a fine of not more than $5,000 or to imprisonment for not more than 2 years, or both, under provisions of the United States Criminal Code.

FOR USE OF DEALER-CONTRACTOR FOR SUPPLYING ADDITIONAL INFORMATION

FOR USE OF INSURED INSTITUTION

☐ CREDIT REPORT ATTACHED
REPORT DATED:
(   )

☐ REFERENCES CHECKED

☐ FIRM, ALL PRINCIPALS AND SALESMEN CHECKED AGAINST PRECAUTIONARY LIST

☐ PREVIOUS LENDERS CHECKED

☐ COPY OF CONTRACT OR SALES AGREEMENT REC'D

☐ SALES LITERATURE RECEIVED

☐ APPLICANT GIVEN COPY OF DEALER-CONTRACTOR GUIDE

Place of Business Inspected By: (Name and Title)	Date Inspected

Remarks:

The dealer-contractor whose application appears hereon has been approved after such investigations as we consider necessary to establish that the dealer-contractor is reliable, financially responsible and qualified to perform satisfactorily the work to be financed and to extend proper service to the customer.

Dealer-Contractor Approved (Date)	By: (Name and Title)

GPO 870-126

FH-13 Rev. 8/82

(PLEASE ANSWER ALL QUESTIONS)

Form Approved OMB No. 63-R0037

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING - FEDERAL HOUSING COMMISSIONER

CREDIT APPLICATION FOR PROPERTY IMPROVEMENT LOAN

This application is submitted to obtain credit under the provisions of Title I of the National Housing Act.

PRIVACY ACT NOTICE - The information requested in this form is to be used by the Department of Housing and Urban Development (HUD) in the accounting of Title I loans and in the monitoring of Title I funds. It will not be disclosed or released outside of HUD and the Lending Institution which will provide the funds except as required and permitted by law. You do not have to give us this information, but, if you do not provide the information necessary to an evaluation of credit-worthiness your application may be delayed or rejected. The Department of HUD is authorized to ask for this information by Title I, Section 2 of the National Housing Act (48 Stat. 1246, 12 U.S.C. 1701 et seq.).

TO Lending Institution which will provide the funds: THE DOE BANK — DATE: DECEMBER 1, 1980

1. Do you have any past due obligations owed to or insured by any agency of the Federal Government? *(If the answer is "YES" you are not eligible to apply for an FHA Title I Loan until the existing debt has been brought current.)* Check Block [ ] Yes [X] No

2. Have you any other application for an FHA Title I Improvement Loan pending at this time? [ ] Yes [X] No *(If "Yes" with Whom - Name and Address)*

Are there any unsatisfied judgments against you? [ ] Yes [X] No
Have you been declared bankrupt in the last 7 years? [ ] Yes [X] No *(If the answer is "YES" please explain)*

3. I hereby apply for a loan of $ 6,000. (Net); to be repaid in 180 Months.

4. APPLICANT(S)

Name of Applicant: JOHN SMITH	Age: 39	Number of Dependents: 3	Home Telephone Number: 123-4567
Address (Street, City, State and ZIP Code): 123 ASH STREET WASHINGTON, D.C. 20000	How Long: 11	Name and Address of nearest relative not living with you: ALLEN SMITH 222 CEDAR STREET WASH, D.C. 20001	Relationship: FATHER
Previous Address (Street, City, State and ZIP Code): 456 BEACH AVENUE WASHINGTON, D.C. 20004	How Long: 5		

Marital Status: [X] Married [ ] Separated [ ] Unmarried (Including Single, Divorced, Widowed)
Check Applicable Box: 1. [X] White 2. [ ] Black 3. [ ] American Indian or Alaskan Native 4. [ ] Asian or Pacific Islander 5. [ ] Hispanic
SEX: [X] Male [ ] Female

Name of Co-Applicant (If Any): MARY SMITH	Age: 37	Number of Dependents: 3	Home Telephone Number: 123-4567
Address (Street, City, State and ZIP Code): 123 ASH STREET WASHINGTON, D.C. 20000	How Long: 11	Name and Address of nearest relative not living with you: ALLEN SMITH 222 CEDAR STREET WASHINGTON, D.C. 20001	Relationship: FATHER IN-LAW
Previous Address (Street, City, State and ZIP Code): 456 BEECH AVENUE WASHINGTON, D.C. 20004	How Long: 5		

Marital Status: [X] Married [ ] Separated [ ] Unmarried (Including Single, Divorced, Widowed)
Check Applicable Box: 1. [X] White 2. [ ] Black 3. [ ] American Indian or Alaskan Native 4. [ ] Asian or Pacific Islander 5. [ ] Hispanic
SEX: [ ] Male [X] Female

This information is requested solely for the purpose of determining compliance with Federal civil rights law and your response will not affect consideration of your application. By providing this information, you will assist us in assuring that this program is administered in a nondiscriminatory manner.

5. EMPLOYMENT AND SALARIES *(If applicant is self-employed, submit current financial statement.)*

Employer Name and Business Address	Type of Work or Position	No. of Years	Business Phone	Salary (Week/Month)
UNIVERSAL GEAR CO. 289 ELM ST., WASH. D.C.	ASST. ENGR.	12	654-3210	$ 2600 per MO.
Previous Employer Name and Business Address: DOAK'S ELECTRIC CO. 321 MAPLE ST. WASH. D.C.				$ per
Co-Applicant's Employer Name and Business Address: NONE				$ per
Other Income-Source *(Note. Income from alimony, child support, or separate maintenance income need not be shown unless you will rely upon it as a basis for undertaking or repaying this loan.*				Amount (Week/Month) $ per

6. BANK ACCOUNT

[X] Yes [ ] No [X] Checking [ ] Savings — Name and Address of Bank or Branch: FIFTH STATE BANK WASHINGTON, D.C.

7. CREDIT ACCOUNTS *(Give name and address of finance companies or stores which have extended credit and which you have paid in full.)*

a. ALLIED FURNITURE 901 LOCUST St., WASH., D.C.
b. JONES DEPARTMENT STORE 711 IVY St, WASH., D.C.
c. ATLAS DRUG CO. 490 HEMLOCK St, WASH., D.C
d.

8. DEBTS - List all fixed obligations, installment accounts, FHA loans, and debts to banks, finance companies, and Government agencies. *(If more space is needed, list all additional debts on attached sheets.)*

FHA INS. Yes	FHA INS. No	To Whom Indebted (Name)	City and State	Date Incurred	Original Amount	Present Balance	Monthly Payments	Amount Past Due
X		Mortgage/Contract: AMERICAN MORTGAGE	WASH., D.C.	5-65	$ 16,000	$ 4200	$ 191.	$ NONE
	X	PERSONAL FINANCE	WASH., D.C.	1-77	$ 1,700	$ 500	$ 70.-	$ NONE
	X	THIRD SAV. & LOAN	WASH., D.C.	6-78	$ 3,000	$ 1,700	$ 100.-	$ NONE
					$	$	$	$
AUTO		Lien Holder: EAST SIDE BANK		Year and Make: 1978 FORD		$ 3900.	$ 140.-	$ NONE
AUTO		Lien Holder:		Year and Make:		$	$	$

Replaces Form FH-1, which may be used until Supply is Exhausted

HUD-56001 (8-80)

-8-

9. PROPERTY TO BE IMPROVED

Is this a new residential structure? ☐ Yes ☒ No

If Yes, has it been completed and occupied for 90 days or longer? ☐ Yes ☐ No

Address (Number, Street, City, State and ZIP Code):	Type - Home, Apt., Store, Farm, etc., (If Apt., Number of Units)
123 ASH STREET WASHINGTON, D.C. 20000	HOME

FILL IN ONE

Is Owned by (Fill in One)	Payments made to	Purchase price / Balance Owing	Date of Purchase
JOHN & MARY SMITH	AMERICAN MORTGAGE	Purchase price: 24,000 Balance Owing: 4,200.	MAY 1965

Is Leased by (Fill in One)	Payments made to	Monthly payment	Lease Expiration

Year Built	NOTICE
1959	If this structure was built before 1950, it may contain lead-based paint which, if eaten, may cause mental retardation, blindness, paralysis, or even death. Symptoms may include stomach aches, vomiting, headaches, a loss of appetite, crankiness or frequent tiredness. A child who has any of these symptoms or who is suspected of having eaten lead-based paint should be taken immediately to your local doctor, clinic or hospital for screening and treatment. The best way to prevent lead-based paint poisoning is to keep your home in good shape and to assure the removal of any immediate lead-based paint hazards. Once the hazards have been removed, the walls should then be repainted with two coats of an unleaded paint. For detailed information on the prevention and elimination of lead-based paint hazards, please contact your local HUD office for a free pamphlet entitled "Lead Poisoning: Watch Out for Lead-Based Paint."

10. PROCEEDS OF THIS LOAN WILL BE USED TO IMPROVE THE DESCRIBED PROPERTY AS FOLLOWS:

Describe each improvement planned	Name and Address of Contractor/Dealer	Estimated Cost
BUILD ADDITIONAL ROOM	LMN HOME IMPROVEMENT CO. WASH., D.C.	$ 4,600.-
NEW HEATING SYSTEM	"	$ 1,400.-
		$
		$

NOTICE

If any of the above improvements include "built in kitchen appliances" or "carpeting" certificates numbered 801 and 802 respectively must be completed by the borrower and the dealer or seller. These certificates are required on both direct and dealer loans.

WARNING

Any person who knowingly makes a false statement or a misrepresentation in this application or causes such a false statement or misrepresentation to be made shall be subject to a fine of not more than $5000 or by imprisonment for not more than 2 years, or both, under provisions of the United States Criminal Code.

IMPORTANT - APPLICANT READ BEFORE SIGNING

The selection of a Contractor or Dealer, acceptance of materials used, and work performed is your responsibility. Neither the HUD-FHA nor the Financial Institution guarantees the material or workmanship or inspects the work performed.
I (We) certify that the above statements are true, accurate, and complete to the best of my (our) knowledge and belief. This application shall remain the property of the Lending Institution to which submitted for the purpose of obtaining a loan.
I (We) hereby consent to and authorize the Lending Institution or the HUD-FHA, after the giving of reasonable notice, to enter the improved property for the purpose of determining that the improvements specified in this application have been completed.

Name John Smith (Applicant) (L.S.) Name Mary Smith (Co-Applicant) (L.S.)

NOTE TO SALESPERSON: If proceeds will be disbursed to the Contractor/Dealer, the person(s) selling the above described improvements must sign the following certification.

I (We) certify that: 1) I (We) am (are) the person(s) who sold the job; 2) The Contract contains the whole agreement with the borrower. 3) The borrower has not been given or promised a cash payment or rebate nor has it been represented to the borrower that he or she will receive a cash bonus or commission on future sales as an inducement for the consummation of this transaction; that the improvements have not been misrepresented; no promises impossible of attainment; no encouragement of this purchase; no promise that the improvements will be used as a model for advertising or other demonstration purposes; and no offer of debt consolidation.

(L.S.) Name Joe Brown (My true name and signature are as shown above)

If application is prepared by one other than the applicant, the person preparing the application must sign below.
I (We) certify that the statements made herein are based upon information given to me (us) by the borrower(s) and are accurate to the best of my (our) knowledge and belief.

Prepared By: ______________________ Address: ______________________

Representing: ______________________

(Reserved for use of Lending Institution):

Form Approved
OMB No. 63R-1039

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING - FEDERAL HOUSING COMMISSIONER

REQUEST FOR EXTENSION OF TITLE I CLAIM PERIOD

No extension of maximum claim period will be granted unless a completed request for such extension is received within the allowable claim period (24 CFR 201.11 (c) and (24 CFR 201.665 (b), but a claim for loss on such a loan may still be submitted to HUD. Such claims are referred to the Commissioner's Committee on Substantial Compliance, which on the basis of the circumstances, determines whether they may be paid.

PART I – TO BE COMPLETED BY LENDING INSTITUTION

EXTENSION REQUESTED

☐ 3 Mos. ☐ 6 Mos. ☐ 9 Mos. ☐ 1 Yr.

DATE OF NOTE

FACE AMOUNT OF NOTE

TO:

DIRECTOR, OFFICE OF TITLE I INSURED LOANS
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FHA
WASHINGTON, D. C. 20410
ATTN. TITLE I OPERATIONS DIVISION

MATURITY DATE

BALANCE OWING

NAME(S) OF BORROWER

TERMS

☐ Semi-Annual
☐ Monthly ☐ Annual

REASON(S) FOR DEFAULT AND EXTENSION REQUEST

Date of default if manufactured housing (Mobile Home) loan ____________

NUMBER OF MONTHS OF PREVIOUS EXTENSIONS GRANTED

NOTE

Type the full name and address of your institution in the address area to the left. This address will be used to return the form to you approving your request for an extension of the allowable claim period for this loan.

DATE OF REQUEST

REQUESTING OFFICIAL *(Signature and Title)*

PART II - FOR HUD USE

We hereby grant the extension requested above.

DATE:

APPROVING OFFICIAL *(Signature and Title)*

Replaces Form FHA-299, which may be used until supply is exhausted

HUD-9299 (9-80)

Form Approved
OMB No. 2502-0045

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING - FEDERAL HOUSING COMMISSIONER

NOTICE OF INTENTION TO FILE TITLE I CLAIM AND REQUEST FOR COLLECTION ASSISTANCE

INSTRUCTIONS: Submit original and two copies to the local HUD-FHA Office.

The undersigned has exhausted its collection efforts on the accounts listed below and it is preparing to file claim under its Title I Contract of Insurance and requests assistance of the Federal Housing Administration in a final attempt to reinstate these accounts.

NAME OF BORROWER(S) (1)	ADDRESS OF BORROWER(S) (2)	DATE OF DEFAULT (3)	(FHA USE) DATE OF LETTER (4)	FOR USE OF INSURED TO RECORD COLLECTION EXPERIENCE AFTER LETTERS ARE SENT, INCLUDING REINSTATEMENTS, REFINANCING, PAYMENT IN FULL, ETC. (5)

The undersigned certifies that the above accounts are; (1) reported and accepted for insurance by FHA under Title I, (2) are seriously in default, and (3) are not subject to any dispute or to any complaint by the borrowers.

DATE	NAME OF INSURED FINANCIAL INSTITUTION / ADDRESS	AUTHORIZED SIGNATURE	OFFICIAL TITLE

FOR USE OF FEDERAL HOUSING ADMINISTRATION

Original and one copy returned with copy of pre-claim letter to Financial Institution: DATE	FHA FIELD OFFICE *(City and State)*	SIGNATURE	TITLE

Replaces FH-83, which may be used until supply is exhausted

HUD-55083 (11-80)

FHA FORM NO. 226 Rev. 12/61

Form Approved
Budget Bureau No. 63-R1038.1

REQUEST FOR STATEMENT OF ELIGIBILITY ON PROPOSED CIVIL DEFENSE SHELTER TO BE FINANCED UNDER TITLE I OF THE NATIONAL HOUSING ACT

TO: DIRECTOR, FEDERAL HOUSING ADMINISTRATION

Address of Local FHA Office → ______________________ Date ______________

This applicant has requested a Title I Loan to finance construction of a civil defense shelter. The credit application and plans and specifications for the shelter are enclosed for eligibility consideration by your office.

Name of Applicant (s)

Address of property to be improved

If this is a Dealer - Originated Loan, give name and address of dealer or contractor

Name of dealer or contractor	Address
Name and Address of lending institution	Signature of official
	Title

THIS SPACE FOR USE OF FEDERAL HOUSING ADMINISTRATION

STATEMENT OF ELIGIBILITY FOR CONSTRUCTION OF SHELTER
(Does not apply to credit approval of applicant)

☐ The civil defense shelter depicted in the enclosures submitted is eligible for financing with a Title I property improvement loan.

☐ The civil defense shelter depicted in the enclosures submitted does not qualify for Title I financing for the following reasons:

FEDERAL HOUSING ADMINISTRATION	Date
BY:	Title

CERTIFICATION OF INSPECTION BY INSURED INSTITUTION

Inspection of the completed shelter prior to disbursement of the loan proceeds discloses substantial conformance with plans and specifications which were the basis for the statement of eligibility issued by FHA.

Name of lending institution	Date
Signature	Official Title

175951-P Rev. 12/61 FHA-Wash., D. C.

FH-802

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

CERTIFICATE OF ELIGIBILITY

FOR CARPET INSTALLATION
(Required for Dealer and Direct Loans)

TO: ______________________ *(Financed Institution)* of ______________________ *(Address)*

In accordance with my (our) Credit Application dated ______________, for a loan pursuant to the provisions of Title I, Section 2 of the National Housing Act:

I (We) certify that I (we) own, or lease under a lease having an original term of not less than 99 years which is renewable, a residential structure and the carpeting for the room(s) checked below is or will be affixed permanently so that it will become an integral part of the real estate.

☐ Living Room ☐ Recreation Room

☐ Bed Room(s) ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ Den ☐ Hall ☐ Stairs

☐ Dining Room ☐ Other *(Explain)* ______________________

☐ Family Room

TE: Kitchen, Bathroom or Patio Carpeting is not eligible.

Borrower's Signature ______________________ *(Read Certification before signing)*

Borrower's Signature ______________________ *(Read Certification before signing)* __________ *(Date)*

For the purpose of inducing the payment of the proceeds of this loan and the insurance thereof by the FHA; the undersigned certifies and warrants that: The carpet purchased by the above applicant(s) meets the minimum standards prescribed by FHA Use of Materials Bulletin UM—44b or applicable FHA Material Releases.

CHECK APPROPRIATE BOX (To be completed only in a "Dealer Originated" Loan):

☐ Carpeting installed and affixed permanently in the room(s) *(Checked above)* so as to become an integral part of the real estate described in the accompanying Credit Application.

☐ Purchase of Carpeting only.

Name of Dealer/Seller ______________________ *(Company/Firm Name)* by ______________________ *(Signature) Principal/Officer* __________ *(Date)*

Address ______________________ *(Street)* *(City and State)* *(ZIP Code)*

NOTE: Dealer is to sign this certification for dealer loans. Seller is to sign this certification for direct loans.

WARNING: Any person who knowingly makes a false statement or misrepresentation in this Certificate shall be subject to fine of not more than $5,000 or to imprisonment for not more than 2 years, or both, under provisions of the United States minal Code.

HUD-Wash., D.C. FH-802

FH-801 Rev. 11/64

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

CERTIFICATE OF ELIGIBILITY
FOR INSTALLATION OF BUILT-IN KITCHEN APPLIANCES

TO: ______________________ (Financial Institution) of ______________________ (Address)

In accordance with my (our) Credit Application dated ______________, for a loan pursuant to the provisions of Title I, Section 2 of the National Housing Act:

I (We) certify that I (we) own, or lease under a lease having an original term of not less than 99 years which is renewable, a residential structure in which it is my (our) intention to build in, install, and affix permanently, or have built in, installed or affixed permanently in the kitchen(s) of the structure so that they will become an integral part of the real estate, the following item(s):

- ☐ Electric Dishwasher
- ☐ Counter Type Cooking Units, Wall or Cabinet Type Ovens
- ☐ Clothes Washer
- ☐ Refrigerator
- ☐ Clothes Dryer
- ☐ Freezer
- ☐ Combination Clothes Washer and Dryer
- ☐ Combination Refrigerator Freezer

Borrower's Signature ______________________ (Read Certification before signing)
Borrower's Signature ______________________ (Read Certification before signing) ________ (Date)

For the purpose of inducing the payment of the proceeds of this loan and the insurance thereof by the FHA; the undersigned certifies and warrants that: The appliance(s) checked by the above applicant(s) to be installed in his (their) kitchen(s) was (were) designed by the manufacturer to be built in, and said appliance(s) has (have) been built in, installed and affixed permanently in the applicant(s) kitchen(s) so as to become an integral part of the real estate described in the accompanying Credit Application.

Name of Dealer ______________________ By: ______________________ (Signature) ________ (Date)

NOTE: Dealer is not to sign this certification until after the kitchen appliance(s) has been installed.

SPECIAL CERTIFICATION by borrower and dealer where installation involves two or more kitchens. In cases of direct loans, certification must also be made by borrower and by the borrower's contractor.

We certify that the above checked improvements, installations, alterations and repairs to each of the ________ (Number) kitchens to be installed are in conformance with all applicable building codes and zoning regulations.

Name of Dealer ______________________ Borrower's Signature ______________________

By: ______________________ (Signature) Date ______________________

ARNING: Any person who knowingly makes a false statement or misrepresentation in this Certificate shall be subject to a fine of not more than $5,000 or to imprisonment for not more than 2 years, or both, under provisions of the United States Criminal Code.

160940-P Rev. 11/64 HUD-Wash., D. C.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING-FEDERAL HOUSING COMMISSIONER

COMPLETION CERTIFICATE FOR PROPERTY IMPROVEMENT LOAN

(Under Title I of the National Housing Act)

WORK DONE OR MATERIALS DELIVERED

TO: *(Financial Institution)*	ADDRESS
THE DOE BANK	WASHINGTON, D.C.

In accordance with my (our) credit application dated DECEMBER 1, 1980, for a loan pursuant to the provisions of Title I of the National Housing Act:

I (We) certify that I (we) have not been given or promised a cash payment or rebate nor has it been represented to me (us) that I (we) will receive a cash bonus or commission on future sales as an inducement for the consummation of this transaction.

I (We) understand that the selection of the dealer and the acceptance of the materials used and the work performed is my (our) responsibility and that neither HUD nor the financial institution guarantees the material or workmanship or inspects the work performed.

CHECK HERE IF LOAN IS TO PAY FOR COST OF MATERIALS AND INSTALLATIONS ✓

I (We) hereby certify that all articles and materials have been furnished and installed and the work satisfactorily completed on premises indicated in my (our) credit application.

CHECK HERE IF LOAN COVERS ONLY THE PURCHASE OF MATERIALS.

I (We) hereby acknowledge receipt in satisfactory condition of the materials described in my (our) credit application.

NOTICE TO BORROWER		SIGNATURES OF BORROWERS *(Read Before Signing)*	DATE SIGNED
	DO NOT SIGN THIS CERTIFICATE UNTIL THE DEALER HAS COMPLETED THE WORK AND/OR DELIVERED THE MATERIALS IN ACCORDANCE WITH THE TERMS OF YOUR CONTRACT OR SALES AGREEMENT.	John Smith	12-19-80
		Mary Smith	12-19-80

For the purpose of inducing the payment of proceeds of this loan and the insurance thereof by HUD the undersigned certifies and warrants that:

(1) The above work or materials constitute the entire consideration for which this loan is made.
(2) A copy of the contract or sales agreement has been delivered to the borrower and the above financial institution.
(3) This contract contains the whole agreement with the borrower.
(4) As an inducement for the consummation of this transaction, the borrower has not been given or promised a cash payment or rebate nor has it been represented to the borrower that he will receive a cash bonus or commission on future sales.
(5) The work has been satisfactorily completed or materials delivered.
(6) The above certificate was signed by the borrower after such completion or delivery.
(7) The signatures hereon and on the note are genuine.
(8) All bills for labor or materials have been or will be paid within 60 days and that the improvements had not been misrepresented to the borrower.

If any of the above representations prove incorrect, the undersigned agrees to promptly repurchase the note from the financial institution or from HUD as the case may be.

DEALER SIGN HERE		
	NAME OF DEALER: LMN Home Improvement Co.	DATE
	SIGNATURE: Joe Brown	DATE: 12-19-80

WARNING

Any person who knowingly makes a false statement or a misrepresentation in this certificate shall be subject to a fine of not more than $5,000 or to imprisonment for not more than 2 years, or both, under provisions of the United States Criminal Code.

HUD-56002 (6-79)

INSTRUCTIONS FOR USING "CERTIFICATE OF ELIGIBILITY FOR A HISTORIC PRESERVATION LOAN"

(Please Read Carefully Before Filling in the Certificate)

Complete this certificate if the property is residential and is listed or has been determined eligible for inclusion in the National Register of Historic Places, either individually or as part of a district. If the property does not have National Register status, and may be eligible for the Register, write the State Historic Preservation Officer (SHPO) for information about the nomination process. The SHPO's address is available from the Historic Preservation Loan information leaflet, your State government, HUD-approved financial institutions, HUD, or the National Register of Historic Places in Washington, D.C.

Before applying for a Historic Preservation Loan at a financial institution, this Certificate, with attachments, including work description, snapshots, and a check for $25, payable to the State Historic Preservation Officer, must be completed and submitted to the SHPO.

The proposed improvements must be based on "Guidelines for Rehabilitating Old Buildings," to assure that the structure is improved while preserving its special historic character. This leaflet may be obtained from HUD offices, SHPO's, and FHA-approved lending institutions.

The SHPO will verify that the property has National Register status (Block 9). If the property has National Register status, the SHPO or his designee will review the proposed improvements to make certain that the work will not impair the historic value of the property (Blocks 10 and 11).

If the SHPO or the designee approves the improvements, approves them conditionally, or does not comment, the applicant may take the Certificate to a financial institution and apply for a Historic Preservation Loan and the institution may make the loan. (If the SHPO or his or her designee does not comment, the review fee must be returned to the applicant.)

If the SHPO or the designee disapproves the proposed improvements, they must be changed and the Certificate resubmitted for review. No additional review fee would be required in such a case.

Under no circumstances may the improvements to be financed by a Historic Preservation Loan be started before an application for the Loan is approved by the financial institution.

FH-1 (HP) (6-77)

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CERTIFICATE OF ELIGIBILITY FOR A HISTORIC PRESERVATION LOAN

This certificate is submitted for review in anticipation of obtaining a Historic Preservation Loan under Section 4 (a) of the Emergency Home Purchase Assistance Act of 1974, to be insured by the Federal Housing Administration under Title I of the National Housing Act, as amended.

1. To: State Historic Preservation Officer

street

city state

zip code

2. Applicant

name

street

city state

zip code

3. Date

4. Phone where you can be reached during the day, Monday-Friday (including area code)

5. Official historic name of property or district. *(Be as specific as possible.)*

name

street

city county state zip code

6. Use of loan funds *(Proceeds of this loan will be used to improve the described property as follows:)*
EXTERIOR: Describe the general plan of work. Include descriptions of proposed methods *(such as method of cleaning)*, type of materials proposed, and proposed treatment of windows and doors. Attach separate sheet if necessary.

INTERIOR: Describe the general plan of work, including proposed changes in heating, cooling, and plumbing systems; removal of walls, partitions, and trim; methods and materials. Attach separate sheet if necessary.

FH-1 (HP) (6-

7. Photographs: Attach snapshot of the property here or on an attached sheet. Include snapshot for each area to be altered. Snapshots must be clear and no smaller than wallet size (2½ x 3¼): black and white are acceptable.

8. Warning: Any person who knowingly makes a false statement or a misrepresentation in this application or causes such a false statement or misrepresentation to be made shall be subject to a fine of not more than $5,000 or imprisonment for not more than 2 years, or both, under provisions of the U. S. Criminal Code.

IMPORTANT - APPLICANT READ BEFORE SIGNING

I (We) certify that the improvements have been developed in conformance with "Guidelines for Rehabilitating Old Buildings." I (We) certify that the above statements are true, accurate, and complete to the best of my (our) knowledge and belief. This Certificate shall remain the property of the lending institution to which submitted for the purpose of obtaining a loan.

______________________ ______________________
(Applicant's Signature) *(Applicant's Signature)*

SHPO to complete Block 9.

9. Certification of National Register status

The property described in this Certificate:

- ☐ is listed in or has been determined eligible by the Secretary of the Interior for inclusion in the National Register of Historic Places, either on its own or as part of a district. (SHPO must then complete block 10 or 11).
- ☐ is neither listed in nor been determined eligible by the Secretary of the Interior for inclusion in the National Register of Historic Places, either on its own or as part of a district. ($25 review fee to be returned to applicant).

______________________ ______________
(State Historic Preservation Officer's Signature) *(Date)*

To comply with Section 106 of the National Historic Preservation Act of 1966 as amended, and Executive Order 11593, "Protection and Enhancement of the Cultural Environment," the proposed improvements must be submitted for review.

10. The following named person or organization is authorized to review the proposed improvements and to act in my behalf:

name ______________________

address ______________________

telephone (including area code) ______________________

______________________ ______________
(State Historic Preservation Officer's Signature) *(Date)*

11. The proposed work described in this Certificate is:

- ☐ approved.
- ☐ approved, conditioned upon some modifications, specifically outlined in the attached sheet, initialed by me.
- ☐ disapproved.
- ☐ no comment ($25 review fee to be returned to the applicant if this box is checked.)

______________________ ______________
(Signature of State Historic Preservation Officer or his Designee) *(Date)*

FH-1 (HP) (6-77)

☆U.S. GOVERNMENT PRINTING OFFICE: 1977—241-120/254

APPENDIX

STATE HISTORIC PRESERVATION OFFICERS

ALABAMA

Director, Alabama Department of
Archives and History
Chairman, Alabama Historical Commission
Archives and History Building
Montgomery, Alabama 36104

ALASKA

Director, Alaska Division of Parks
Department of Natural Resources
323 East Fourth Avenue
Anchorage, Alaska 99501

AMERICAN SAMOA

Territorial Historic Preservation Officer
Department of Public Works
Government of American Samoa
Pago Pago, American Samoa 96799

ARIZONA

Chief, Natural and Cultural Resource
Conservation Section
Arizona State Parks
1688 West Adams
Phoenix, Arizona 85007

ARKANSAS

Acting Director
Arkansas Historic Preservation Program
Suite 500, Continental Building
Markham and Main Streets
Little Rock, Arkansas 72201

CALIFORNIA

Director, Department of Parks
and Recreation
State Resources Agency
P.O. Box 2390
Sacramento, California 95811

COLORADO

Chairman, State Historical Society
Colorado State Museum
200 14th Avenue
Denver, Colorado 80203

CONNECTICUT

Director
Connecticut Historical Commission
59 South Prospect Street
Hartford, Connecticut 06106

DELAWARE

Director, Division of Historical
and Cultural Affairs
Hall of Records
Dover, Delaware 19901

DISTRICT OF COLUMBIA

Director
Department of Housing and
Community Development
1325 G Street NW.
Washington, D.C. 20005

FLORIDA

Director, Division of Archives,
History and Records Management
Department of State
401 East Gaines Street
Tallahassee, Florida 32304

GEORGIA

Acting Chief
Historic Preservation Section
Department of Natural Resources
270 Washington Street SW.,
Room 703-C
Atlanta, Georgia 30334

GUAM

Director, Department of Parks and
Recreation
Government of Guam
P.O. Box 682
Agana, Guam 96910

HAWAII

State Historic Preservation Officer
Department of Land and
Natural Resources
P.O. Box 621
Honolulu, Hawaii 96809

IDAHO

Historic Preservation Coordinator
Idaho Historical Society
610 North Julia Davis Drive
Boise, Idaho 83706

ILLINOIS

Director, Department of Conservation
602 State Office Building
400 South Spring Street
Springfield, Illinois 62706

INDIANA

Director
Department of Natural Resources
608 State Office Building
Indianapolis, Indiana 46204

IOWA

Director, State Historical Department
Division of Historic Preservation
B-13 MacLean Hall
Iowa City, Iowa 52242

KANSAS

Executive Director
Kansas State Historical Society
120 West 10th Street
Topeka, Kansas 66612

KENTUCKY

Director
Kentucky Heritage Commission
104 Bridge Street
Frankfort, Kentucky 40601

LOUISIANA

Assistant Director
Department of Art, Historical
and Cultural Preservation
Old State Capitol
Baton Rouge, Louisiana 70801

MAINE

Director
Maine Historic Preservation Commission
31 Western Avenue
Augusta, Maine 04330

MARYLAND

State Historic Preservation Officer
John Shaw House
21 State Circle
Annapolis, Maryland 21401

MASSACHUSETTS

Executive Director
Massachusetts Historical Commission
294 Washington Street
Boston, Massachusetts 02108

MICHIGAN

Director
Michigan History Division
Department of State
Lansing, Michigan 48918

MINNESOTA

Director
Minnesota Historical Society
690 Cedar Street
St. Paul, Minnesota 55101

MISSISSIPPI

Director, State of Mississippi
Department of Archives and History
P.O. Box 571
Jackson, Mississippi 39205

MISSOURI

Director, Missouri Department of
Natural Resources
P.O. Box 176
1204 Jefferson Building
Jefferson City, Missouri 65101

MONTANA

Director, Montana Historical Society
225 North Roberts Street
Veterans' Memorial Building
Helena, Montana 59601

NEBRASKA

Director, The Nebraska State
Historical Society
1500 R Street
Lincoln, Nebraska 68508

NEVADA

Administrator
Division of State Parks
Room 221, Nye Building
Capitol Complex
Carson City, Nevada 89710

NEW HAMPSHIRE

Commissioner, Department of Resources
and Economic Development
P.O. Box 856
Concord, New Hampshire 03301

NEW JERSEY

Commissioner, Department of
Environmental Protection
P.O. Box 1420
Trenton, New Jersey 08625

NEW MEXICO

State Historic Preservation Officer
State Planning Office
505 Don Gaspar
Santa Fe, New Mexico 87503

NEW YORK

Commissioner
Parks and Recreation
Agency Building No. 1
Empire State Plaza
Albany, New York 12238

NORTH CAROLINA

Director
Division of Archives and History
Department of Cultural Resources
109 East Jones Street
Raleigh, North Carolina 27611

NORTH DAKOTA

Superintendent, State Historical
Society of North Dakota
Liberty Memorial Building
Bismarck, North Dakota 58501

OHIO

Director
The Ohio Historical Society
Interstate 71 at 17th Avenue
Columbus, Ohio 43211

OKLAHOMA

Oklahoma State Historic Preservation
Officer
1108 Colcord Building
Oklahoma City, Oklahoma 73102

OREGON

State Parks Superintendent
525 Trade Street SE.
Salem, Oregon 97310

PENNSYLVANIA

Executive Director, Pennsylvania
Historical and Museum Commission
P.O. Box 1026
Harrisburg, Pennsylvania 17120

COMMONWEALTH OF PUERTO RICO

Institute of Puerto Rico Culture
Apartado 4184
San Juan, Puerto Rico 00905

RHODE ISLAND

Director, Rhode Island Department
of Community Affairs
150 Washington Street
Providence, Rhode Island 02903

SOUTH CAROLINA

Director
State Archives Department
1430 Senate Street
Columbia, South Carolina 29211

SOUTH DAKOTA

State Historic Preservation Officer
Historical Preservation Center
University of South Dakota
Alumni House
Vermillion, South Dakota 57069

TENNESSEE

Executive Director
Tennessee Historical Commission
170 Second Avenue North, Suite 100
Nashville, Tennessee 37219

TEXAS

Executive Director
Texas State Historical Commission
P.O. Box 12276, Capitol Station
Austin, Texas 78711

TRUST TERRITORY OF THE PACIFIC ISLANDS

Chief, Land Resources Branch
Department of Resources and Development
Trust Territory of the Pacific Islands
Saipan, Mariana Islands 96950

UTAH

Executive Director
Department of Development Services
Room 104, State Capitol
Salt Lake City, Utah 84114

VERMONT

Director
Vermont Division for Historic Preservation
Pavilion Office Building
Montpelier, Vermont 05602

VIRGINIA

Executive Director
Virginia Historic Landmarks Commission
221 Governor Street
Richmond, Virginia 23219

VIRGIN ISLANDS

Planning Director
Virgin Islands Planning Board
Charlotte Amalie
St. Thomas, Virgin Islands 00801

WASHINGTON

State Conservator
P.O. Box 1128
Olympia, Washington 98504

WEST VIRGINIA

State Historic Preservation Officer
P.O. Box 630
Morgantown, West Virginia 26505

WISCONSIN

Acting Director
State Historical Society of Wisconsin
816 State Street
Madison, Wisconsin 53706

WYOMING

Director
Wyoming Recreation Commission
604 East 25th Street, Box 309
Cheyenne, Wyoming 82001

Title I New Loan Reporting Manifest

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0328
(exp. 08/31/2009)

1. Contract Number of Lending Institution	**Notice.** Loans reported on this form are not insured until they appear on your monthly statement and charges are paid as billed. Before submitting this report, verify that your contract number entered in block 1 is correct.	**From** (name & address of lending institution)	**To:** U.S. Department of Housing and Urban Development Albany Financial Operations, Premium Branch 52 Corporate Circle Albany, NY 12203

Code Code 2.	Names of Borrowers Last Name, First Names 3.	Institution Loan Number for Borrower (Optional) 11 Characters max. 4.	Enter Code Numbers Type of Prop. 5.	Improv. 6.	Location of Prop. State 7.	County 8.	Date of Loan Disbursement Mo.	Day 9.	Year	Enter Pay. Mode Code 10.	No. of Pay's. to Maturity 11.	Loan Amount 12.	Date of First Payment Mo .	Day 13.	Year	Enter Code Numbers Race 14.	Ethnicity 15.	Code 16.	If Dealer Loan, Name of Dealer If Direct Loan, leave blank 17.
N																		D	
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Mark the applicable box.

☐ All loans on this form are being reported within 31 days after the date of disbursement of the loan proceeds.

☐ This form contains one or more loans that are being reported more than 31 days after the date of disbursement of the loan proceeds. **I certify that these loans are not in default.**

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements; conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Date Submitted	Signature of Authorized Official	Name of Authorized Official	Title of Authorized Official	Telephone Number

Public reporting burden for this collection of information is estimated to average 6 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is being collected to permit more efficient risk management of the Title I loan portfolio as well as facilitate claims processing for loan defaults. The information provides a more comprehensive basis for evaluating Title I lender underwriting practices and thereby improving risk management of the loan portfolio and also enhances management's ability to determine appropriate policy changes affecting the Title I portfolio as a whole. Responses are required in order to obtain benefits. No assurance of confidentiality is provided.

Privacy Act Statement: The information collected on this form is considered sensitive and is protected by the Privacy Act. The Privacy Act requires that these records be maintained with appropriate administrative, technical, and physical safeguards to ensure their security and confidentially. In addition, these records should be protected against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom the information is maintained.

Instructions: This form is for reporting new loans for Title I insurance coverage. State and county codes for blocks 7 and 8 are found in the *HUD/FHA Title I Property Location Codes by State and County*. Codes for blocks 5, 6, 10, 14, 15, 16, and 17 are given below.

Block 5: Type of Property Code

O New Manufactured Home - Single Module Structure
A Existing Manufactured Home - Single Module Structure
B New Manufactured Home - Double Module Structure
C Existing Manufactured Home - Double Module Structure
D New Manufactured Home - Triple Module Structure
E Existing Manufactured Home - Triple Module Structure
H Manufactured Home Lot
1 Single Family Residence (including a manufactured home that qualifies as real property)
R Single Family Residence with Business
2 Multifamily Residence
T Multifamily Residence with Business
4 Retail Store
S Service Shop, Automobile Repair, Filling Station
5 Commercial other than Retail, Office Building, Hotel, Restaurant, Theatre
6 Industrial or Manufacturing Building, Factory, Warehouse
7 Farm Home, Barn, Silo, Stable, Service Building on farm property
8 Institution, Hospital, Nursing Home, Health Care Facility, School, College, Club, Fraternity Organization
M Nursing Home, Intermediate Care Facility, Extended Health Care Facility. For use only with "95" in block 6
9 Other Property

Block 6: Type of Improvement

Manufactured Home Residence

01 Financing of a manufactured home
03 Financing of a developed manufactured home lot -- site preparation expenses included
05 Financing of a manufactured home and developed lot
11 **New Nonresidential Building**
Detached garages, sheds, car shelters on residential properties
Manufacturing or industrial buildings, retail stores, service shops, other commercial buildings Barns, silos, stables, and service buildings on farm properties

19 **Preservation of Historic Structure**
Historic site preservation or restoration

21 **Structural Additions and Alterations**
Attached garages, carports, porches, covered patios
Added rooms, baths, closets
New doors, windows, fireplaces, chimneys
Other structural additions or alterations, including new fronts, display windows

31 **Exterior Finishing**
Painting and waterproofing
Aluminum, vinyl, composition, wood shingles or siding; brick, cement, metal, stone, stucco finishing

41 **Interior Finishing**
Painting and papering
Plastering, wallboard, wood paneling, and acoustical, ceramic, plastic and metal tile
Kitchen remodeling, including cabinets
Composition, vinyl, slate, ceramic tile and wood flooring

51 **Roofing - Repair or Replacement**
Asphalt, built-up, metal, slate, tile, fiberglass, and wood shingle
Gutters and downspouts

61 **Plumbing - Installation or Replacement**
Bathroom fixtures and connections
Domestic water heaters, softeners and connections
Wells, pumps and disposal systems

71 **Heating, Cooling and Ventilating**
Furnaces, heat pumps, pipes, ducts, radiant heating
Air conditioning systems
Evaporative coolers, exhaust and ventilating fans

76 **Solar Systems**
Systems that utilize solar energy to reduce the energy requirements of that structure from other conventional sources

81 **Insulation**
Blanket, batt, reflective, loose-fill types
Storm doors and windows, insulating glass
Weatherstripping, awnings, blinds and other insulation

91 **Miscellaneous**
Electrical wiring
Fences and walls
Paving, driveways, porch and window screens, termite control, and other miscellaneous work not classified elsewhere

95 **Fire Safety Equipment**: For use only with "M" in block 5

Block 10: Mode of Payment Code

1 Monthly
2 Quarterly
3 Semiannually
5 Twice a month
6 Every two weeks
7 Weekly

Block 14: Race

For Block 14, please select the code from the following list that best reflects the choices made by the applicant on the credit application. All possible combinations are listed in the following 32 codes.

1 White
2 Black or African American
3 American Indian or Alaska Native
4 Asian
5 Native Hawaiian or other Pacific Islander
8 Information not provided by Applicant

A White & Black or African American
B White & American Indian or Alaska Native
C White & Asian
D White & Pacific Islander
E White & Black or African American & American Indian or Alaska Native
F White & Black or African American & Asian
G White & Black or African American & Hawaiian or other Pacific Islander

H White & American Indian or Alaska Native & Asian
I White & American Indian or Alaska Native & Hawaiian or other Pacific Islander
J White & Black or African American & American Indian or Alaska Native & Asian
K White & Black or African American & American Indian or Alaska Native & Hawaiian or other Pacific Islander
L White & Black or African American & Asian & Hawaiian or other Pacific Islander
M White & American Indian or Alaska Native & Asian & Hawaiian or other Pacific Islander
N White & Asian & Hawaiian or other Pacific Islander
O White & Black or African American & American Indian or Alaska Native & Asian & Hawaiian or other Pacific Islander
P Black or African American & American Indian or Alaska Native
Q Black or African American & Asian
R Black or African American & Native Hawaiian or other Pacific Islander
S Black or African American & American Indian or Alaska Native & Asian
T Black or African American & American Indian or Alaska Native & Hawaiian or other Pacific Islander
U Black or African American & Asian & Hawaiian or other Pacific Islander
V Black or African American & American Indian or Alaska Native & Asian & Hawaiian or other Pacific Islander
W American Indian or Alaska Native & Asian
X American Indian or Alaska Native & Hawaiian or other Pacific Islander
Y American Indian or Alaska Native & Asian & Hawaiian or other Pacific Islander
Z Asian & Hawaiian or other Pacific Islander

Block 15: Ethnicity

Pick One:
0 Information not reported by Applicant
1 Hispanic
2 Not Hispanic

Block 16: Prefilled

Block 17: Dealer Name (if appropriate)

Title I Claim for Loss
Instructions

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0328
(exp. 05/31/2019)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is being collected to permit more efficient risk management of the Title I loan portfolio as well as facilitate claims processing for loan defaults. The information provides a more comprehensive basis for evaluating Title I lender underwriting practices and thereb y improving risk management of the loan portfolio and also enhances management's ability to determine appropriate policy changes affecting the Title I portfolio as a whole. Responses are required in order to obtain benefits. No assurance of confidentiality is provided.

Sensitive Information: The information collected on this form is considered sensitive and is protected by the Privacy Act. The Privacy Act requires that these records be maintained with appropriate administrative, technical, and physical safeguards to ensure their security and confidentially. In addition, these records should be protected against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on who the information is maintained.

This package contains two pages: the Transmittal (Part 1), and the Application Voucher (Part 2). Please keep a copy. Send originals to:

U.S. Department of Housing and Urban Development
Financial Operations Center
Attn: Title I Claims
52 Corporate Circle
Albany, NY 12203

Time Requirements: A claim must be filed no later than 9 months after the date of default for a property improvement loan. A claim for a manufactured home purchase loan (including lots and combination loans) must be filed within 3 months after the sale of the property securing the loan, but no later than 18 months after the date of default. Exception to these deadlines can be found at 24 CFR 201.54(b)(2) and (3).

Accuracy and Completeness: All applicable spaces on the Transmittal and the Application Voucher must be completed and any omissions or incomplete items must be explained. Both pages must be signed and dated by an authorized official of the lending institution, and must be accompanied by the complete loan file pertaining to the loan transaction. The original note, security instrument and any related documents must be submitted with the claim.

Bankruptcy/Decedent Estate: When the lender has timely information that the borrower is involved in a bankruptcy proceeding or is deceased, a proof of claim must be filed with the bankruptcy or probate court having jurisdiction. However, a proof of claim need not be filed if the bankruptcy court indicates that the borrower has no assets, or if the lender determines that there will not be a probate proceeding. Documentation of the reason why no proof of claim has been filed must accompany the insurance claim.

Form of Assignment: All notes and security instruments must be assigned to the United States of America. The assignment must appear on the note or other instrument being assigned, or on an attachment to the note or other instrument. The assignment must be in the following form, unless this form is not valid or generally acceptable in the jurisdiction where the property is located:

> **All right, title, and interest of the undersigned is hereby assigned (without warranty, except that the loan qualifies for insurance) to the United States of America (U.S. Department of Housing and Urban Development).**
>
> **(Name of Financial Institution)**
>
> By: ______________________________
>
> **Title:** ______________________________
>
> **Date:** ______________________________

Please Note that filling in the information on this sample form does not constitute an assignment. The above is intended to be used only as a guide.

Refinanced Loans: Copies of the note, security instrument and all other documents pertaining to the original loan must be retained in the loan file for the refinanced loan, and must accompany an insurance claim on the refinanced loan.

Payments Received after Filing the Claim: If the borrower sends a payment to the lending institution after the insurance claim has been filed, send the payment with full identification to:

Title I Notes
P. O. Box 105664
Atlanta, GA 30348

Title I Claim for Loss (Part 1) Transmittal

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0328
(exp. 05/31/2019)

Read Instructions carefully before completing this form.

1. Names of Borrowers	2. Title I Case Number
	3. Reason for Default

Please provide the following items listed below and any additional documents necessary for claim examination and loan servicing. Where the item does not apply, where the item does not apply, indicate "N/A".			Check Items Enclosed	HUD Use Only
A. Documents for Property Improvement and Manufactured Home Loans	**1**	Original Note or Retail Installment Contract Assigned to US		
	2	Truth-in-Lending Disclosure		
	3	Mortgage, Deed of Trust, Other Security Instrument with Original Recorded Assignment to USA		
	4	Modification or Assumption Agreements		
	5	Credit Application		
	6	Consumer Credit Report		
	7	Verification of Employment and Income		
	8	Payment History		
	9	Loan and Collection Notes		
	10	Underwriters Worksheet		
B. Documents for Property Improvement Loans Only	**1**	Proof of Property Ownership		
	2	Contract of Work or Written Description with Cost Estimates		
	3	Completion Certificate		
	4	Report on Inspection of Improvements (if loan amount ≥ $7,500)		
C. Documents for Manufactured Home Loans Only	**1**	Verification of Deposit of Down payment		
	2	Purchase Agreement		
	3	Manufacturer's Invoice and FHA Supplement		
	4	Invoices for Delivery and Set-up, Skirting, Air Conditioning, etc.		
	5	Appraisal of Existing Home and/or Lot		
	6	Manufacturer's Warranty on New Home		
	7	Placement Certificate		
	8	Evidence of Ownership or Leasehold for Lot		
	9	Condition Report		
	10	Notice of Sale in Compliance with State Law		
	11	Appraisal of Repossessed or Foreclosed Property		
	12	Resale Purchase Agreement		
	13	Receipts for Repossession or Foreclosure Costs		
	14	Invoice for Sales Commission		
	15	Receipts for Resale Costs (e.g. reconditioning, added appliances)		
D. Other Documents for Property Improvement and Manufactured Home Loans	**1**	Documentation of Collection Efforts After Default		
	2	Proposed Modification Agreements or Repayment Plans		
	3	Notice of Default and Acceleration		
	4	Notice of Assignment Sent to Credit Reporting Agency		
	5	Notice of Bankruptcy & Proof of Claim Filed in Bankruptcy Court with Assignment to USA		
	6	Proof of Claim Filed with Probate Court with Assignment to USA		

8. Remarks: To facilitate the processing of this claim, please explain any omissions or incomplete items.

9. Date	10. Name of Lending Institution	11. Signature & Title of Authorized Official

Title I Claim for Loss
(Part 2) Application Voucher

Read Instructions carefully before completing this form.

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0328
(exp. 05/31/2019)

1. Type of Loan

☐ Property Improvement ☐ Manufactured Home

2. Title I Case Number

3. Contract Number (HUD Lender ID)

4. First Installment Date (mm/dd/yyyy)

5. Date of Default * (mm/dd/yyyy)

6. Term of Loan

7. Amt. of each installment

8. Number of Installments Made by Borrower

9. Name (last known) Address, (for each borrower) | Social Security Number

	Yes	No
Borrower Bankrupt?		
Borrower Deceased?		
Mail Returned from last address?		

Name (last known) Address, (for each borrower) | Social Security Number

	Yes	No
Borrower Bankrupt?		
Borrower Deceased?		
Mail Returned from last address?		

			Applicant	HUD ONLY USE
	10.	Original Amount of Insured Loan		
	11.	Last Loan Balance		
	12.	Total Amount paid by Borrower (Principal = Interest =)		
Deductions	13.	Amounts Retained by Lender after Default (e.g. suspense payments, escrow balance)		
		a. Amounts Retained by Lender after Default (e.g., suspense payments, escrow balance)		
		Best Price Obtainable (MH Only)		
Additions	14	a. Repossession and Preservation Costs (MH Only)		
		b. Sales Commission (MH Only)		
		c. Uncollected Court Costs (Paid Directly to Courts)		
		d. Attorney's Fees (Not to Exceed $500 for PI $1,000 MH)		
		e. County Recording Costs (PI Only)		

*** Defined as 30 days after the due date of the first missed payment.**

Certification: The undersigned applies for the amount of insurance benefits due under its contract of insurance and the regulations issued in accordance with Title I of the National Housing Act for the loan identified above. In making this application for insurance benefits, the undersigned certifies that (a) the application is just and in accordance with the terms of the contract of insurance and the Title I regulations; (b) all information shown above is true and correct; (c) all expenses have actually been incurred and are reasonable and customary in the area where the property is located; (d) all repairs identified as repossession and preservation costs were necessary to protect and preserve the property while awaiting resale; and (e) all foreclosure or repossession activities have been carried out in full compliance with applicable State and local laws. Upon request, the undersigned will furnish the Department with an accounting of any receipts or disbursements included in the amounts shown above.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

15. Name & Address of Lending Institution

Telephone Contact Number (include area code & email address)

16. Name & Title of Authorized Official (type or print)

17. Date of Submission

Signature