

Section A: Policies on Changes After Endorsement

Overview

In This Section This section contains the topics listed in the table below.

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1. General Information on Changes After Insurance Endorsement

Introduction This topic contains general information on changes after mortgage insurance endorsement, including

- the effect of changes on the existing contract of insurance, and
 - compliance with regulations when allowing changes.
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4155.2 10.A.1.a Effect of Changes on the Existing Contract of Insurance The lender and borrower may agree to change the mortgage terms (loan modification) or otherwise change the nature of the obligation or the security (property) after the mortgage has been insured.

When this occurs, and such practice is acceptable under state laws, the existing contract of insurance remains in effect.

Reference: For information on forbearance agreements, see [HUD 4330.1](#), *Administration of Insured Home Mortgages*, REV-5, Chapter 8.

4155.2 10.A.1.b Compliance With Regulations When Allowing Changes Lenders are reminded that when deciding whether or not to allow a change to an existing mortgage, they are expected to abide by

- the Fair Housing Act
- the Equal Credit Opportunity Act (ECOA)
- Executive Order 11063, and
- FHA regulations issued pursuant to these authorities.

Reference: For information on the Fair Housing Act, [ECOA](#) and Executive Order 11063, see [HUD 4155.2 1.B](#).

2. Changes Allowed/Not Allowed After Insurance Endorsement

Introduction This topic contains information on changes allowed/not allowed after insurance endorsement, including

- types of changes that *may* be allowed but which require prior FHA approval
 - approving a change in first payment or maturity date
 - requests for an increase in value, and
 - requests to amend an application to include special assessments.
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4155.2 10.A.2.a Types of Changes Requiring Prior FHA Approval The table below lists

- the types of changes made to the mortgage terms or property after insurance endorsement that may be allowed but which require prior FHA approval, and
- references for locating additional information.

Mortgage Change	Reference
A mortgage modification for more than 10 years beyond the original maturity date.	See HUD 4330.1 Rev-5 , Chapter 3 for processing procedures.
A partial release of security <i>not</i> resulting from condemnation.	See HUD 4155.2 11 for processing procedures.

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2. Changes Allowed/Not Allowed After Insurance Endorsement, Continued

4155.2 10.A.2.a Types of Changes Requiring Prior FHA Approval (continued)

Mortgage Change	Reference
A partial release of security resulting from condemnation, but the condemnation does not meet the requirements of 24 CFR 203.389(n) .	See HUD 4155.2 11 for processing procedures.
A change in the location of the dwelling (moving the dwelling to another lot) in other than emergency circumstances.	See HUD 4155.2 10.B for processing procedures.

4155.2 10.A.2.b Approving a Change in First Payment or Maturity Date

If, after the loan is insured, a request is received to postpone the first payment date and/or maturity date, it is the policy of FHA to approve, in justified cases, the correction of delinquencies that occurred prior to insurance. This is done by postponing the date of the first payment. However, FHA does *not* approve the correction of delinquencies that occur *after* insurance.

To effectuate requests for a postponement of the first monthly payment due date, the appropriate Homeownership Centers (HOC) are authorized to consent to a postponement of said date not to exceed 30 days after the date of endorsement. The new first monthly payment due date must be entered into the Computerized Homes Underwriting Management System (CHUMS).

When occupancy of the property by the borrower is delayed because of delays in construction or other circumstances beyond the borrower's control, and the mortgage has already been recorded, the lender may request FHA approval to change the maturity date of the mortgage.

If a request for FHA approval is received *prior* to insurance and appears to be reasonable, the appropriate [HOC](#) may authorize insurance of the mortgage.

4155.2 10.A.2.c Requests for an Increase in Value

FHA does *not* accept requests for an increase in value after a mortgage is insured.

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2. Changes Allowed/Not Allowed After Insurance Endorsement, Continued

4155.2 10.A.2.d Requests to Amend an Application to Include Special Assessments

It is impossible for FHA to grant a request to amend an application to include special assessments (which were liens prior to endorsement for insurance), received after the mortgage has been insured. The terms of the regulations under which a mortgage is insured govern the rights of the lender from the date of such insurance.

For previously-insured mortgages, some lenders

- require a waiver letter in connection with customary building and use restrictions, and
- also include requests for statements that certain special assessments payable in future installments have been considered by the FHA in determining value.

In reply to such requests, it is important that these statements be limited to the building and use restrictions, and *not* include the assessments.

[HOCs](#) are *not* authorized to provide waivers on assessments after the mortgage is insured.

3. Handling Corrections to Original Instruments After Insurance Endorsement

Introduction

This topic contains information on handling corrections to original instruments after insurance endorsement, including

- corrections to original instruments, and
 - correcting two common types of errors.
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**4155.2 10.A.3.a
Corrections to
Original
Instruments**

Certain types of errors can be corrected in some jurisdictions without destroying the identity of the original note and, therefore, without requiring the submission of new instruments for endorsement.

Because all types of errors cannot be described in this handbook, lenders must request guidance from the appropriate Homeownership Center (HOC) for individual cases.

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3. Handling Corrections to Original Instruments After Insurance Endorsement, Continued

4155.2 10.A.3.b The table below describes the procedure for handling two common types of errors.
Correcting Two
Common Types
of Errors

Type of Error	Procedural Guidelines
Incorrect Legal Description	When there is an incorrect legal description, the • lender may submit a new mortgage or deed of trust, executed by the interested parties, containing a recital to the effect that the instrument has been given for the purpose of correcting the error in the previous instrument of record, or • transaction must be handled as a new case if it is necessary to present a new credit instrument for insurance. The final determination of the method used to correct the errors in such cases should be left to the discretion of the lender, which is responsible for being able to complete foreclosure in the event of default, and otherwise comply with the insurance contract. Note: If the change in the legal description involves a release of land intentionally included by the interested parties as part of the original security, follow the procedure for the partial release of security found in HUD 4155.2 11.
Incorrect or Discrepant Signature on Mortgage or Note	A lender may notify the HOC that a discrepancy in the signatures on the various instruments exists, but that the parties are the same. Such letters should be • marked with the case number, and • submitted to the appropriate HOC. Upon receipt and review of the letter, the appropriate HOC will notify the lender of any further action that must be taken.