Clarification of Claim Type 23 Short Sale Proceeds

Issue Reported

HERMIT is reflecting UPB after short sale proceeds are applied, rather than UPB prior to short sale proceeds being applied. HUD's contractor tried to reproduce this issue in their test environment to determine why this is occurring. For CT-23 claims, if a loan is not called Due & Payable, HERMIT does not populate box 17 correctly. HERMIT reflects UPB after short sale proceeds are applied, not UPB prior to short sale proceeds being applied.

Response

For CT 23 claim submission, per the requirements provided, the sales proceeds for short sale must <u>not</u> be added to the FHA Case using any of the existing loan balance transaction codes. There is no specific transaction code in HERMIT to report the short sale proceeds. The sales price must be populated on the "Sale Price" field under the "Disposition Information" section on the Claims Worksheet for Claim Type 23. This amount then pre-fills on Block 108 (Sale/Bid or Appraisal Value) on Part B of the claim form. The Net Claim Amount is calculated by subtracting Block 108 (Sales price) from the total of **Block 17** (Unpaid loan balance as of date in block 8) plus any expenses and debenture interest; if the Sales Proceeds is reported on the FHA Case using a loan balance transaction code (example: Terminate - Short Sale (Partial), the UPB will be incorrect, and the Net Claim Amount will result in a negative amount and the Servicer will not be able to submit the claim.

For instructions to file the CT 23 claim in HERMIT, please refer to the Refresher Training material Session #6, Slides #44 – 65, link provided below:
http://portal.hud.gov/hudportal/documents/huddoc?id=hecm_hermit_slides6.pdf

Upon claim submission, the claim will be available for HUD Claims Branch for processing. Upon approval of the claim by HUD and successful processing of claim payment, the HERMIT system will automatically update the claim status to "Claim Paid" and update the case status to "Terminated" with sub-status "<u>CT-23 Short Sale</u>". The Servicer is not required to manually terminate the case.

For scenarios where CT 23 claim will not be filed (say for example: short sale amount is more than the expected Claim amount), and the Servicer wishes to Terminate the loan due to Short sale followed by write-off of the remaining balance, then the Servicer must initiate the following terminate transaction: <u>Terminate - Short Sale (Partial)</u> - This transaction is initiated by the servicer to perform a partial repayment on behalf of borrower towards the short sale of the mortgaged property. Note: The case status of the loan will <u>not</u> be changed to "<u>Terminated - Short Sale (Partial)</u>" until the write-off transaction is added after the Terminate transaction for the remaining balance.

If you have any questions regarding this functionality, please contact HERMIT Help Desk at 561-899-2610 or at support@hecmsp.com