CHAPTER 4: LOAN SETUP

4. LOAN SETUP

This chapter discusses loan setup, IMIP collection and refund processes.

1. **Loan Setup Overview Process**
   - **Manual Process**
   - **B2G Process**
2. **IMIP Collection**
3. **Refunds**
   - **IMIP**
   - **Late Charges and Interest**

4.1 Loan Setup Overview Process

This section describes the loan setup, IMIP collection and case status transition in the Servicing Module at a high level.

- **Suspense**: After day one activities are performed in FHA Connection (FHAC), the Servicing Module receives initial case details from CHUMS via the daily interface file. This file is processed in the Servicing Module and loans that pass all validations are recorded with a case status of Suspense. Reinstatement of previously cancelled cases are received via the daily interface file from CHUMS and are recorded in the Servicing Module with a case status of Suspense.
- **Pending IMIP Payment**: The loan is now available for the lender/servicer to perform loan setup. The lender/servicer must populate the required loan details to complete the loan setup and initiate the IMIP collection. Once the loan setup is completed, the case status is updated to Pending IMIP Payment.
- **Pending Endorsement**: The Servicing Module sends the request for IMIP receivable to the Accounting Module via a daily batch interface file, triggering the collection of IMIP.
    - Upon receiving the notification of IMIP collection from Accounting Module, the case status is updated to Pending Endorsement.
    - Upon failure to collect IMIP, the Servicing Module will not change the case status. The Servicing Module provides the ability to retry the IMIP collection batch request once the problem causing the NSF has been corrected. Refer to the Accounting-Transmittals section 5.18.1.4 documented in this User Guide in Chapter 5 for details.
- **Endorsed**: The Servicing Module notifies CHUMS of the successful IMIP collection through a daily interface file. Upon acceptance of Case binder, CHUMS will send the Endorsed case status update information through a daily interface file to the Servicing Module. Upon processing this information, the case status is updated to Endorsed.

Note: HUD charges two mortgage insurance premiums on HECM reverse mortgages: an initial premium – IMIP, and an annual premium (calculated per HUD regulations for each month and collected as MMIP). The IMIP amount is received from CHUMS in the Servicing Module; however, the MMIP is calculated every month in the Servicing Module as part of monthly accruals.

The loan setup can be performed by lenders/servicers manually through the **Loan Setup** screen or electronically through B2G (loan setup import file) which are described in detail in the following sections.

4.2 Manual Loan Setup

This section describes the manual loan setup through the Loan Setup screen. This screen allows the user to setup one loan at a time.

The key case-level data on the Loan Setup screen is populated with the information received from CHUMS. On day two from case number assignment, an authorized user is required to enter additional loan data to complete the loan setup to remit IMIP.

4.2.1 Performing Loan Setup

To perform loan setup:

Step 1. Select the **Loan** tab.

Step 2. Enter the FHA case number of the loan. Click **Search**.

Step 3. Click **Setup** link beside the loan displayed under the **Loan Search Results** section.

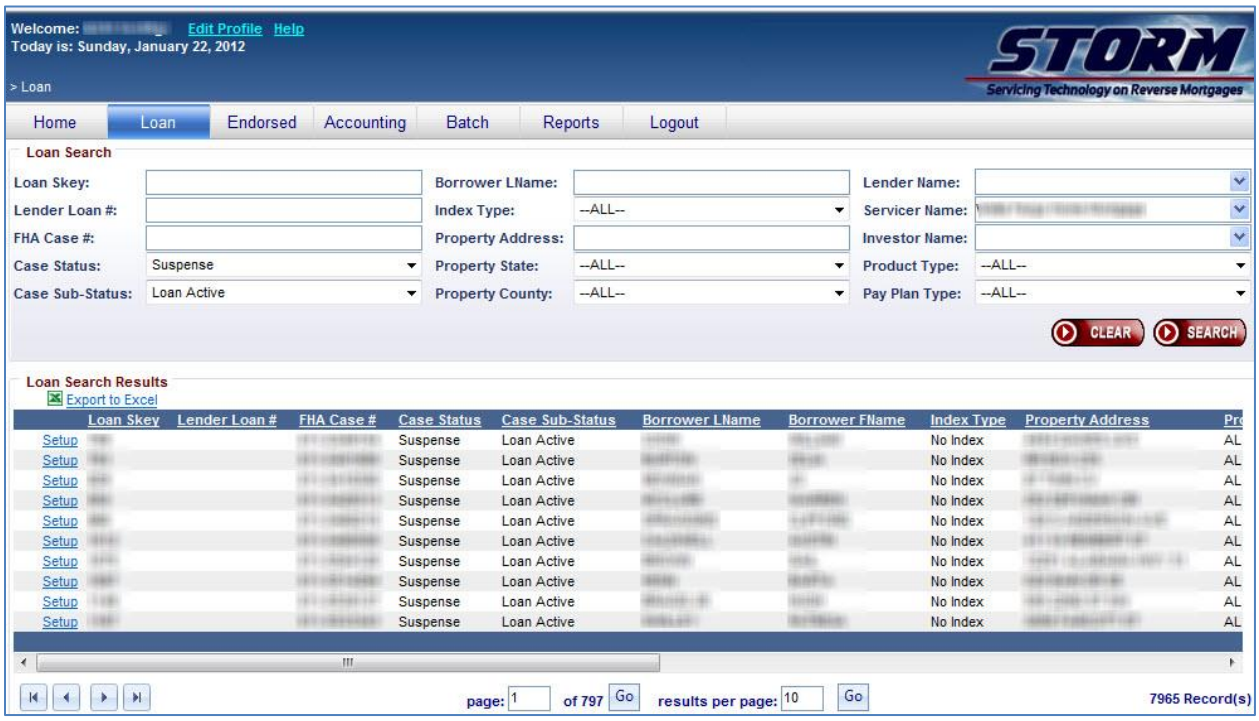

Figure 4-1: Loan Search Screen - Suspense Loans

Step 4. On the **Loan Setup** screen, enter the loan details (Required fields are marked with an asterisk) to complete the loan setup. Refer to **Section 4.2.2** for details on each of the fields displayed on the loan setup screen. On this screen the following buttons are displayed:

- **Save & Close** – This button allows the user to save their changes and complete the loan setup.
- **Save & Next** – This button allows the user to save their changes, complete the loan setup and display the next loan with a case status of Suspense.
- **Cancel** – This button allows the user to exit the loan setup screen without saving the information.

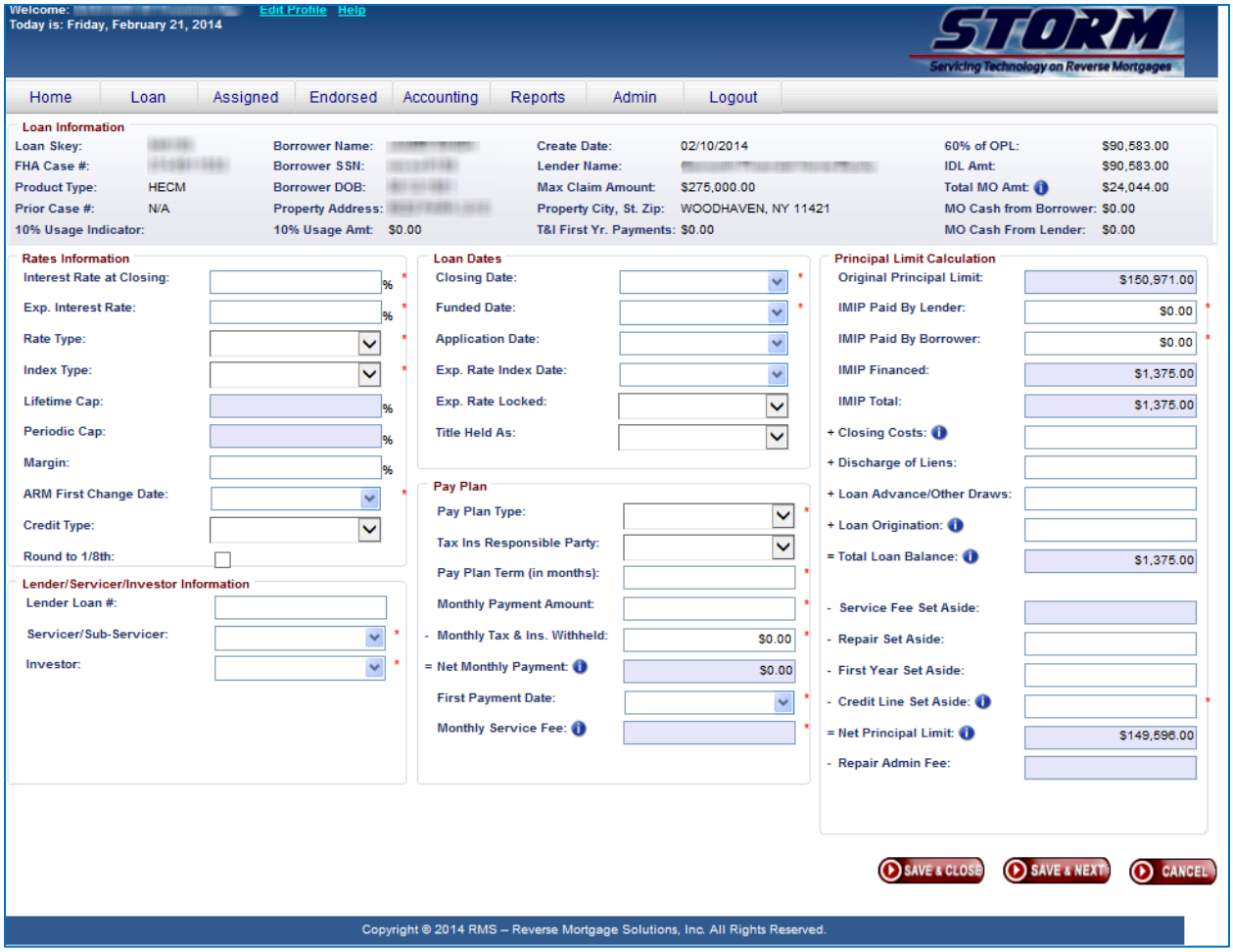

Figure 4-2: Loan Setup Screen

Step 5. Enter the required data fields on the loan setup screen and click the **Save & Next** button. The system will validate the data fields and display the error messages when the validations fail. Click **OK** to close the message window. The user must fix the errors to continue with the loan setup.

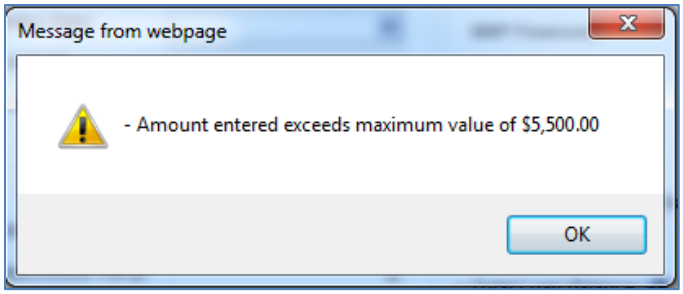

Figure 4-3: Sample Error Message - Loan Setup Screen

Step 6. If all the validations pass, the loan setup is complete and the case status is updated to Pending IMIP Payment. The user is navigated back to the **Loan Search** screen.

4.2.2 Details of Data Fields on the Loan Setup Screen

The tables below describe the data fields on the Loan Setup screen.

4.2.2.1 Loan Information

The table below provides the details of data fields within Loan Information section. The data fields within this section cannot be edited by the user.

Field name	Description
Loan Skey	A unique system-generated number assigned for each FHA case.
FHA Case#	The 10-digit case number, received from CHUMS.
Product Type	The type of HECM Case received from CHUMS: • HECM (New HECM Product Type per ML 2013-27) • HECM for Purchase (New HECM Product Type per ML 2013-27) • HECM – Refinance (New HECM Product Type per ML 2013-27) • HECM Standard (HECM Traditional with a standard IMIP designation) • HECM Standard for Purchase (HECM for Purchase with a standard IMIP designation) • HECM Standard – Refinance (HECM Refinance with a standard IMIP designation) • HECM Saver (HECM Traditional with a saver IMIP designation) • HECM Saver for Purchase (HECM for Purchase with a saver IMIP designation) • HECM Saver - Refinance (HECM Refinance with a saver IMIP designation)
Prior Case #	The FHA case number of a previously refinanced case. This field is available only for HECM Refinance, HECM Standard Refinance or HECM Saver Refinance product types.
10%Usage Indicator	An indicator to identify if the Mortgagor has elected to use an additional 10% of their Principal Limit amount at the time of loan closing or during the First 12-Month Disbursement Period so that the correct amount

Field name	Description
	of initial MIP is collected. This data is received from CHUMS.
Borrower Name	The name of the youngest borrower on the HECM Case received from CHUMS.
Borrower SSN	The social security number of the youngest borrower on the HECM Case received from CHUMS.
Borrower DOB	The data of birth of the youngest borrower on the HECM Case received from CHUMS.
Property Address	The address of the mortgaged property received from CHUMS.
10% Usage Amt	The amount of the additional 10% of the Principal Limit amount that the mortgagor has elected to have available. This data is received from CHUMS.
Create Date	The date when the loan/case was received in Servicing Module from CHUMS; this is a system-generated date.
Lender Name	The name of the originating lender received from CHUMS.
Max Claim Amt	The maximum claim amount of home value insured by HUD for the case. It is the least of appraised value, national mortgage limit, or sales price. This data is received from CHUMS.
Property City, St, State, Zip	The city, state and zip code information of the mortgaged property. This data is received from CHUMS.
T&I First Yr Payments	Tax and Insurance Payments scheduled for payment from the Property Charge Set Aside or from HECM proceeds within the First 12-Month Disbursement Period. This data is received from CHUMS.
60% of OPL	60% of the Original Principal Limit amount. This field is used in the calculation of the Initial Disbursement Limit. This data is received from CHUMS.
IDL Amt	The amount of mortgage proceeds that can be advanced at loan closing or during the First 12-Month Disbursement Period after loan closing. The sum of Loan Advances/Other Draws and the fields that comprise the Total Mandatory Obligation (IMIP Financed, Closing Costs, Discharge of Liens, Loan Origination, Repair Set Aside, and T&I First Yr Payments) cannot exceed the IDL amount on submission on the Loan Setup screen. This data is received from CHUMS.
Total MO Amt	The Total Mandatory Obligations Amount received from CHUMS. The Total Mandatory Obligations should be the sum of IMIP Financed, Closing Costs, Discharge of Liens, Loan Origination, Repair Set Aside, and T&I First Yr Payments on submission on the Loan Setup screen.
MO Cash from Borrower	The Mandatory Obligation Cash amount paid by the Borrower at Loan Closing. The data is received from CHUMS.
MO Cash from Lender	The Mandatory Obligation Cash amount paid by the Lender at Loan Closing. The data is received from CHUMS.

Table 4-1: Data Fields - Loan Information Section

4.2.2.2 Rates Information

The table below provides the details of data fields within Rates Information section. All required fields are denoted by an asterisk.

Field	Description
Interest Rate at Closing*	The note interest rate at closing of the loan. This is a required field.
Exp. Interest Rate*	The expected interest rate of the loan, which is used to determine the principal limit on a loan. This is a required field.
Rate Type*	The rate type for the case. This is a required field. The selectable options are: • Annual • Fixed • Monthly
Index Type*	The index type for the case. Used by a lender to determine the interest rate for an adjustable rate mortgage (ARM) Valid index types are Constant Maturity Rate (CMT) and London Interbank Offered Rate (LIBOR) This is a required field. Select the Index Type based on the Rate Type. The selectable options are: • 1 Month CMT • 1 Yr-CMT • 1 Yr-LIBOR • 1 Month LIBOR • No Index
Margin	The margin for adjustable loans. This is required only for monthly and annually adjustable loans.
ARM First Change Date	The first change date of an adjustable rate mortgage. This is required only for monthly and annually adjustable loans.
Credit Type	Either open-ended or close-ended. This is required only for fixed rate type.
Lifetime Cap	The maximum interest rate on an adjustable rate mortgage that may be charged at any point over the life of the mortgage. This field is system-generated for annual or monthly rate types.
Periodic Cap	The interest rate increase from one adjustment period to the next. This field is system-generated for annual rate types.
Round to 1/8th	Refers to the interest rate adjustment rounding feature. Select the checkbox to cause future rate adjustments to be rounded to the nearest 1/8th. This is an optional field.

Table 4-2: Data Fields - Rates Information Section

4.2.2.3 Lender/Servicer/Investor Information

The table below provides the details of data fields within Lender/Servicer/Investor Information section. All required fields are denoted by an asterisk.

Field	Description
Servicer/Sub-Servicer*	The current servicer of the HECM Case. This is a required field.
Investor Name*	The investor of the HECM Case. This is a required field.
Lender Loan #	The unique loan identifier assigned by the lender. This is an optional field.

Table 4-3: Data Fields - Lender/Servicer/Investor Information Section

4.2.2.4 HECM For Purchase Information

The table below provides the details of data fields within HECM for purchase Information section. This section is visible and available only for HECM for Purchase, HECM Standard for Purchase (HECM for Purchase with a standard IMIP designation) or HECM Saver for Purchase (HECM for Purchase with a saver IMIP designation) loans. All required fields are denoted by an asterisk.

Field	Description
Was Prior Sale/Transfer*	This field allows a user to choose if there was a prior sale of the property. This is a required field with values of "Yes" or "No".
Prior Sale Date*	The sale date of the prior property of the borrower. This is a required field if Prior Sale/Transfer is "yes".
Prior Sale Price*	The sale price of the prior property of borrower. This is a required field if Prior Sale/Transfer is yes.
Sale Date	The date the mortgagor and mortgagee agree on the terms of the contract for the HECM mortgaged property. This is an optional field.
Contract Date	The contract date of the HECM mortgaged property. This is an optional field.
Borrower Investment Amount	The amount needed to satisfy the difference between the sales price and HECM principal limit. This is an optional field.

Table 4-4: Data Fields - HECM for Purchase information Section

4.2.2.5 Loan Dates

The table below provides the details of data fields within Loan Dates section. All required fields are denoted by an asterisk.

Field	Description
Closing Date*	The date the loan was closed. It is the date the mortgagor and mortgagee sign the closing documents. This is a required field.
Funded Date*	The date when the funds are disbursed. This is a required field.
Exp. Rate Locked*	Captures whether the expected interest rate was locked. This is a required field with values of "Yes" or "No".
Exp. Rate Index Date	This field identifies the index date of expected interest rate. This is an optional field.
Title Held As	Used to determine if mortgage meets statutory and regulatory requirements. This is an optional field.
Application Date	The date Borrower signed the initial 1009 form. This is an optional field.

Table 4-5: Data Fields - Loan Dates Section

4.2.2.6 Pay Plan

The table below provides the details of data fields within Pay Plan section. All required fields are denoted by an asterisk.

Field	Description
Pay Plan Type*	The payment plan type to be setup for a loan. This is a required field. The selectable options are: • Line of credit • Term • Tenure • Modified term • Modified tenure Note: To select the Single Disbursement Lump Sum Payment Plan option, user must select credit-type as Close-ended and Pay Plan Type as Line of Credit.
Monthly Service Fee*	The service fee charged by the lender/servicer for each month throughout the life of the loan. This is a required field.
Pay Plan Term (in months)	The number of months for which monthly payments are made. This is required only for term or modified term pay plan types.
Monthly Payment Amount	The monthly payment amount scheduled to be made to the borrower each month. This is required only for term, tenure, modified term and modified tenure payment plan types.
First Payment Date	The date monthly payments are to begin. This is required only for term, tenure, modified term, and modified tenure payment plan types.
Basis Points	The servicing fee margin associated with the HECM loan. This is required only if Monthly Service Fee equals $0.00.

Field	Description
Net Monthly Payment	This is system-calculated value, difference between Monthly Payment Amount and Monthly Tax & Ins Withheld.
Monthly Tax & Ins Withheld	The amount set aside monthly for taxes and insurance on the loan. This is an optional field.
Tax Ins Responsible Party	The responsible party for payment of taxes and insurance. Choose either borrower or servicer. This is an optional field.

Table 4-6: Data Fields - Pay Plan Section

4.2.2.7 Late Charge and Penalty Interest

The table below provides the details of data fields within Late Charge and Penalty Interest section. All required fields are denoted by an asterisk.

Field	Description
Late Charge	Any late charges incurred on the loan/case. This is system-generated value. Note: If IMIP is not paid within 15 days of the loan closing date, late charges of 4% of the IMIP is populated.
Penalty Interest (Interest Charge)	This is system-generated value. This field is calculated if IMIP is received 30 or more days after the loan closing date.

Table 4-7: Data Fields - Late Charge and Penalty Interest Section

4.2.2.8 Principal Limit Calculation

The table below provides the details of data fields within Principal Limit Calculation section. All required fields are denoted by an asterisk.

Field	Description
Original Principal Limit	The maximum loan amount for which a borrower is eligible. This field is received from CHUMS.
IMIP Total	The total IMIP that will be collected once the loan is successfully setup. This field is received from CHUMS.
IMIP Paid by Lender*	The Initial Mortgage Insurance Premium (IMIP) paid by lender. This is a required field.
IMIP Paid by Borrower*	The Initial Mortgage Insurance Premium (IMIP) paid by the borrower. This is a required field.
Loan Origination*	This field captures the origination fee charged by the lender. This is a required field.
Loan Advance/Other Draws	Captures the loan advances/other draws taken at closing. This is required only for Modified Term, Modified Tenure or Line of Credit.
Credit Line Set Aside	The line of credit amount for modified term and modified tenure pay plans. This is required only for modified term and modified tenure pay plans.
Repair Admin Fee	The repair admin fee when amount is set aside for repairs during loan setup. This is required only if data field Repair Set Aside is > $0.00.
Total Loan Balance	This field is calculated by the Servicing Module. Equals the sum of IMIP Total + Closing Costs + Discharge of Liens + Loan Advance/Other Draws + Loan

Field	Description
	Origination fee.
Service Fee Set Aside	This field is calculated by the Servicing Module and is the amount of funds set aside from the initial/net principal limit for payment of future monthly servicing fees.
IMIP Financed	The Initial Mortgage Insurance Premium (IMIP) financed. This is system-generated value, adjusted according to the data entered in fields IMIP Paid by Lender and IMIP Paid By Borrower.
Net Principal Limit	This field is calculated by the Servicing Module and identifies the principal limit available for borrower.
Closing Costs	The amount of fees and expense incurred by initiation of loan. This is an optional field.
Discharge of Liens	Captures the release of financial liability to a debt of record. This is an optional field.
Repair Set Aside	The amount of money set aside to cover home repairs needed from the initial/net principal limit. This is an optional field.
First Year Set Aside	The amount of money set aside to cover property charges from the initial/net principal limit. This is an optional field.

Table 4-8: Data Fields - Principal Limit Calculation Section

4.3 B2G Loan Setup

The lender/servicer has an ability to upload HECM Case data to the Servicing Module using three B2G interface files. The table below provides a brief description of the files. For additional technical guidance, refer to current version of the B2G File Format and Layout Document.

Field	Description
Loan Setup Import	Enables lenders/servicers to setup one or multiple loans in the Servicing Module.
Servicer Transfer Import	Enables lenders/servicers to record the transfer of servicers on HECM Cases in the Servicing Module.
Transactions Import	Enables lenders/servicers to record loan transactions in the Servicing Module.

Table 4-9: B2G Interface Files

4.3.1 Uploading a B2G Loan Setup Import File

The Servicing Module allows the lender/servicer to perform loan setup on multiple loans (maximum of 1500 records) using a single B2G loan setup import file. The data fields within the B2G loan setup import file are similar to the data fields displayed on the Loan Setup screen (with exception to the system derived fields like calculations). Once the user uploads the file, the system performs validations (similar to the validations performed on the Loan Setup screen) and loans that pass all validations are recorded in the Servicing Module with a case status of Pending IMIP Payment. If any of the critical validations fail, the loan setup is not completed and an error message is displayed for the loan. The details are covered in the below sections.

Note: Refund requests cannot be submitted through B2G file. Upon completion of loan setup through B2G, the lender/servicer must manually request refund of late charges and interest if any, through Loan – Servicer Request screen as documented in section 4.5.1.2 in this User Guide.

4.3.1.1 Preparing Loan Setup Import file

To prepare a B2G loan setup import file:

Step 1. Select **Servicer File Upload**, from the **Batch** tab.
Step 2. Select **Loan Setup**.
Step 3. On the **File Download** screen, click **Open;** this action opens an Excel template.

Step 4. Enter valid values for each column. For each of the field a comment is displayed when user points on the column name. The comment provides the user with the following information:
- whether the field is required, optional or conditionally required
- format/valid values for each field

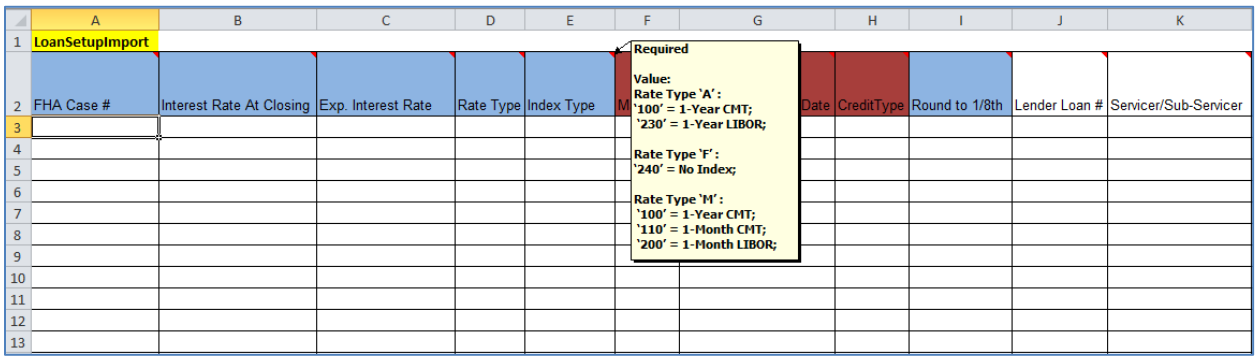

Figure 4-4: Sample Excel Template - B2G File Import

4.3.1.2 Saving the Loan Setup Import file

To save the B2G loan setup import file:

Step 1. Once all required fields are entered in the B2G Loan Setup import file, the file is ready for upload. The file should be saved in a text (tab-delimited) file format:

Step 2. Click **File > Save** in the Loan Setup Import file.

Step 3. Select the folder in which to save the Excel file.

Step 4. Rename the file if desired.

Step 5. Click **File > Save As** and save the file as text (tab-delimited).

Step 6. Click **Save.**

4.3.1.3 Uploading the Loan Setup Import file

To upload the import file:

Step 1. Click **Browse** on the **Servicer File Upload** screen to attach the previously saved loan setup import file.

Step 2. Click **Upload.** The Import Results section displays the details of the upload results.

Step 3. The system will process the file and validate the records within the loan setup import file:

- If all the critical validations pass for the record, the record is uploaded with Pending IMIP Payment case status
- If any of the critical validations fail, the record is not uploaded in the Servicing Module

Step 4. Upon completion of the file processing, the system displays the processing status of each record within the file.

4.3.1.4 Viewing the Upload Status of Loan Setup Import File

The Import Results section displays the details of the processed B2G Loan Setup Import file. It allows user to view:

- **Error Records:** count of records within the file that failed critical validations
- **Warning/Success Records:** count of records that generated a warning but were successfully uploaded in the Servicing Module
- **Success Records:** count of records that were successfully uploaded without generating a warning or error
- **Filters:** This section allows the user to filter the import results by status and error message
- **Export to Excel:** This link allows the user to export the file upload results to an Excel file

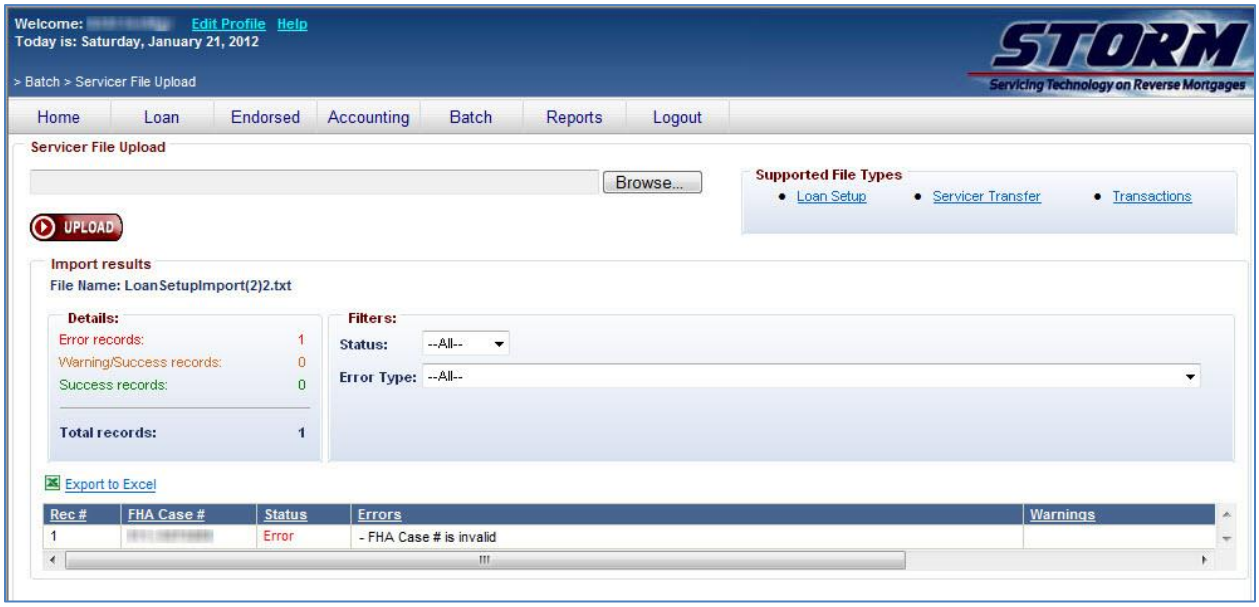

Figure 4-5: Servicer File Upload Screen - Import Results Section

The processing status of each record within the file is displayed:

- **Rec#:** The record number of the case within the file
- **FHA Case#:** The case number associated with the record
- **Status:** The status of the uploaded record (Success, error or warning)
- **Errors:** Description of the errors associated with the record. For example: FHA Case# is invalid
- **Warnings:** Description of the warnings associated with the record

4.4 IMIP Collection

This section explains the IMIP collection processing in HERMIT (Servicing and Accounting Modules) system.

1. The case status is updated to Pending IMIP Payment and the IMIP transaction is generated when a loan setup is performed in the Servicing Module. These FHA cases are sent to the Accounting Module for collection of IMIP via an interface file.
2. The Servicing Module assigns a batch ID and batch status for the IMIP receivable request to track the IMIP collection status. Once the file is generated and sent to the Accounting Module, the batch status (Sent to GL) is updated to indicate that the transaction has been sent to the Accounting Module.
3. The Accounting Module processes the file, records the IMIP receivable transactions and sends a response file to the Servicing Module. The Servicing Module processes the response file from the Accounting Module and updates the batch status (Success – Collect).
4. The Accounting Module processes the IMIP receivable and generates a non interactive-batch file per Treasury Pay.gov's specification. The file is sent to Pay.gov for collection. Upon posting the collection by pay.gov, the deposit is recorded in the Accounting Module.
5. The Accounting Module will send the IMIP collection confirmation to the Servicing Module via an interface file. The Servicing Module processes this file and the batch status is updated to Settled and case status to Pending Endorsement. This completes the IMIP collections processing in HERMIT.
6. The Servicing Module sends the IMIP collection confirmation to CHUMS via a daily interface file. CHUMS will endorse the cases based on their endorsement process and will send the endorsed cases to Servicing Module. Upon processing this information, case status in Servicing Module is updated to Endorsed.

4.4.1 Verifying IMIP Collection Status

To verify IMIP collection status on a Pending IMIP Payment case:

Step 1. Select the **Accounting->Premiums (IMIP)** tab.

Step 2. Enter the FHA case# and click **Search**. The FHA case is displayed along with batch details. Batch id is displayed along with the batch status. For the next step, please note down the batch id.

Step 3. Select the **Accounting -> Transmittals** tab. Enter the batch id and click **Search**. The results are displayed under the **Transmittals Search Results** section.

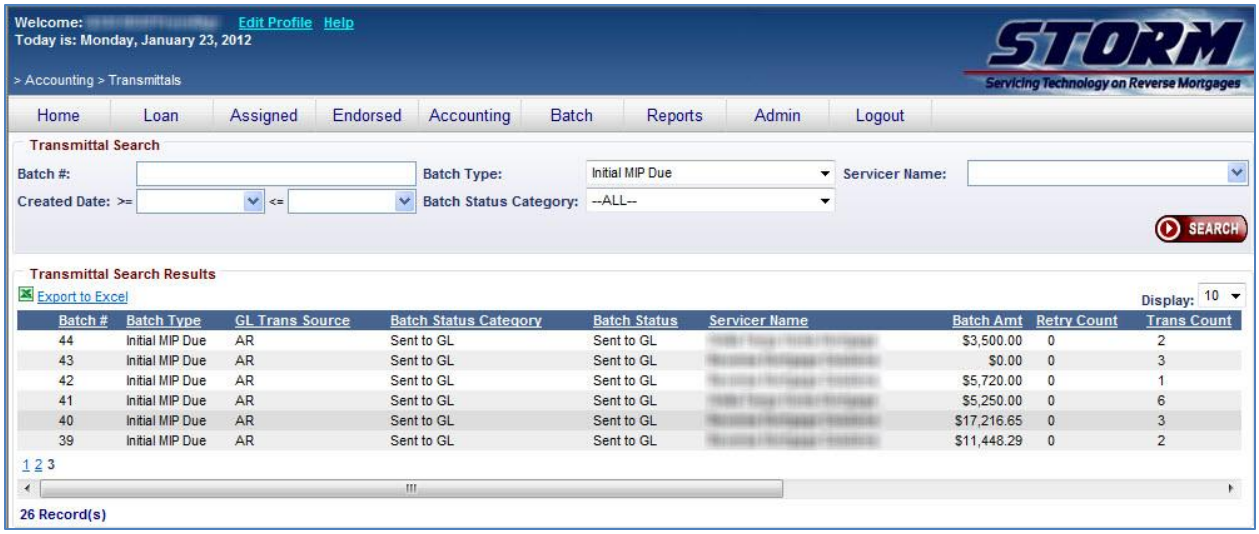

Figure 4-6: Transmittal Search Results for Initial IMIP Due

Step 4. Select the batch id from the results to view the **Batch Details** screen. This screen displays the IMIP transaction details for the associated FHA case number(s).

Step 5. The IMIP collection status can be viewed through the **Daily IMIP Transaction Report** from the **Reports** tab. Refer to Section 9.5 for report generation instructions.

4.5 Refunds

This section covers the refund transactions initiated manually by the lender/servicer during or after loan setup, refund transactions initiated automatically by the system for canceled loans, and refunds payment processing in HERMIT (Servicing and Accounting Modules) system.

4.5.1 Refund of Late Charges and Penalty Interest

The Servicing Module allows the lender/servicer to manually request a refund of late charges/penalty interest, if any, during loan setup or after loan setup. Some of the reasons to request a refund are:

- Any penalty adjustments
- Invalid MCA sent from CHUMS
- Erroneous closing date was entered and corrected

Late charges and penalty interest cannot be refunded separately. The system generates a single transaction for loan setup charges, and penalty interest.

Upon initiation of the refund request, the HUD Single Family Premiums Manager reviews the request and may approve or deny the refund request. If a refund is approved, the system generates the refund transaction on the loan and transmits the refund request to the Accounting Module for refund disbursement.

4.5.1.1 Requesting a Refund of Late Charges and Penalty Interest During Loan Setup

To request a refund:

Step 1. Select the **Loan** tab.

Step 2. Enter the FHA case# of the loan. Click **Search.**

Step 3. Click **Setup** link beside the loan displayed under the **Loan Search Results** section.

Step 4. The **Loan Setup** screen is displayed.

Step 5. Enter a closing date under the **Loan Dates** section (This date must be 15 days prior to the current date for the late charge occurrence or 30 days prior to current date for occurrence of penalty interest.) for the **Late Charge and Penalty Interest** section to be displayed at the bottom of the screen.

Step 6. Select the **Refund Request** checkbox.

Step 7. Select a **Refund Reason** and optionally enter the **Refund Comments**.

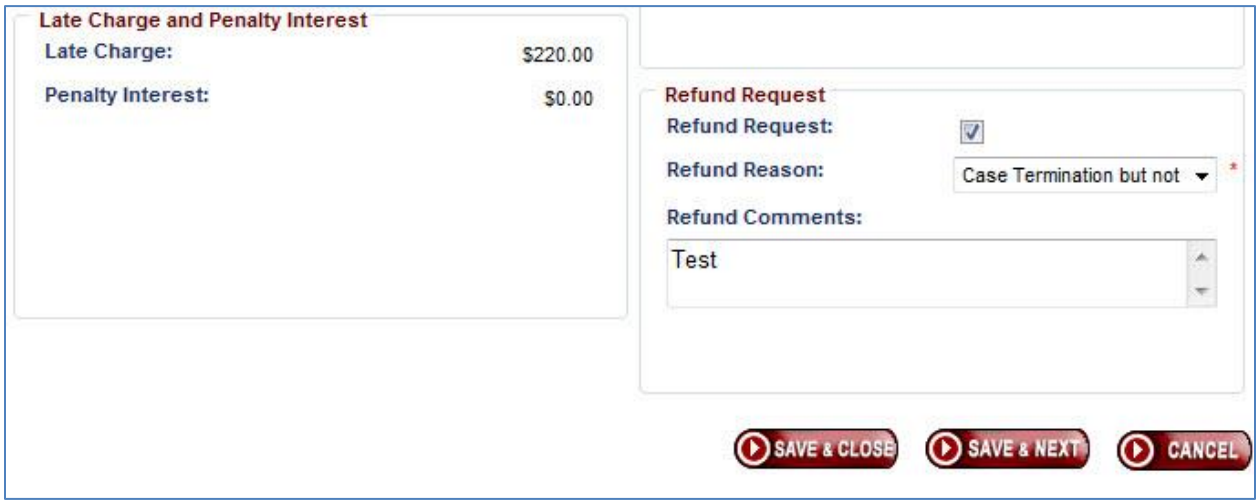

Figure 4-7: Loan Setup Screen - Refund Request Section

Step 8. Complete the loan setup of the case, by entering all other required details. Click **Save & Next**.

Step 9. The refund request is added on the loan and displayed on the **Refunds** screen under **Accounting** tab with a status of Pending.

Step 10. The HUD SF Premiums Manager can now select the loan and approve or deny the refund.

4.5.1.2 Requesting a Refund of Late Charges and Penalty Interest After Loan Setup

To request a refund:

Step 1. Select the **Loan** tab.

Step 2. Enter the FHA case# of the loan. Click **Search**.

Step 3. Select the loan displayed under the **Loan Search Results** section.

Step 4. The **Loan Balance** screen is displayed.

Step 5. Select the **Servicer Request** from the vertical menu options on the left hand of the screen.

Step 6. Select a **Refund Reason** and optionally enter the **Refund Comments** under the **Refund Request** section. Click **Submit** to save the changes.

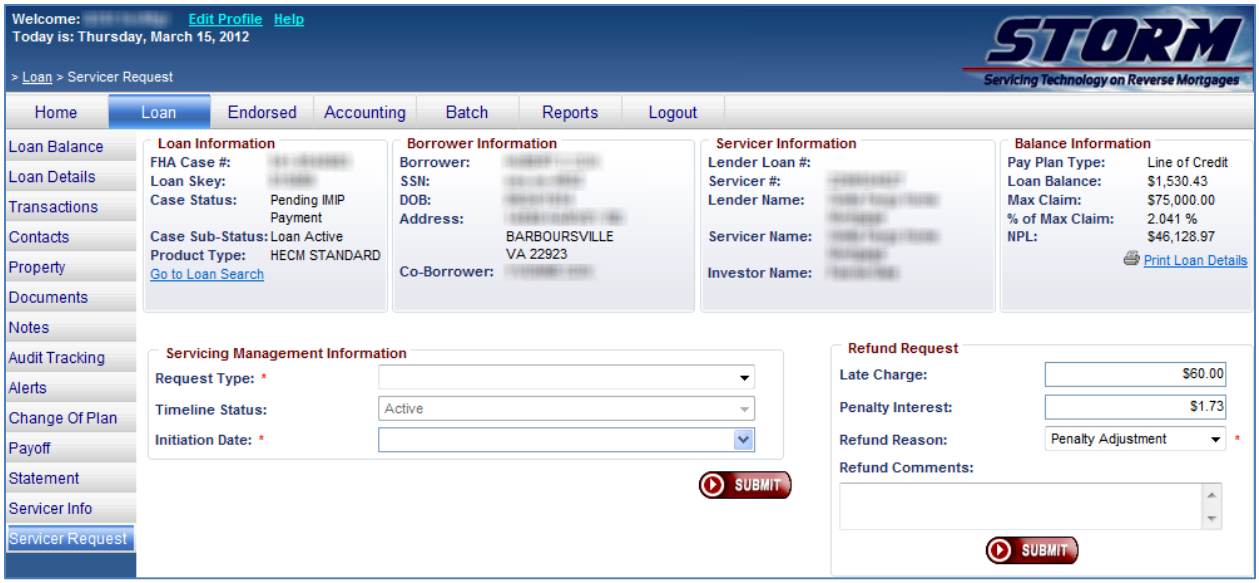

Figure 4-8: Refund Request after Loan Setup

Step 7. The refund request is added on the loan and displayed on the **Refunds** screen under **Accounting** tab with a status of **Pending**.

Step 8. The HUD SF Premiums Manager can now select the loan and approve or deny the refund.

4.5.2 Automatic Refund of MIP, Late Charges, and Penalty Interest – Cancellation from CHUMS

The system updates the case status to Cancelled, when a cancellation record is received from CHUMS via the daily interface file. The system automatically generates the refund transaction on the loan for any mortgage insurance premium (IMIP and MMIP) collected on the loan and any late charges or penalty interest associated with the MIP collection. In addition, the system updates loan balance on the loan to zero dollars and the payment status of the loan to Payment Suspended (displayed on the Loan Balance screen).

The refund transactions automatically generated by the system on Cancelled loan do not require approval from HUD SF Premiums Manager. Refund request of MMIP cannot be initiated manually in Servicing Module.

To view a refund transaction on Cancelled loan:

Step 1. Select the **Loan** tab.

Step 2. Enter the FHA case# of the cancelled loan. Click **Search**.

Step 3. Select the loan displayed under the **Loan Search Results** section.

Step 4. The **Loan Balance** screen is displayed.

Step 5. Select the **Loan Transactions** under the **Transactions** menu option.

Step 6. An adjustment transaction **Loan Setup – Adj** displaying the refund amount is displayed in the **Loan Transaction Results** section.

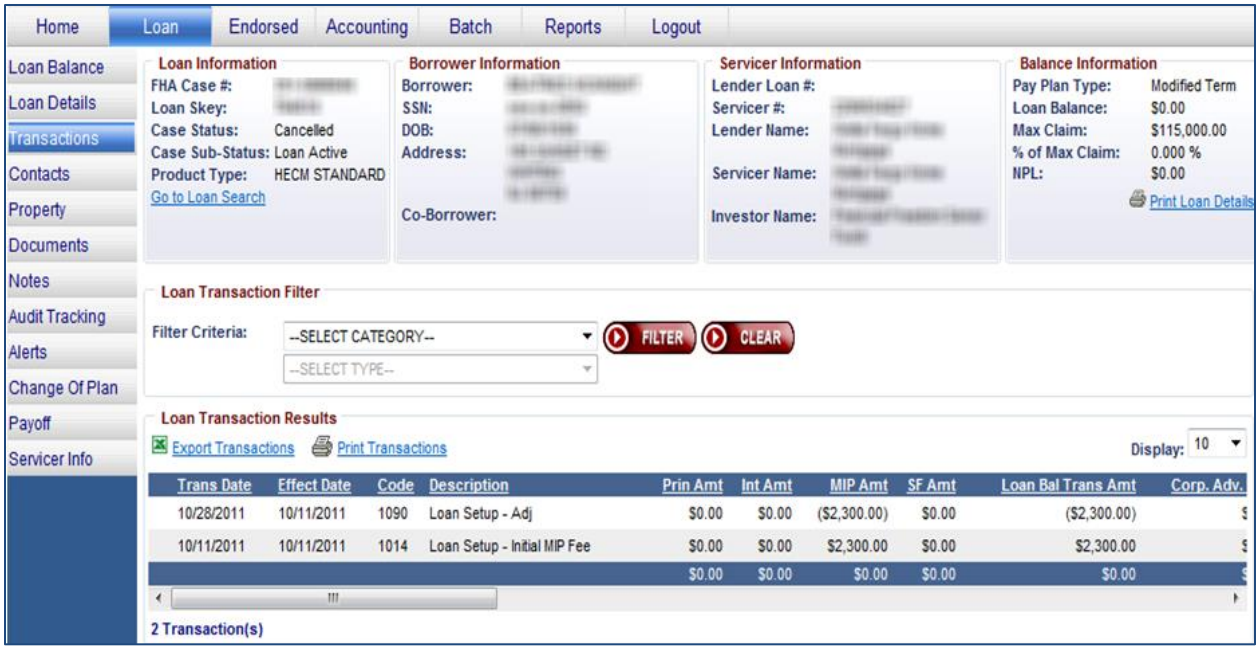

Figure 4-9: Refund Transaction on Cancelled Loan

4.5.3 Approving or Denying a Refund

The Servicing Module allows the HUD SF Premiums Manager to review the Pending refund requests for late charges and penalty interest and approve/deny the request.

To approve or deny a refund request:

Step 1. Select the Accounting->Refunds tab.

Step 2. Enter the FHA case # or select **Refund Status** of **Pending**.

Step 3. Click **Search.**

Step 4. Select a case from the **Refund Search Results** section to approve or deny the request.

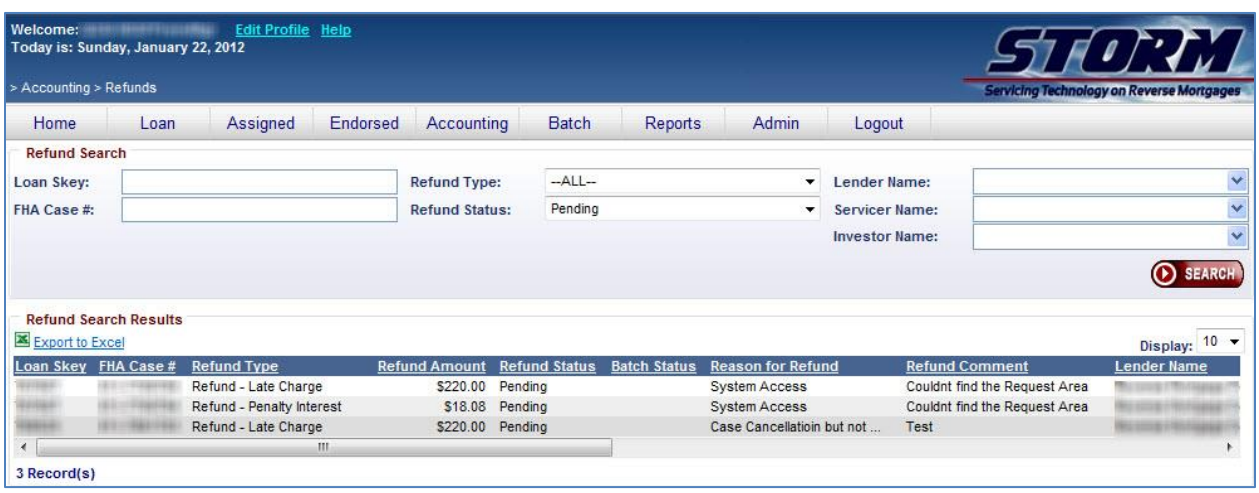

Figure 4-10: Accounting Refund Screen

Step 5. On the **Refund Information** window, select Approved or Denied values from the **Refund Status** dropdown box. Optionally add Appr/Deny Reason and Refund Comments. Click **Submit** to save the changes. To exit the window without saving the changes, click **Cancel**.

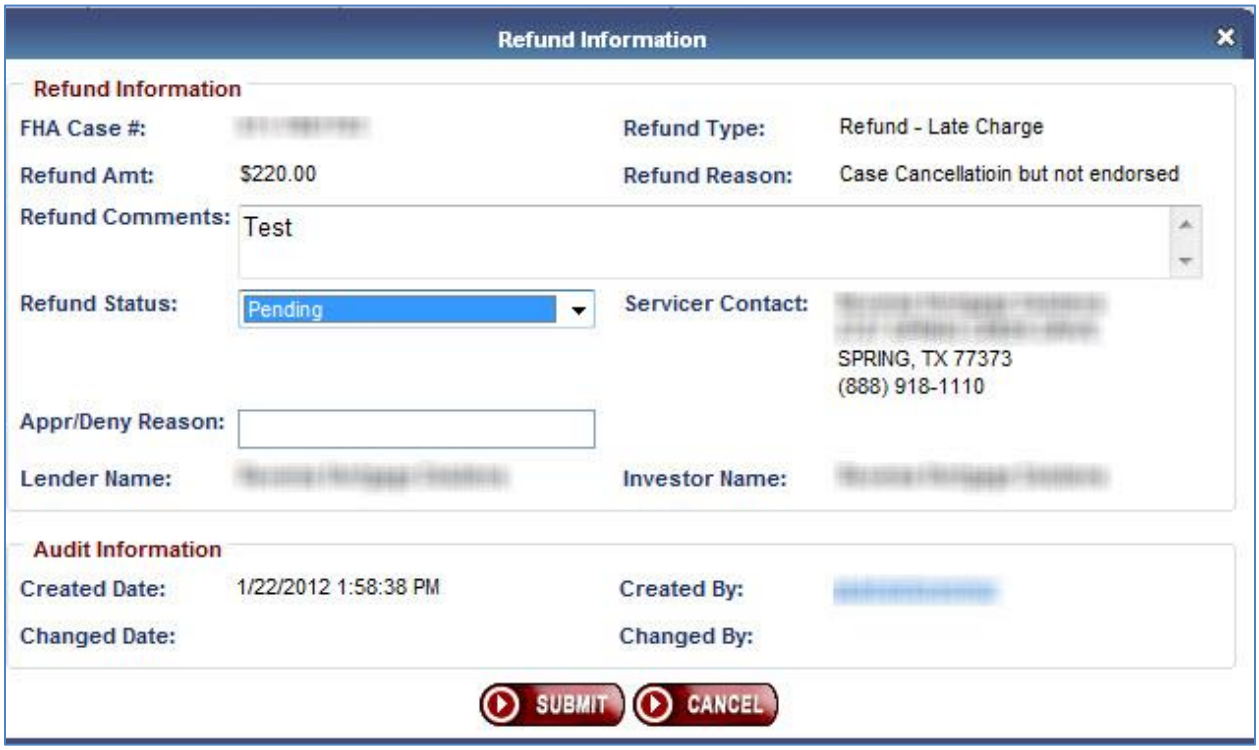

Figure 4-11: Refund Information Window

Step 6. The Refund Status is updated to Approved/Denied based on the selection in previous step.

4.5.4 Processing Refund Disbursements

This section explains the refund disbursements processing in HERMIT (Servicing and Accounting Modules) system.

1. The Servicing Module generates the refund transaction when a refund is approved or a loan is cancelled. The refund payable requests are sent to the Accounting Module for refund disbursements via an interface file.
2. The Accounting Module processes the refund payable requests and notifies the Servicing Module of the successful disbursement through an interface file.
3. The Servicing Module processes this file and the batch status of the refund disbursement is updated to Disbursed. This completes the refunds disbursement processing in HERMIT.