

U.S. Department of Housing and Urban Development

H O U S I N G

Special Attention of:	Transmittal for Handbook No.:
All Approved Mortgagees	4330.4 REV-1 CHG-1
(ATTN: Servicing Managers)	Issued: April 28, 1995
Directors of Housing	
Directors of Single Family Housing Divisions	
Supervisory Single Family Loan Specialists	
Property Disposition Chiefs, Single Family	

1. This Transmits

CHANGE 1 to Handbook 4330.4 REV-1, "FHA Single Family Insurance Claims," dated September 23, 1994.

2. Explanation of Material Transmitted:

This CHANGE transmits a number of nonsubstantive corrections and updatings to the Revision 1 of the Handbook.

- a) On Page 1-7, Paragraph 1-5B is revised to reflect that, in accordance with the Final Rule issued September 30, 1994 (59 FR 49813 ff.) and Mortgagee Letter 95-9, FHA debentures are now issued in book-entry form and in the full amount of the settlement.
- b) On Page 1-10, Paragraph 1-6F.1 is revised to refer mortgagees to Paragraph 2-2A for a full discussion of extensions to the deadline to initiate foreclosure when a bankruptcy stay or State law delays the initiation of foreclosure.
- c) Page 1-19 is reprinted to delete a duplication of a half-page of text from the previous page, and to provide a half-page of text that had been omitted.
- d) Pages 1-25 and 7-6 are revised in accordance with Mortgagee Letter 95-10, which provides the new addresses to which remittances accompanying Supplemental claims are sent.
- e) The spelling of "assigns" is corrected on Pages 2-15 and 3-3.
- f) Explanations of Items 2 and 3 on the claim form are revised to clarify how FHA Case Numbers are to be entered on the claim, whether the claim is submitted on paper or through electronic data interchange (EDI).
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paper or through electronic data interchange (EDI).

- g) The name of Item 33 of the claim form, Form HUD-27011, has been revised to include "SSN" (Mortgagor's Social Security Number) to conform to existing claims instructions for this item. See replacement Page 1 of the HUD-27011 (Appendix 1). Each reference to the name

HSISI: Distribution: W-3-1,W-2(H)(OGC)(Z),W-3(A)(H)(ZAS)(ZAOO),W-4(H),
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

Security Number) to conform to existing claims instructions for this item. See replacement Page 1 of the HUD-27011 (Appendix 1). Each reference to the name of Item 33 has likewise been revised.

3. Filing Instructions: In Handbook 4330.4 REV-1,

Remove:

Pages 1-7 through 1-10,
1-19 and 1-20,
1-25 and 1-26,
2-15 and 2-16,
2-47 and 2-48,
2-57 and 2-58,
3-3 and 3-4,
3-11 and 3-12,
3-19 and 3-20,
4-7 and 4-8,
4-13 and 4-14,
5-13 and 5-14,
6-11 and 6-12,
6-17 and 6-18,
7-5 through 7-8,
8-11 and 8-12,
8-15 and 8-16 (all dated 9/94)
and Pages 1 and 2 of 7 of
Appendix 1 of
Handbook 4330.4 REV-1 dated
September 23, 1994.

Insert:

Pages 1-7, 1-10, 1-19, 1-25,
2-15, 2-48, 2-57, 3-3, 3-12,
3-20, 4-8, 4-14, 5-14, 6-12,
6-18, 7-6, 7-8, 8-11 and 8-16
dated 5/95, and
Pages 1-8, 1-9, 1-20, 1-26,
2-16, 2-47, 2-58, 3-4, 3-11,
3-19, 4-7, 4-13, 5-13, 6-11,
6-17, 7-5, 7-7, 8-12 and 8-15
dated 9/94, and
Page 1 of 7 (dated 5/95) of
Appendix 1 and Page 2 of 7 of
Appendix 1.

Nicolas P. Retsinas,
Assistant Secretary for Housing-
Federal Housing Commissioner

U.S. Department of Housing and Urban Development

H O U S I N G

Special Attention of:

All Approved Mortgagees,

Transmittal for Handbook No.: 4330.4 REV-1

(ATTN: Servicing Managers (Single Family))
Directors of Housing Issued: September 23, 1994
Directors, Housing Management Divisions
Field Office Managers/Chiefs
Supervisory Single Family Loan Specialists
Property Disposition Chiefs, Single Family

1. This Transmits Handbook 4330.4, "FHA Single Family Insurance Claims" REV-1.

2.Explanation:

This revision incorporates the regulatory amendments that were published in the Federal Register on October 20, 1992, the Mortgagee letters relating to single family insurance claims that were not incorporated in Handbook 4330.4 dated November 10, 1992, and provides some additional clarifications. It is important that this revision be transmitted to your "Single Family Servicing Managers" since it contains a major update.

The following identifies significant changes for your attention:

(1) In Chapter 1:

a. In Paragraph 1-2A the items to be added to Form HUD-27011 (dated 12/84) have been deleted because Form HUD-27011 was reprinted on 5/93 incorporating the changes. If the 12/84 form is used, the additions should be made.

b. An additional paragraph on claim accuracy was added as paragraph 1-2E.

c. Additional instructions have been added to paragraph 1-2C requiring a copy of a transmittal form when courier mail is utilized.

d. Information relating to the Payment Advice Letter was added to paragraph 1-3.

e. Information relating to the interactive voice response capability was added to paragraph 1-4.

f. The time within which foreclosure must be initiated was reduced from one year after the date of default to nine months after the date of default in paragraph 1-6F as required in the October 20, 1992 regulatory amendment. A similar change was made in other paragraphs wherever it appears.

g. Revised procedures relating to claiming Attorney fees contained in Mortgagee Letter 94-24 have been added to paragraph 1-10.

h. The new regulatory provisions relating to reimbursement on reconveyance of property and the payment of insurance benefits on reapplication after reconveyance were added to paragraph 1-14.

(2) In Chapter 2:

a. The new regulatory requirement for initiation of mortgage foreclosure on vacant or abandoned property was added to paragraph 2-2A. Additional instructions relating to foreclosure initiation and prohibition of foreclosure were also added to paragraph 2-2.

b. The new regulatory requirements relating to the time of conveyance of property to HUD was added to paragraph 2-2D.

c. Clarifying language was added to paragraph 2-2D.6 allowing for a mailing date in item 11 for directly conveyed deeds-in-lieu.

d. Clarifying language was added to paragraph 2-4.

e. Failure to initiate foreclosure on a timely basis where the property is vacant or abandoned was added to the causes for curtailment of interest in paragraph 2-5C.

f. The new regulatory provisions that HUD's decision as to the acceptability of title will be final was added to paragraph 2-6B.

g. The new regulatory provision relating to the correction of defective title was added to paragraph 2-6D.

h. The increased compensation for deeds-in-lieu of foreclosure was added to paragraph 2-7.

i. The new regulatory provision related to the conveyance of damaged property without notice was added to paragraph 2-10.

j. The required certificate of property condition was added as paragraph 2-10D.

k. The new regulatory provision limiting the reimbursement for protection and preservation costs if the property was not timely conveyed was added to paragraph 2-11A.

l. Provisions were added to paragraph 2-13B instructing mortgagees to seek hazard insurance proceeds and the method of reporting proceeds.

m. Instructions contained in Mortgagee Letter 92-21 relating to the bankruptcy of the mortgagor were added to paragraph 2-17.

n. Instructions relating to the "Special Foreclosure Checklist" were added to paragraph 2-20.

(3) In all Chapter 7:

a. Instructions contained in Mortgagee Letter 94-24 regarding supplemental claims have been incorporated.

(4) In all Chapters:

a. An additional instruction was added to Item 22 of the claim

form.

b.The regulation citation in Item 25 was changed to comply with the regulatory amendment.

c.Instructions relating to claims for debenture interest were added to Items 409 and 410.

(Asterisks (*) have been placed in the right and left hand margins on each page or pages where a correction or addition has been made).

Filing Instructions:

Remove

Handbook 4330.4
dated November 1992

Insert

Handbook 4330.4 REV-1
dated September 1994

Housing -

Federal Housing Commission

Handbook4330.4 REV-1

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

Assistant Secretary for

Program Participants

and Departmental

Staff

"FHA Single

SEPTEMBER 1994 Family Insurance

Claims"

HSIS: Distribution: W-3-1,W-2(H),W-3(A)(H)(OGC)
EQUAL HOUSING (ZAS),W-4(H),R-1,R-2,R-3,R-3-1,R-3-2,R-3-3,R-6,
OPPORTUNITY R-6-1,R-6-2,R-7,R-7-1,R-8

FOREWORD4330.4

FOREWORD

The Department of Housing and Urban Development (HUD) is authorized by the National Housing Act to insure approved single

family housing mortgages made by HUD-approved lending institutions (mortgagees). A valid Mortgage Insurance Certificate executed by HUD shall be conclusive evidence of contract of mortgage insurance, and the validity of any contract so executed shall be incontestable in the hands of an approved mortgagee except for fraud or misrepresentation by such mortgagee.

When it becomes necessary for mortgagees to apply for benefits under this insurance program, HUD attempts to pay all properly filed claims quickly, fairly and accurately. In order to accomplish this, HUD implemented an automated payment system for claiming Federal Housing Administration (FHA) single family mortgage insurance benefits. The system is designed to speed the payment of mortgagee's claims, reduce paperwork burdens, enhance the level of control and improve service.

Mortgagees do not furnish receipts for expenses with their initial application for benefits, but are required to maintain a complete claim file that fully supports their claim. The claim file must contain all receipts, records, accounts and any other documentation necessary to verify the accuracy of the claim and is subject to audit by the Department. HUD has developed quality assurance requirements for mortgagees to follow in the claim preparation and submission process. Mortgagees are expected to comply *with these requirements and use care in preparing their claims for insurance benefits. When submitting claims for benefits, HUD requires that an official of the mortgagee sign the claim certifying that all information and statements contained in the claim are true and correct. Mortgagees must ensure that all staff involved in the preparation of the claim understand the importance of that certification. The claim payment process relies on the accuracy of the claim application; any inaccurate information entered for the purpose of avoiding an interest curtailment or obtaining unauthorized insurance benefits is considered a serious breach of the contract of insurance.*

This Handbook 4330.4 REV-1, FHA Single Family Insurance Claims, incorporates all outstanding single family claim policy listed on pages I through IV and is designed to provide easy-to-use instructions for the submission of FHA single family insurance claims (except for Home Equity Conversion Mortgages). The handbook provides instructions for the preparation and submission of Form HUD-27011, Single Family *Application for Insurance Benefits, and the actions to be taken (e.g., conveying property or assigning the mortgage to HUD) in order to obtain insurance benefits. It does not purport to describe requirements for the origination or servicing of insured mortgages,* except to the extent that such requirements affect the application for and payment of insurance benefits.

i9/94

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FOREWORD

DEFINITIONS.

Unless otherwise noted, the following definitions are applicable throughout this Handbook:

EXPRESSION	DEFINITION
24 CFR	Title 24 Code of Federal Regulations for Housing and Urban Development
CAFMV	Commissioner's Adjusted Fair Market Value
CHUMS	Computerized Homes Underwriting Management System
CWCOT	Claims Without Conveyance of Title
FHA	Federal Housing Administration
FNMA	Federal National Mortgage Association
GNMA	Government National Mortgage Association
HIP	Hazard Insurance Premium
HUD	Department of Housing and Urban Development
Local HUD Office	The HUD Office in which jurisdiction a mortgaged property is located
MIC	Mortgage Insurance Certificate
MIP	Mortgage Insurance Premium
PFSP	Pre-Foreclosure Sales Program
S/F	Single Family
Section	Section in the National Housing Act or 24 CFR
Secretary	The Secretary of the Department of Housing and Urban Development

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PRIVACY ACT.

A. Authority. The U.S. Department of Housing and Urban Development is authorized to solicit the information requested by virtue of Title 12 USC, 1701 and regulations promulgated thereunder at Title 24, Code of Federal Regulations.

B.Purpose. The information requested in this form is to be used by the Department in processing your request for mortgage insurance benefits under the applicable sections of the National Housing Act, as amended.

C.Use. This information will be used to verify claimant's entitlement to benefits and support the request sent to the U.S. Department of the Treasury for issuance of a check. It will not be disclosed or released outside the U.S. Department of HUD without your consent, except as noted and as required by law.