

U.S. Department of Housing and Urban Development  
H O U S I N G

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

Directors of Housing; Issued: June 26, 1996  
Directors of Multifamily  
Housing Division;  
Asset Management Branch Chiefs;  
All HUD-Approved Mortgagees

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

2. Explanation of Materials Transmitted:

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

3. Effective Date: Upon receipt.

4: Filing Instructions:

Remove:

The Foreword and the entire Table of Contents of various dates; All pages of Chapter 2 of various dates.

Insert:

Foreword dated 2/92;  
Table of Contents,  
pages ii through  
ix dated 6/96;  
Chapter 2, pages 2-1  
through 2-43 dated  
6/96.

Assistant Secretary for Housing-  
Federal Housing Commissioner

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

4350.4

Foreword

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

by "ought to," "should," or similar expressions.

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

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

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

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

4350.4 CHG-7

i

2/92

6/96

ii

4350.4 CHG-7

#### References:

Hbk. 2000.3, Office of Inspector General Activities

Hbk. 4010.1, Definitions, Policy Statements and General Rulings

Hbk. 4060.1, Mortgagee Approval Handbook

Hbk. 4060.2, Mortgagee Review Board

Hbk. 4060.3, Field Office Guide for Mortgagee Monitoring

Hbk. 4065.1, Previous Participation Handbook

Hbk. 4110.2, Mortgagees' Guide Home Mortgage Fiscal Instructions

Hbk. 4350.1, Insured Project Servicing Handbook

Hbk. 4370.1, Reviewing Annual and Monthly Financial Reports

Hbk. 4370.2, Financial Operations and Accounting Procedures for Insured

Multifamily Projects

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

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

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

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

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

4350.4 CHG-7

List of forms mentioned in this Handbook:

Form No.	Form Name	Appendix No.
<a href="#">HUD-434</a>	Statement of Taxes	5-D
<a href="#">HUD-2537</a>	Mortgagee's Application for Partial Settlement (M/F Mtg.)	5-C
<a href="#">HUD-2741</a>	Instructions for Applications for Insurance Benefits (M/F Mortgages)	5-A
<a href="#">HUD-2742</a>	Fiscal Data in Support of Claim for Insurance Benefits (M/F Mtg.)	5-E
<a href="#">HUD-2744A</a>	Allocation of Mortgagee Receipts and Disbursements, Schedule A	5-F
<a href="#">HUD-2744B</a>	Mortgagee's Report of Project Collections, Schedule B	5-G
<a href="#">HUD-2744C</a>	Mortgagee's Report of Project Disbursements, Schedule C	5-H
<a href="#">HUD-2744D</a>	Other Disbursements by Mortgagee	5-I
<a href="#">HUD-2744E</a>	Mortgagee Report of Special Escrow, Schedule E	5-J
<a href="#">HUD-2747</a>	Application for Insurance Benefits (M/F Mortgage)	5-B
<a href="#">HUD-9250</a>	Reserve Fund for Replacements Authorization	N/A
<a href="#">HUD-9807</a>	Request for Termination of Multifamily Mortgage Insurance	3

HUD-9822	Physical Inspection Report and Estimate of Repair Costs	1
HUD-9834	Management Review of Multifamily Projects	N/A
HUD-92080	Mortgage Record Change	4
HUD-92266	Application for Transfer of Physical Assets	N/A
<a href="#">HUD-92426</a>	Notice of Default Status Report on Multifamily Housing Projects	2

6/96

iv

U.S. Department of Housing and Urban Development

Special Attention of: Transmittal Handbook No.: 4350.4 CHG-6  
Directors of Housing;  
Directors of Multifamily Housing Division;  
Asset Management Branch Chiefs;  
Owners and Management Agents  
Contract Administrators  
Issued: January 23, 1996

1. This transmits the revised policy for holding and investing funds in the Reserve for Replacement Account and Residual Receipts Account, Change 6 to HUD Handbook 4350.4, Insured Multifamily Mortgage Servicing and Field Office Monitoring Handbook.

2. Explanation of Materials Transmitted:

This revised policy authorizes the mortgagee, after consultation with the project owner, to invest funds in excess of \$100,000 in U. S. government-backed securities and to hold funds in excess of \$100,000 in institutions under the control of, and whose deposits are insured by, the Federal Deposit Insurance Corporation, National Credit Union Association, or other U. S. government insurance corporations under certain conditions. Further, this revised policy 1) removes the list of acceptable investment vehicles, 2) acknowledges and enforces the provisions of the regulations, the Regulatory Agreement and Mortgagee's Certificate that state the Reserve for Replacement Funds shall be established by and under the control of the mortgagee, and 3) places the responsibility for determining the appropriate investment with the owner and the mortgagee.

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

3. Effective Date: Upon receipt.

4. Filing Instructions:

Remove

Insert

Table of Contents  
Page iv dated 2/94  
Page v dated 2/94  
Page vi dated 2/94  
Page vii dated 2/92

Table of Contents  
Page iv dated 2/94  
Page v dated 12/95  
Page vi dated 12/95  
Page vii dated 2/92

H: Distribution: W-3-1

Filing Instructions - Continued:

Remove

Page 1-13 dated 2/92  
Page 1-14 dated 1/94  
Pages 2-22 & 2-23 dated 2/94  
Page 2-24 dated 10/92  
Page 2-25 dated 2/92  
Page 2-26 dated 2/92  
Page 2-27 dated 2/92  
Page 2-28 dated 2/92  
Page 2-29 dated 2/92  
Page 2-30 dated 2/92  
Page 2-31 dated 10/92  
Page 2-32 dated 2/92  
Page 2-33 dated 2/92  
Page 2-34 dated 2/92  
Page 2-35 dated 2/92  
Page 2-36 dated 2/92  
Page 2-37 dated 2/92  
Page 2-38 dated 2/92  
Page 2-39 dated 8/93

Insert

Page 1-13 dated 12/95  
Page 1-14 dated 12/95  
Pages 2-22 & 2-23 dated 12/95  
Page 2-24 dated 12/95  
Page 2-25 dated 12/95  
Page 2-26 dated 12/95  
Page 2-27 dated 2/92  
Page 2-28 dated 2/92  
Page 2-29 dated 2/92  
Page 2-30 dated 2/92  
Page 2-31 dated 2/92  
Page 2-32 dated 2/92  
Page 2-33 dated 2/92  
Page 2-34 dated 10/92  
Page 2-35 dated 2/92  
Page 2-36 dated 2/92  
Page 2-37 dated 2/92  
Page 2-38 dated 2/92  
Page 2-39 dated 2/92  
Page 2-40 dated 2/92  
Page 2-41 dated 2/92  
Page 2-42 dated 8/93

Assistant Secretary for Housing-  
Federal Housing Commissioner

U.S. Department of Housing and Urban Development

H O U S I N G

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Special Attention of:  
Regional Administrators,  
Directors of Regional Housing,  
Managers of Category A, B, and C Offices  
Directors of Housing Management Division,  
Directors of Housing Development Division,  
Loan Management Branch Chiefs

Transmittal Handbook No.: 4350.4  
CHG-5

Issued: 2/23/94

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

Monitoring.

2. Explanation of Materials Transmitted:

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

3. Effective date:

Upon receipt

4. Filing instructions:

Remove

Table of Contents  
Pages iv through vii  
Pages 2-22 through 2-38

Insert

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

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Assistant Secretary for Housing  
- Federal Housing Commissioner

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W-3-1,W-2(H),W-3(A)(H)(OGC)(ZAS),W-4(H),R-1,R-2,

R-3-1,R-3-2,R-3-3,R-6-2,R-7,R-8,State Agencies & All

HUD-Approved Mortgagees

U.S. Department of Housing and Urban Development

H O U S I N G

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Special Attention of:

Regional Administrators,  
Directors of Regional Housing,  
Managers of Category A, B, and C Offices  
Directors of Housing Management Division,  
Directors of Housing Development Division,  
Loan Management Branch Chiefs

Transmittal Handbook No.: 4350.4  
CHG-5

Issued: 2/23/94

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1. This transmits Change 5 to HUD Handbook 4350.4, Insured

Multifamily Mortgagee Servicing and Field Office Remote Monitoring.

2. Explanation of Materials Transmitted:

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

3. Effective date:

Upon receipt

4. Filing instructions:

Remove

Table of Contents  
Pages iv through vii  
Pages 2-22 through 2-38

Insert

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

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Assistant Secretary for Housing  
- Federal Housing Commissioner

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W-3-1,W-2(H),W-3(A)(H)(OGC)(ZAS),W-4(H),R-1,R-2,

R-3-1,R-3-2,R-3-3,R-6-2,R-7,R-8,State Agencies & All

HUD-Approved Mortgagees

HUD-23 (9-81)

U.S. Department of Housing and Urban Development

H O U S I N G

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

Transmittal Handbook No.: 4350.4  
CHG-4  
Issued: February 1, 1994

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1. This transmits Change 4 to HUD Handbook 4350.4, Insured Multifamily Mortgagee Servicing and Field Office Remote Monitoring Handbook.
  2. Explanation of Material Transmitted:
    - a. This change gives the mortgagee the authority to place escrow funds for taxes and insurance in accounts where the total funds exceed \$100,000 per banking institution.
    - b. This change establishes criteria for determining which banking institution is qualified to hold deposits in excess of \$100,000.

3. Effective date:

Upon receipt

4. Filing Instructions:

Remove

Insert

Table of Contents,  
Pages iv through vii  
dated 2/92  
Pages 1-13 through 1-15  
Pages 2-11 through 2-37

Table of Contents,  
Pages iv through vi,  
dated 1/94;  
Page vii dated 2/92  
Pages 1-13 dated 2/92;  
Pages 1-14 through 1-16  
dated 1/94  
Pages 2-11 & 2-12 dated 1/94  
Pages 2-13 through 2-17  
dated 2/92  
Pages 2-18 through 2-23  
dated 10/92

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4. Filing Instructions (Continued):

Remove

Insert

Pages 2-24 through 2-29  
dated 2/92  
Pages 2-30 through 2-31  
dated 10/92  
Pages 2-32 through 2-37  
dated 2/92  
Page 2-38 dated 10/92

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

Approved Mortgagees HUD-23 (9-81)  
W-3-1 Directives Management Officers--Headquarters and Regions,  
library, ACIR (Advisory Commission on Intergovernmental  
Relations)  
W-2 HQ Office Directors, Special Assistants,  
those reporting directly to Assistant Secretaries  
W-4 Branch Chiefs, multiple copies for staff  
R-1 Regional Administrators, Deputy Regional Administrators  
R-2 Office Directors, Principal Assistants in Regional  
Administrators' offices  
R-3-1 Bulk shipment to Regional Offices for selective  
distribution by program area  
R-3-2 Directors, Administrative Services Divisions and  
Administrative and Management Services Divisions, and  
Administrative staffs  
R-3-3 Category D offices - bulk  
R-3 Bulk shipment to Regional Offices  
R-6-1 Category A offices - bulk  
R-6-2 Category A offices - Division Directors  
R-7 Category B offices - Office Managers and Deputy Office  
Managers  
R-7-1 Category B offices - bulk  
R-8 Category C offices - Office Managers and Deputy Office  
Managers

U.S. Department of Housing and Urban Development

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Special Attention of: Transmittal Handbook No: 4350.4 CHG-3  
Regional Administrators,  
Directors of Regional Housing, Issued: August 25, 1993  
Managers of Category A, B, and C Offices,  
Directors of Housing Management  
Divisions, Loan Management Branch Chiefs,  
All HUD-approved Mortgagees

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1. This Transmits  
Change No. 3 to HUD Handbook 4350.4

Explanation of Material Transmitted:

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

93-12 dated June 3, 1993.

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

Effective Date: Upon Receipt.

Filing Instructions:

Remove:  
Page 2-37 dated 10/92

Insert:  
Page 2-37 dated 8/93

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Assistant Secretary for Housing  
- Federal Housing Commissioner

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W-3-1, W-2(H), W-3(A)(H), (OGC)(ZAS), W-4(H), R-1, R-2, R-3-1,  
R-3-2, R-3-3, R-3, R-6-1, R-6-2, R-7, R-7-1, R-8

State Agencies & All HUD-Approved Mortgagees

HUD-23 (9-81)

W-3-1 Directives Management Officers--Headquarters and Regions,  
library, ACIR (Advisory Commission on Intergovernmental  
Relations)

U.S. Department of Housing and Urban Development

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Special Afternoon of: Transmittal Handbook No.: 43504 CHG-2  
Regional Administrators,  
Directors of Regional Housing, Issued: 7/8/93  
Managers of Category A, B, and C Offices,  
Directors of Housing Management  
Divisions, Loan Management Branch Chiefs,  
All HUD-approved Mortgagees

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

Explanation of Material Transmitted:

- a. The change transmits Form [HUD-9807](#), "Insurance Termination Request for Multifamily Mortgage," dated 4/92 as Appendix No. 3 of the Handbook.
- b. Previous editions of this form are obsolete. Supplies of these forms are maintained in the HUD Regional Offices. Forms may be obtained from the HUD Regional Offices. Requests for forms should be sent to the attention of "Forms Supply."

Effective Date: Upon Receipt.

Filing Instructions:

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

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

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Assistant Secretary for Housing  
- Federal Housing Commissioner

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W-3-1,W-2(H),W-3(A)(H)(OGC)(ZAS),W-4(H),R-1,R-2,R-3-1,

State Agencies & All HUD-Approved mortgagees,

R-3-2,R-3-3,R-3,R-6-1,R-6-2,R-7,R-7-1,R-8

H O U S I N G

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

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

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

Explanation of Material Transmitted:

- a. The change makes technical, administrative, and typographical corrections that were undetected during proofreading of the original Handbook. Brief comments on several of the corrections follow.
- b. Physical Inspections by Mortgagees. Chapter 2 of the handbook required and still requires that physical inspection reports be mailed to HUD Field Offices and project owners within 30 days from the date of the inspection. This requirement has not changed. However, in Chapter 5, Field Office criteria for recommending sanctions against mortgagees were not consistent with the Chapter 2 reporting requirement in that a 15 day timeframe/deadline was used as an evaluating criterion in Chapter 5. This Change No. 1 eliminates that inconsistency and contains the text that should have been printed when the Handbook was issued. Because some misunderstandings may have

resulted from the inconsistency, one sentence has been added to the original text on page 2-20 to encourage mortgagees (but not require them) to inform HUD Field Offices when the mortgagees can anticipate being unable to meet the 30 day reporting deadline. When they do so, HUD Field Offices are expected to take extenuating circumstances into consideration before recommending sanctions against a mortgagee.

- c. "Table 2" in Chapter 2: "Note 1" on page 2-29 has been revised to remove a possible ambiguity about the effect of leap years on various deadlines.
- d. This Change makes a minor, technical/administrative correction to the general description of mortgage insurance claims payments on page 4-7.

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

Effective Date: Upon Receipt, retroactive to February 1992.

Filing Instructions:

Remove:

Pages 2-17, 2-18, 2-19,  
2-20, 2-21, 2-22, 2-29,  
2-30, 2-37; 4-7, 4-8;  
5-7 through 5-12, dated 2/92

Insert:

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

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Assistant Secretary for Housing  
-Federal Housing Commissioner

U.S. Department of Housing and Urban Development

H O U S I N G

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Special Attention of:

Transmittal Handbook No.: 4350.4

All Regional Administrators;  
Directors of Regional Housing;  
Managers, Category A, B, and C Offices  
All HUD-approved Mortgagees

Issued: 2/92

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1. This Transmits

A new HUD Handbook 4350.4, Insured Multifamily Mortgagee Servicing and Field Office Remote Monitoring Handbook, dated February 1992.

2. Explanation of Material Transmitted:

- a. This handbook provides practices and procedures for investing and servicing mortgagees to use in servicing mortgages insured under HUD's multifamily mortgage insurance programs.
- b. This handbook contains instructions for HUD's Field Offices about conducting a program of remote monitoring of multifamily mortgagees from within the Field Offices. It provides procedures for the Field Offices to use in evaluating the results of their remote monitoring activity. It contains guidance for the Field Offices to use when recommending the imposition of sanctions against multifamily mortgagees.

3. Effective Date:

Upon receipt.

4. Filing Instructions:

Insert:

HUD Handbook 4350

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Assistant Secretary for Housing  
- Federal Housing Commissioner

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W-3-1, W-2(H), W-3(A)(H), (OGC)(ZAS), W-4(H), R-1, R-2,

R- 3-1, R-3-2, R-3-3, R-3, R-6-1, R-6-2, R-7, R-7-1,

R-8, State Agencies & All HUD-Approved Mortgagees

HUD-23 (9-81)

W-3-1 Directives Management Officers--Headquarters and Regions,  
library, ACIR (Advisory Commission on Intergovernmental  
Relations)

W-2 HQ Office Directors, Special Assistants,  
those reporting directly to Assistant Secretaries  
W-4 Branch Chiefs, multiple copies for staff  
R-1 Regional Administrators, Deputy Regional Administrators  
R-2 Office Directors, Principal Assistants in Regional  
Administrators' offices  
R-3-1 Bulk shipment to Regional Offices for selective  
distribution by program area  
R-3-2 Directors, Administrative Services Divisions and  
Administrative and Management Services Divisions, and  
Administrative staffs  
R-3-3 Category D offices - bulk  
R-3 Bulk shipment to Regional Offices  
R-6-1 Category A offices - bulk  
R-6-2 Category A offices - Division Directors  
R-7 Category B offices - Office Managers and Deputy Office  
Managers  
R-7-1 Category B offices - bulk  
R-8 Category C offices - Office Managers and Deputy Office  
Managers

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Handbook

4350.4

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

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Departmental Staff  
and Program  
Participants

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February 1992

Insured Multifamily  
Mortgagee Servicing  
and Field Office  
Remote Monitoring

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