



*Single Family Housing Policy Handbook 4000.1: Title II Insured Housing Program Forward
Mortgages Origination through Post-Closing/Endorsement*

Module 5: Closing, Post-Closing, and Endorsement

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The information in this document is current as of the Last Update date noted above. This document does not establish or modify the policy contained in FHA's Handbooks and Mortgage Letters in any way.





FHA Single Family Housing Policy Handbook

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Introduction

- A Mortgagee's responsibility for closing a mortgage to obtain FHA-insured, single-family financing is to:
 - Ensure FHA's first lien position;
 - Review all documents to assure compliance with all conditions of the commitment;
 - Ensure the FHA transaction closes in the same manner in which it was underwritten and approved;
 - Confirm that the **Disbursement Date** occurs before the expiration of the FHA-issued Firm Commitment or DE Approval and credit documents.



Closing



Question

What do we state in the SF Handbook about the Disbursement Date?

- The **Disbursement Date must** occur **before** the expiration of the FHA-issued Firm Commitment or Direct Endorsement (DE) Approval and credit documents.



Direct Endorsement Approval

On Page 3, Form HUD-92900-A, also known as the DE Approval Page. The date entered for the **Date the Loan Approval Expires** is the **Appraisal Expiration date.**

Direct Endorsement Approval for a HUD/FHA-Insured Mortgage

U.S. Department of Housing and Urban Development

Part I - Identifying Information (mark the type of application)		2. Agency Case No. (include any suffix)	3. Lender's Case No.	4. Section of the Act (for HUD cases)
1. <input checked="" type="checkbox"/> HUD/FHA Application for Insurance under the National Housing Act				
5. Borrower's Name & Present Address (include zip code)		7. Loan Amount (include the UFMIP) \$	8. Interest Rate %	9. Proposed Maturity yrs. mos.
6. Property Address (including name of subdivision, lot & block no. & zip code)		10. Discount Amount (only if borrower is permitted to pay) \$	11. Amount of Up Front Premium \$	12a. Amount of Monthly Premium / mo.
		13. Lender's I.D. Code	12b. Term of Monthly Premium months	
15. Lender's Name & Address (include zip code)		14. Sponsor / Agent I.D. Code		
Type or Print all entries clearly		16. Name & Address of Sponsor / Agent		
		17. Lender's Telephone Number		
Sponsored Originations	Name of Loan Origination Company	Tax ID of Loan Origination Company	NMLS ID of Loan Origination Company	
<input type="checkbox"/> Approved: Approved subject to the additional conditions stated below, if any.				
Date Mortgage Approved		Date Approval Expires		





Chain of Title

- The Mortgagee must obtain evidence of prior ownership when a property was sold within 12 months of the case number assignment date.
- The Mortgagee must review the evidence of prior ownership to determine any undisclosed Identity-of-Interest transactions.
- The Mortgagee must obtain and enclose a copy of the Title Commitment and 12-month chain of title for all purchase transactions in the case binder.



Identity-of-Interest

- An Identity-of-Interest transaction is a sale between parties with an existing Business Relationship or between Family Members.
- Business Relationship refers to an association between individuals or companies entered into for commercial purposes.



Identity-of-Interest

- Is the following scenario an Identity-of-Interest transaction?
- If so, is a maximum LTV allowable?

The sister of the landlord has been renting primary residence from the landlord for the last 12 months and just executed a contract to purchase the residence.



Identity-of-Interest

- Is the following scenario an Identity-of-Interest? **YES**
- Is maximum LTV allowed? **YES**

A family member in which the Borrower has been a tenant for at least six months, immediately predating the sales contract, is eligible for Max Financing.



Title

- The Mortgagee must ensure that all objections to title have been cleared and any discrepancies have been resolved to ensure that the **FHA-insured mortgage is in first lien position.**



Good and Marketable Title

- The Mortgagee must determine if there are any exceptions to good and marketable title not covered by the General Waiver.

See SF Handbook 4000.1, Section II.A.6.a.ii.(A)



General Eligibility

- **Valid First Liens**
 - The Mortgagee must ensure that the mortgaged property will be free and clear of all liens, except the insured mortgage and any secondary liens permitted by FHA regulations at 24 CFR §§ 203.32 and 203.41.



What is the General Waiver Referenced?

- The General Waiver is actually a summary of the exceptions to title that HUD has deemed appropriate per the Federal Regulation that allow properties with specific title objections (exceptions) to be insurable under FHA.



Acceptable Exceptions per 24 CFR § 203.389

- FHA regulations at 24 CFR § 203.389 state that FHA will not object to title because of common customary easements, restrictions, and encroachments, such as:
 - Public Utility Easements; and
 - Driveway Encroachments.



Good and Marketable Title

- The Mortgagee must review any exceptions discovered during the title search and decide whether such title exceptions affect the property's value and/or marketability.
- If the Mortgagee determines that any exception affects the property's value and/or marketability, the Mortgagee must request a waiver from the Processing and Underwriting Division Director at the Jurisdictional HOC prior to endorsement.



Good and Marketable Title (cont.)

- If the waiver is approved, the jurisdictional HOC will notify the Mortgagee in writing. The Mortgagee must place the notice of approval in the mortgage file.
- If the waiver request is denied and a Good and Marketable Title is not obtained, the mortgage is not eligible for FHA insurance.



Manufactured Housing: Two Titles

- If there are two existing titles at the time the manufactured housing unit was purchased, the Mortgagee must ensure that all state or local requirements for proper purging of the title (chattel or equivalent debt instrument) have been met, and the subject property is classified as real estate prior to endorsement.



Closing in Compliance with Mortgage Approval

- The Mortgagee must instruct the settlement agent to close the mortgage in the same manner in which it was underwritten and approved.
- The Mortgagee must ensure that the conditions listed on Form HUD-92900-A and/or Form HUD-92800.5B are satisfied.



Closing in the Mortgagee's Name

- A mortgage may close in the name of the Mortgagee or the Sponsoring Mortgagee; the Principal or the Authorized Agent.
- Third-Party Originators (TPOs) that are not FHA-approved Mortgagees may not close in their own names or perform any functions in FHA Connection (FHAC).



Required Forms

- The Mortgagee must use the forms and/or language prescribed by FHA in the legal documents used for closing the mortgage.



Certification Requirements

Four Certifications	Two Forms to Obtain Certifications Which one to sign?
Borrower Certification	HUD-92900-A; <u>and</u> Settlement Certification
Seller Certification	Settlement Certification
Settlement Agent Certification	Settlement Certification
Lender Certification	HUD-92900-A



Escrow Account Requirements

- The Mortgagee must establish the escrow account in accordance with the regulatory requirements in 24 CFR § 203.550 and the Real Estate Settlement Procedures Act (RESPA).



Monthly Escrow Obligations

- The escrow account must be sufficient to meet the following obligations when they become due:
 - Hazard Insurance Premiums;
 - Real Estate Taxes;
 - Mortgage Insurance Premiums (MIP);
 - Special Assessments;
 - Flood Insurance Premiums, if applicable;
 - Ground Rents, if applicable; and
 - Any item that would create liens on the property positioned ahead of the FHA-insured mortgage, **other than condominium or Homeowners' Association (HOA) fees.**



Repair Completion Escrow Requirement

- The Mortgagee may establish a repair escrow for incomplete construction, or for alterations and repairs that cannot be completed prior to loan closing, **provided the housing is habitable and safe for occupancy at the time of loan closing.**



Repair Completion Escrow Requirement (cont.)

- Repair escrow funds must be sufficient to cover the cost of the repairs or improvements.
- The cost for Borrower labor may not be included in the repair escrow account.



Repair Completion Escrow Requirement (cont.)

- The Mortgagee must execute Form HUD-92300, *Mortgagee's Assurance of Completion*, to indicate that the repair escrow has been established.
- The Mortgagee must certify on Form HUD-92051, *Compliance Inspection Report*, that the incomplete construction, alterations, and repairs have been satisfactory completed.
- After the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 days after the escrow account is closed.



Closing Costs and Fees

- The Mortgagee must ensure that all fees charged to the Borrower comply with all applicable federal, state, and local laws and disclosure requirements.
- The Mortgagee is not permitted to use closing costs to help the Borrower meet the Minimum Required Investment (MRI).



Premium Pricing on FHA-Insured Mortgages

- The funds derived from a premium-priced mortgage:
 - Must be disclosed in accordance with RESPA.
 - May **not** be used for payment of Debts, Collection Accounts, Escrow Shortages, Judgments or missed Mortgage Payments.



Premium Pricing on FHA-Insured Mortgages (cont.)

- Any of the funds derived from a premium priced mortgage that exceed the actual dollar amount for closing costs and prepaid expenses still remaining after Interested Party contributions must be used to pay down the principal balance.



Interested Party Contributions on the Closing Disclosure

The Mortgagee:

- May apply Interested Party credits to the Origination Fees, other closing costs, and discount points including any items Paid Outside Closing (POC).
- Must identify each item paid by Interested Party contributions.



Interested Party Contributions on the Closing Disclosure (cont.)

- The total Interested Party credits are on the front page of the Closing Disclosure (or similar legal document); or in an Addendum.
- The refund of the Borrower's POC items may be used toward the Borrower's minimum required investment if the Mortgagee can document that the POC items were paid with the Borrower's own funds from an acceptable source.



Real Estate Tax Credits

- Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the minimum required investment (MRI), as long as the Mortgagee can document that the Borrower had sufficient assets verified to meet the MRI and all Borrower paid closing costs at the time of underwriting approval date.



Collecting Customary and Reasonable Fees

- The Mortgagee may charge the Borrower reasonable and customary fees that do not exceed the actual cost of the service provided.
- A Tax Service Fee may be charged to the Borrower.



Other Fees and Charges

- The Mortgagee or Third Party Originator (TPO) may charge the Borrower discount points, lock-in, and rate-lock fees consistent with FHA and the Consumer Financial Protection Bureau (CFPB) requirements.



Other Fees and Charges (cont.)

- **Origination Fees:**
 - The Mortgagee may charge an origination fee in accordance with RESPA.
- **Discount Points:**
 - The Mortgagee may charge the Borrower discount points.



Other Fees and Charges (cont.)

- **Lock-in and Rate Lock Fees:**
 - The Mortgagee may charge the Borrower lock-in and rate-lock fees only if the Mortgagee provides a lock-in or commitment agreement guaranteeing the interest rate and/or discount points for a period of not less than 15 days prior to the anticipated closing.



Qualified Mortgage

- The Mortgagee must ensure the points and fees charged are in compliance with FHA's Qualified Mortgage rule.



Collecting Customary and Reasonable Fees

- The Mortgagee must ensure that the aggregate charges do not violate FHA's Tiered Pricing rules.



Tiered Pricing

- The Mortgagee may not make a mortgage with a Mortgage Charge Rate that varies more than two percentage points from the Mortgagee's reasonable and customary rate for insured mortgages for dwellings located within the area.
- To determine whether a mortgage exceeds the two percentage point variation limit, the Mortgagee must compare Mortgage Charge Rates for mortgages of the same type, from the same area, and made on the same day, or during some other reasonably limited period.
- See Section 203(u) of the National Housing Act (12 U.S.C. §1709(u)) 24 CFR § 200.12



Per Diem Interest and Interest Credits

- The Mortgagee may collect per diem interest from the Disbursement Date to the date amortization begins.
- Per diem interest must be computed using a factor of $1/365^{\text{th}}$ of the annual rate.
- Alternatively, the Mortgagee may begin amortization up to 7 days prior to the Disbursement Date and provide a per diem interest credit.



Signatures

- The Mortgagee must ensure that the Mortgage, Note, and all closing documents are signed by all required parties in accordance with the Borrower Eligibility section of the SF Handbook 4000.1.

Note: *Signatures block on the mortgage follows the FNMA/FRE Format.*



Use of Power of Attorney at Closing

- A Borrower may designate an attorney-in-fact to use a Power of Attorney (POA) to sign documents on their behalf at closing.



Use of Power of Attorney at Closing (cont.)

- Unless required by applicable state law, or as stated in the Exception in the next slide, or they are the Borrower's Family Member, none of the following persons connected to the transaction may sign the security instrument or Note as the attorney-in-fact under a POA:
 - Mortgagee, or any Employee, or Affiliate;
 - Loan Originator, or Employer, or Employee;
 - Title Insurance company providing the Title Insurance policy, the Title Agent closing the mortgage; or any of their affiliates; or
 - Any Real Estate Agent (or any person affiliated with such real estate agent).



Use of Power of Attorney at Closing (cont.)

EXCEPTION:

- Closing documents may be signed by an attorney-in-fact who is connected to the transaction if the POA expressly authorizes the attorney-in-fact to execute the required documents on behalf of a Borrower, only if the Borrower, to the satisfaction of the attorney-in-fact in a recorded interactive session conducted via the Internet, has:
 - Confirmed their identity; and
 - Reaffirmed, after an opportunity to review the required mortgage documents, their agreement to the terms and conditions of the required mortgage documents evidencing such transaction and to the execution of such required mortgage by such attorney-in-fact.



Mortgage and Note

- The Mortgagee must develop or obtain a separate Mortgage and Note that conforms generally to the Freddie Mac and Fannie Mae forms in both form and content, but that includes the specific modification required by FHA set forth in the applicable **Model Note and Mortgage**.



Single Family Mortgages Model Documents - Website

Single Family Mortgages Model Documents Website:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/operating/sfh/model_documents

Single Family Mortgages Model Documents

The documents below are categorized by all programs, forward and reverse mortgages.

ALL PRODUCTS

- **Informed Consumer Choice** (12/14)

FORWARD

Notes, Mortgages, Agreements

- **ARM Note** (eff. 1/10/15)
- **Mortgage Forward** (9/14)
- **Note Forward** (eff. 1/21/15)
- **Rehabilitation Loan Agreement** (9/14)

Riders

All Products and Programs

- **Condominium Rider** (9/14)
- **Construction Rider** (9/14)
- **Non-Owner Occupancy Rider** (9/14)
- **Planned Unit Development Rider** (9/14)
- **Settlement Certification** (formerly "Addendum to HUD-1 Settlement Statement")
- **Water Purification Equipment Rider**

REVERSE

Notes, Mortgages, Agreements

- **HECM ARM Loan Agreement** (2/15)
- **HECM ARM Mortgage** (2/15)
- **HECM ARM Mortgage Note** (2/15)
- **HECM Fixed Rate Loan Agreement** (2/15)
- **HECM Fixed Rate Mortgage** (2/15)
- **HECM Fixed Rate Mortgage Note** (2/15)
- **HECM ARM Second Mortgage** (2/15)
- **HECM ARM Second Note** (2/15)

Riders

- **HECM ARM Repair Rider** (2/15)
- **HECM Fixed Rate Repair Rider** (2/15)

Other Documents





Enforceable Mortgage and Note

- The Mortgagee must ensure that the Mortgage and Note comply with all applicable state and local requirements for creating a recordable and enforceable mortgage, and an enforceable Note.



Disbursement of Mortgage Proceeds

- The Mortgagee must verify that the Mortgage proceeds are disbursed in the proper amount to the Borrower and the Seller for a purchase transaction or for a refinance transaction per the debt holder.



Maximum Age of Documents

- **General Document Age:**
 - Documents used in origination and underwriting a mortgage may not be more than 120 days old at the Disbursement Date.
 - For purposes of counting days for periods provided in the *SF Handbook*, Day One is the day after the effective or issue date of the document, whichever is later.



Re-verification of Employment

- Re-verification of employment must be completed within 10 days prior to the date of the Note.
- Verbal re-verification of employment is acceptable.



Disbursement Date

- The Disbursement Date refers to the date the proceeds of the mortgage are made available to the Borrower.
- The Disbursement Date must occur before the expiration of the FHA-issued Firm Commitment, Form HUD-92800.5b, or the DE approval expiration date listed on page 3 of the Form HUD-92900-A and all credit documents.



Required Documentation for Disbursement of Loan Proceeds

- The Mortgagee must obtain the final Closing Disclosure or similar legal document from the settlement agent.



Post-Closing and Endorsement



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 - c. Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially-Declared Major Disaster Areas
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Pre-Endorsement Review

- The Mortgagee must complete a pre-endorsement review of the mortgage file to ensure all applicable documents, as described in the Uniform Case Binder Stacking Order, are included in the endorsement submission.



Pre-Endorsement Review and Endorsement Functions

- The Pre-Endorsement review and Endorsement functions cannot be conducted by any staff involved in the:
 - Originating;
 - Processing; or
 - Underwriting of the mortgage.



Pre-Endorsement Review Requirements

- A Mortgagee must review and verify specific documents during the Pre-Endorsement Review for:
 - Legibility;
 - Legal execution (signatures and date); and
 - Completeness.



Closing Disclosure and Settlement Certification

- Confirm that the Closing Disclosure or similar legal document and the **Settlement Certification**, if applicable, are complete and signed by the Borrower, seller (*except in the case of HUD Real Estate Owned (REO) sales*), and settlement agent.



Handbook References: Supplemental Documents

*Single Family Housing
Policy Handbook 4000.1*

References:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_references



The Single Family Housing Policy Handbook (SF Handbook; HUD Handbook 4000.1)
Supplemental Documents

The following documents are referenced in, but are supplemental to, the SF Handbook:

203(k) Related Documents

Appraisal Report and Data Delivery Guide

Automatic Extensions to HUD's Initiation of Foreclosure Timeline

Claim Filing Technical Guide

Electronic Appraisal Delivery (EAD)

Model Documents

Single Family Default Monitoring System (SFDMS) Reporting Codes

Termite Treatment Exception Areas

TOTAL Mortgage Scorecard Developer's Guide





Single Family Mortgages Model Documents

Single Family Mortgages Model Documents



FORWARD
Notes, Mortgages, Agreements
<ul style="list-style-type: none">• ARM Note (eff. 1/10/15)• Mortgage Forward (9/14)• Note Forward (eff. 1/21/15)• Rehabilitation Loan Agreement (8/15)• Instructions for Model Mortgages (5/15)• Instructions for Model Notes (5/15)
Riders
All Products and Programs
<ul style="list-style-type: none">• Condominium Rider (9/14)• Construction Rider (9/14)• Land Use Restriction Addendum(Rev 8/15; eff. 3/14/16)• Non-Owner Occupancy Rider (9/14)• Planned Unit Development Rider (9/14)• Settlement Certification (formerly "Addendum to HUD-1 Settlement Statement")• Tax-Exempt Financing Rider• Water Purification Equipment Rider (9/14)
203(k) Rehabilitation Mortgages
<ul style="list-style-type: none">• Rehabilitation Loan Rider (9/14)
203(k) Consultants
<ul style="list-style-type: none">• 203(k) Consultant Roster Certification (9/15)
247 Hawaiian Homelands
<ul style="list-style-type: none">• Sec. 247 Loan Rider (9/14)
248 Mortgages on Indian Land
<ul style="list-style-type: none">• Sec. 248 Loan Rider (9/14)• Sec. 248 Residential Lease

REVERSE
Notes, Mortgages, Agreements
<ul style="list-style-type: none">• HECM ARM Loan Agreement (2/15)• HECM ARM Mortgage (2/15)• HECM ARM Mortgage Note (2/15)• HECM Fixed Rate Loan Agreement (2/15)• HECM Fixed Rate Mortgage (2/15)• HECM Fixed Rate Mortgage Note (2/15)• HECM ARM Second Mortgage (2/15)• HECM ARM Second Note (2/15)
Riders
<ul style="list-style-type: none">• HECM ARM Repair Rider (2/15)• HECM Fixed Rate Repair Rider (2/15)
Other Documents
<ul style="list-style-type: none">• HECM ARM Payment Plan (2/12)• HECM Financial Assessment Worksheet (3/27)• HECM Fixed Rate Payment Plan (2/12)• HECM Scheduled Closing Costs (2/12)





Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in a Presidentially-Declared Major Disaster Areas (PDMDA)



Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in PDMDA

- All properties with pending mortgages or endorsements in Presidentially-Declared Major Disaster Areas (PDMDA) must have a damage inspection report that identifies and quantifies any dwelling damage.
- The damage inspection report must be completed by an FHA Roster Appraiser even if the inspection shows no damage to the property, and the report must be dated after the Incident Period (as defined by FEMA). FHA does not require a specific form for a damage inspection report.



Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in PDMDA (cont.)

- Streamline Refinances are allowed to proceed to closing and/or endorsement without any additional requirements.



Mortgages Pending Closing: Inspection and Repair Escrow Requirements in a PDMDA

Pending Loan Closure	
If ...	Then ...
The loan is not closed,	Inspect the property to determine if damage exists. Provide on-site inspection with interior/exterior photos.
No damage exists,	Close loan and document inspection
Damage exists but is below \$5,000 and property is habitable,	Complete repairs and close loan or establish repair escrow and close loan.
Damage exists and is above \$5,000 or property is not habitable,	Do not close loan. Repairs must be complete prior to closing.
When...	Then...
Repairs above \$5,000 are completed and inspected with interior/exterior photos,	Document inspection and close loan.



Mortgages Pending Endorsement: Inspection and Repair Escrow Requirements in a PDMDA

Loans Pending Endorsement	
If...	Then...
The loan is closed but not yet endorsed,	Inspect the property to determine if damage exists. Provide drive-by inspection with exterior photos.
No damage exists,	Endorse loan and document inspection.
Damage exists but is below \$5,000 and property is habitable,	Complete repairs and endorse loan or establish repair escrow and endorse loan.
Damage exists and is above \$5,000 or property is not habitable,	Do not endorse loan.
When...	Then...
Repairs above \$5,000 are completed and inspected with interior/exterior photos,	Document inspection and endorse loan.



Pre-Closing Appraisal Validity in Disaster Areas

- For mortgages that are not closed prior to the Incident Period, as defined by FEMA, in PDMDAs where a damage inspection report reveals property damage, the appraisal validity period is extended from 120 days to a maximum of one year from the effective date of the original appraisal.
- In no instance will an appraisal be acceptable for a mortgage closing that has an effective date beyond one year.



Endorsement



Endorsement Eligibility

- The mortgage must be current to be eligible for endorsement.

Procedures for Endorsement

- To initiate the insurance endorsement process, the Mortgagee must complete the Insurance Application function in FHAC and compile the uniform case binder, with all of the necessary documents.



Procedures for Endorsement (cont.)

- Either the sponsoring Mortgagee, Principal or Authorized Agent must:
 - Complete the Mortgage Insurance Premium (MIP) Transmittal via FHAC or by batch ;
 - Pay the Upfront MIP (UFMIP) to FHA in a lump sum within 10 days after the date of mortgage closing or the Date of Disbursement, whichever is later;
 - Send the MIP to FHA, and receive the payment status through FHAC or email communications;



Procedures for Endorsement (cont.)

- Submit evidence of assignment of the case for endorsement in the name of the originating Mortgagee;
- Transfer the case number to another Mortgagee prior to closing;
- Complete the Lender Transfer screen in FHAC; and
- Complete the assignment of the mortgage after endorsement to a new holding or servicing Mortgagee via FHAC.



Late UFMIP Payments: 10-30 Days

- A one-time late charge of four percent is assessed on a UFMIP payment received more than 10 calendar days after the mortgage closing or Disbursement Date, whichever is later.
- The Mortgagee must pay the late fee before FHA will endorse the mortgage for insurance.



Late UFMIP Payments: More than 30 Days

- If the UFMIP is paid more than 30 calendar days after mortgage closing or Disbursement Date, whichever is later, the Mortgagee will be assessed the late fee plus interest.
- The interest rate is the U.S. Department of the Treasury's Current Value of Funds Rate in effect when the UFMIP payment is received.
- The Mortgagee must pay both charges before FHA will endorse the mortgage for insurance.



Case Binder: Assembly

The Mortgagee must:

- Prepare and submit a uniform case binder to the Jurisdictional HOC; and
- Ensure that all case binders are:
 - Complete;
 - Meet FHA specifications; and
 - Contain all required documents in the correct stacking order.



Uniform Case Binder Format

- The Mortgagee must complete the front of the binder, and write the case number on the side and bottom tabs of the binder.

Binder Color Directory	
Yellow	Mortgagees with Lender Insurance authority
Manila	Mortgagees without Lender Insurance authority
Green	Test Cases





Uniform Case Binder

Uniform Binder Forms	
<u>New Documents</u>	<u>Eliminated Forms</u>
12 Month Chain of Title	Maximum Mortgage Worksheet HUD-92700
Automated Underwriting System (AUS) Feedback Certificate	
Initial and Final 1003	
Initial and Final 92900-A	
Requirement for all the Borrower's Credit Reports	



Ineligible for Endorsement: Non-Lender Insurance

- If the mortgage is ineligible for insurance endorsement, FHAC issues an electronic Notice of Return (NOR), which states the reasons for non-endorsement and any corrective actions that the Mortgagee must take.



Direct Endorsement Non-Lender Insurance: NOR Reconsideration

- If a Notice of Return (NOR) is issued, the Mortgagee may request reconsideration for insurance endorsement.
- All requests for reconsideration must be received by the Jurisdictional HOC within the 60-day endorsement submission period or within 30 days of the issuance of the NOR, whichever is longer.
- If the request for reconsideration is submitted after this time period, the Mortgagee must follow the guidelines for late submission.



Case Binder Submission: Direct Endorsement Non-Lender Insurance

- If the case binder is submitted more than 60 days after the Disbursement Date, the Mortgagee must submit a Late Endorsement Request, certifying that:
 - No Mortgage Payment is currently unpaid;
 - All escrow accounts for taxes, hazard insurance, and MIPs are current and intact, except for Disbursements that may have been made to cover payments for which the accounts were specifically established; and
 - Neither the Mortgagee nor its agents provided the funds to bring and/or keep the mortgage current or to bring about the appearance of an acceptable payment history.



Ineligible for Endorsement: Permanently Reject Mortgages

- If the mortgage is permanently rejected for insurance endorsement, the Mortgagee must notify the Borrower that they do not have an FHA-insured mortgage and of the circumstances that made the mortgage ineligible for FHA insurance.
- The Mortgagee must obtain a refund of both the UFMIP and any periodic MIP paid by or on behalf of the Borrower, and apply the refund to the principal balance of the mortgage.



Ineligible for Endorsement: Excessive Mortgage Amounts

- An excessive mortgage amount occurs when the Mortgagee closes a mortgage in an amount higher than what is permitted by FHA requirements.
- The mortgage is not eligible for insurance until the amount is reduced to within permissible limits.



Ineligible for Endorsement: Correction for Excessive Mortgage Amounts

- The Mortgagee may choose to either:
 - Pay down the principal balance; or
 - Re-close the mortgage to an insurable amount.
- The Mortgagee must provide a copy of the payment ledger showing that the principal balance has been paid down to an insurable amount.



Endorsement Processing: Lender Insurance (LI)

- Once the Mortgagee has:
 - Completed the entry of all required data;
 - Completed the pre-endorsement review; and
 - Satisfied itself that the mortgage meets HUD requirements, then:
- The Mortgagee will click “**Yes**” in the Insurance Decision field; enter the FHA Connection ID of the individual insuring the mortgage; enter the insurance date on the Insurance Application screen and click “**Send**.”
- The Mortgagee must endorse the mortgage no later than 60 days after the Disbursement Date.



Lender Insurance (LI): Late Submission

- If the mortgage is endorsed more than 60 days after the Disbursement Date, the Mortgagee must complete a late endorsement certification stating:
 - No Mortgage Payment is currently unpaid;
 - All escrow accounts for taxes, hazard insurance, and MIPs are current and intact, except for Disbursements that may have been made to cover payments for which the accounts were specifically established; and
 - Neither the Mortgagee nor its agents provided the funds to bring and/or keep the mortgage current or to bring about the appearance of an acceptable payment history.



Lender Insurance (LI): Case Warnings

- Case warnings are generated by FHAC based on system edits. They identify issues that must be addressed before the mortgage can be insured.
- There are two kinds of case warnings:
 - Non-Severe
 - Severe



Lender Insurance (LI): Severe Case Warnings

- Severe case warnings are case warnings that make the mortgage ineligible for Lender Insurance (LI), and include:
 - A Borrower failed or is pending Social Security Number validation;
 - A Borrower has a record in CAIVRS;
 - The pre-endorsement delinquency status is “Delinquent”; or
 - A deficiency exists causing risks to HUD. The requesting HOC will add text to the case warning message screen identifying the reasons requiring submission of the case binder to the HOC for a pre-endorsement review.



Lender Insurance (LI): Non-Severe Case Warnings

- Non-severe case warnings are warnings that provide guidance to the Mortgagee that conditions have been detected and must be researched before the mortgage can be endorsed.
- If, after researching the matter, the Mortgagee determines that HUD requirements have not been violated, the Mortgagee may re-submit the mortgage for insurance in FHAC.



Mortgagee with Conditional Direct Endorsement Approval (Test Case)

- A Mortgagee who has not yet received unconditional Direct Endorsement (DE) approval must ensure that the required certifications are executed, assemble the closing package, and return the package to the Jurisdictional HOC that underwrote the mortgage.



Mortgagee with Conditional Direct Endorsement Approval (Test Case) (cont.)

- For Test Cases, the Mortgagee must:
 - Submit a complete closing package in the order specified in the Closing Documents Requirements Checklist that is provided to the Mortgagee during the Entrance Conference;
 - Include credit and property approval conditions (placed at the bottom of the closing package); and
 - Place a cover sheet identifying the mortgage as a pre-closing Test Case, along with the FHA case number, as the top sheet inside the package and write “TEST CASE” in large letters on the front of a plain manila folder.



Endorsement

- Upon successful completion of a pre-endorsement review, either by FHA or the LI Mortgagee, an electronic Mortgage Insurance Certificate (MIC) will be issued.
- The mortgage becomes insured on the date the MIC is issued.



Endorsement and Post-Endorsement



Post-Endorsement

- **Confirming Status of the Mortgage Insurance Certificate (MIC):**
 - The Mortgagee can confirm the endorsement status of a mortgage using FHAC.



Obtaining the Mortgage Insurance Certificate (MIC)

- The Mortgagee must specify whether it is to be prepared in the name of the originator (principal), or authorized agent, as it appears in HUD systems.
- The MIC will be issued electronically. The Mortgagee can download and print copies of the MIC as needed.



Corrections to the Mortgage Insurance Certificate (MIC)

- To obtain a correction to the MIC, the Mortgagee must submit a MIC Correction Request form to the FHA Resource Center via e-mail to answers@hud.gov.
 - MIC Correction Request form can be found in the following link:
http://portal.hud.gov/hudportal/documents/huddoc?id=p_mic.pdf.
- This form may be used to correct the property address, Borrower name, ADP Code, maturity and first payments dates, Principal and Interest (P&I), interest rate, SSN, FHA case number, Mortgage amount, or other information contained in the MIC, or to add a co-Borrower.





Corrections to Original Instruments

- The Mortgagee must follow applicable local law when making corrections to the original instruments.
- If new instruments are executed as required by local law, the Mortgagee must submit the new instruments prior to insurance endorsement.



Case Binder Submission: Lender Insurance (LI) Mortgagees

- When requested by FHA, LI Mortgagees must submit the case binder to the HOC identified in the Notice to the Mortgagee).
- FHA will request the case binder through a daily email notification to the Mortgagee's contact person.
- If requested, the LI Mortgagee must submit the case binder within 10 business days of request.



Mortgage File Retention

- The Mortgagee must maintain their mortgage file, including the case binder, in either hard copy or electronic format for a period of two years from the date of endorsement.
- Mortgagees retaining Electronic Case Binders (eCBs) are not required to maintain a separate version of the eCB indexed for electronic submission to HUD.



Helpful Links

FAQ Site:

<http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>

FHA Webinar Archive:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/events/sfh_webinars

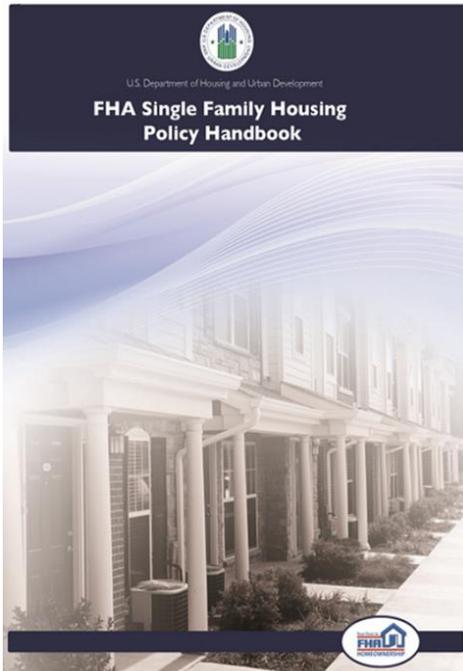
Single Family Lender main page:

www.hud.gov/lenders





Single Family Housing Policy Handbook 4000.1 Training Webcast Series



Thank you for attending.