

Instructions for Model Forward Notes

The FHA Model Fixed-Rate Note and Model Adjustable-Rate Mortgage Note (hereinafter FHA Model ARM) are modeled generally on the Freddie Mac and Fannie Mae (hereinafter Government Sponsored Enterprises or GSEs) Multistate Fixed-Rate Note and Multistate Adjustable-Rate Note, respectively. FHA has identified several provisions in the GSE Multistate Adjustable-Rate Note that are inconsistent with either FHA requirements or policy, and has modified the FHA Model ARM accordingly. No FHA-Specific Modifications have been identified with respect to the fixed rate note.

To the extent that any variance between the GSE and FHA model notes is not identified as an FHA-Specific Modification, the Mortgagee may exercise discretion in adopting the change. To the extent that any variance is identified as an FHA-Specific Modification, however, the Mortgagee should adopt the change or use substantially similar language to ensure compliance with FHA rules and requirements. Any future changes to the provisions of the GSE notes that are not currently identified as FHA-Specific Modifications may be incorporated in a manner that remains consistent with all relevant statutes and regulations.

If the GSEs have prescribed a unique version of the relevant note for any particular jurisdiction, the Mortgagee may adopt the version of the note designated for that jurisdiction, with revisions as necessary to comply with FHA requirements. The Mortgagee should also make any required conforming revisions (e.g. internal paragraph references).

Notwithstanding any of the foregoing, the Mortgagee bears ultimate responsibility for ensuring that the note complies with all relevant state and federal laws and requirements, including, but not limited to FHA regulations and published requirements. To the extent that, in the judgment of the Mortgagee, any FHA requirement mandates a provision in the note that cannot be incorporated consistent with all applicable laws, regulations and requirements, the Mortgagee should contact the Department for further guidance.

Model ARM FHA-Specific Modifications include:¹

Section 4(B)

- Changes made to the second sentence of Section 4(B).

Section 4(C)

- Changes made to the first sentence of Section 4(C).

Section 4(D)

- Changes made to the third sentence of Section 4(D).²

Model Fixed-Rate Note FHA-Specific Modifications:

None.

¹ FHA has provided certain instructions on the face of the FHA Model ARM, but is offering the following information to assist Mortgagees in identifying which modifications in the FHA Model ARM are FHA-Specific Modifications.

² The numeric terms provided in Section 4(D) may be revised, as needed, provided that the revisions are consistent with FHA regulations, statutes, and requirements.