

4710.1

TITLE I

MOBILE HOME LOAN

OPERATING HANDBOOK

SEPTEMBER 1973

PROGRAM PARTICIPANTS AND HUD STAFF

A HUD HANDBOOK

HOUSING PRODUCTION AND MORTGAGE CREDIT-FEDERAL HOUSING ADMINISTRATION

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D. C. 20410

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FOREWORD

This Title I Mobile Home Loan Handbook, comprising four chapters, has been prepared to assist lending institutions in the proper operation of their Title I Mobile Home lending activity pursuant to the requirements of the Housing Act of 1969 and the Title I Regulations.

The general administrative policy of the Department of Housing and

Urban Development-Federal Housing Administration is contained in Chapter 1. Chapter 2 sets forth the policy and procedures with respect to the disbursement of eligible loans (the loan documents required, financing charges, and refinancing and collection procedures). Chapter 3 covers the reporting of loans for insurance registration and the insurance charge procedures. Chapter 4 covers the settlement of claims for loss.

We believe the Operating Handbook will be helpful in answering numerous questions normally encountered by lenders in the Title I lending activities.

References:

- (1) GNMA 5500.1A - Government National Mortgage Association  
Mortgage Backed Securities Guide

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CHAPTER 1. GENERAL ADMINISTRATIVE POLICY

- 1-1. SCOPE. Title I of the Housing Act of 1969 provides a program by which financial institutions, the manufacturing and allied industries, and the Federal Government combine in assisting borrowers to finance the purchase of mobile homes intended for occupancy by the buyers as their principal residences. The guiding principles set forth in this chapter may be interpreted as the general administrative policy of HUD-FHA. This statement of policy is presented to clarify questions which may arise and to offer helpful suggestions based on the experience of the Federal Housing Administration in its insurance activities over a period of many years.
- 1-2. RESPONSIBILITIES. The operation of the mobile home loan program is based on the good faith of all concerned: the individual borrower who applies for and receives a loan; the dealer or manufacturer in carrying out the terms of his contract or warranties and rendering proper service to the customer; financial institutions in acquiring and servicing mobile home loans; and HUD-FHA in carrying out its obligations and responsibilities. Although certain regulatory measures are necessary to accomplish mutual objectives, a large responsibility is placed upon participating leading institutions for the exercise of discretion and prudent practices in carrying out the program.
- 1-3. CONTRACT OF INSURANCE. Under Title I of the National Housing Act as amended, the Assistant Secretary-FHA Commissioner is authorized and empowered to insure banks, trust companies, personal finance companies, credit unions, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which he finds to be qualified and approves as eligible for credit insurance against losses which they may sustain as a result of eligible mobile home loans. Application for a mobile home loan contract of insurance should be submitted on Form FH-21 to the HUD-FHA Field Office servicing area.
- a. Qualifications for a Contract of Insurance. The following institutions are eligible to hold a contract of insurance:
- (1) Financial institutions which have held a contract of insurance and have demonstrated to the Assistant Secretary-FHA Commissioner their ability to conduct satisfactorily their property improvement loan operations.

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- (2) Members of the Federal Reserve System, of the Federal Home Loan Bank System, and institutions whose deposits are insured by the Federal Deposit Insurance Corporation.
- (3) Any Federal, State, or municipal government agency that is or may hereafter be empowered to conduct an installment lending operation.
- (4) Any lending institution not mentioned above may qualify for a contract of insurance upon application, if it possesses the following qualifications and meets the following conditions to the satisfaction of the Assistant Secretary-FHA Commissioner:
- (a) It is a chartered institution or other permanent organization having succession.
  - (b) It is subject to inspection and supervision by a governmental agency, or if not subject to such inspection, it has sound assets properly proportioned to its liabilities and to the character and extent of its operations.
  - (c) If not under acceptable supervision, it submits with its application an independent detailed audit of its books made by an accountant satisfactory to the Commissioner, and so long as it holds a contract of insurance, it files with the Assistant Secretary-FHA Commissioner similar audits at least once in each calendar year.
  - (d) Its principal activity is that of lending funds, or investing in mortgages, consumer installment notes, or similar advances of credit, and it demonstrates its ability to pass on borrower's credit, and to effect collections.
  - (e) It is permitted by statute in the jurisdiction(s) in which it proposes to operate, to make mobile home loans.

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- (f) It has lending quarters and facilities that are in keeping with the accepted facilities of financial institutions making consumer credit loans.

- b. Termination of a Contract of Insurance. A contract of insurance may be terminated with respect to any future business at any time, upon five days' written notice from the Commissioner. Termination occurs where it appears to the Assistant Secretary-FHA Commissioner that a financial institution is not exercising proper credit judgement, is not taking reasonable steps necessary to safeguard its outstanding loans, or is not exercising proper care in selecting those from whom it purchases notes. Cancellation of a contract of insurance will in no way adversely affect the insurance reserve on eligible loans already accepted for insurance recordation.

If the insured elects to discontinue making mobile home loans it may request a termination of the contract of insurance, and all insurance reserves earned by such insured as of the date of termination by the Assistant Secretary-FHA Commissioner will remain to its credit until (a) exhausted by the filing of claims for loss, or (b) the liquidation of all loans in the portfolio of such insured. It is necessary that written notice of the contemplated action be given to the Assistant Secretary-FHA Commissioner sufficiently in advance of the desired effective date to permit an orderly processing of pending loan report manifests.

- 1-4. LENDING AREA. The HUD-FHA expects a qualified financial institution to make mobile home loans only in the trading area usually served by the institution in its normal operations. When an institution extends its lending operations beyond a territory which it is able to service effectively, it cannot properly or profitably handle such business. A lending institution must be in a position to investigate credits, make spot checks of the mobile homes being financed, and have its own employee or qualified representative make personal contact with delinquent borrowers. Lenders wishing to expand their servicing territory shall obtain the approval of the Assistant Secretary-Commissioner.
- 1-5. DEALER RELATIONS. The retail financing and selling technique of a mobile home dealer will be reflected in every mobile home loan reported for insurance. His role is one of prime importance as

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he or his salesmen, in effect, represent the lending institution in negotiations with the purchaser of a mobile home. Therefore, the lender must make a thorough investigation of the dealer's financial responsibility and stability prior to beginning a lending relationship.

- a. Irregularities. We are all aware of the abuses inflicted on



the purchasers by some elements active in the mobile home field. The nature of this industry has encouraged dealer activity by some unscrupulous persons whose integrity is questionable. These individuals are interested only in the quick profit they can make at the expense of the purchaser and lender. The abuses may include such practices as grossly overstating the merits of the home, misrepresenting performance and inflating the sale price.

- b. Dealer Supervision and Control. There is no place in the HUD-FHA program for persons who indulge in the practices discussed above. The closer the supervision and control maintained by the lender over the dealer, the less likelihood there is of misrepresentation, misapplication of funds, overselling, or other abuses. The prompt identification and elimination of unscrupulous dealer and salesmen from the program protects the home owner, the lending institution, and the Government.

1-6. DEALER APPROVAL. HUD-FHA does not approve dealers for participation in the program. This is a responsibility of the lending institution.

- a. Dealer File. The Regulations require the insured institution to have a file on each dealer containing an application signed and dated by the dealer. It is further required that the file contain a signed and dated approval of the dealer. This approval is supported by information in the file that the dealer is (1) reliable, (2) financially responsible, (3) qualified to perform satisfactorily the set-up of the home and (4) equipped to extend proper service to the customer. The dealer approval should be evidenced on the HUD-FHA dealer's application, which is the form specifically approved by the Commissioner for this purpose. The absence of such a file containing the required dealer application and approval

with supporting information is a violation of the regulations, and loans purchased from such unapproved dealers do not meet the requirements of the insurance contract. Where claim for reimbursement is shown to have resulted from default occasioned by fraud or faulty performance on the part of the dealer, the insured may be called upon to furnish the Assistant Secretary-FHA Commissioner with the file containing its approval of the dealer.

- b. The HUD-FHA Will Not Permit lending institutions to use insurance coverage afforded under the program for testing the

dependability of dealers. The lender should have full knowledge of the principals of the firm, the salesmen, and their method of operation. Only a thorough investigation will develop adequate and reliable information upon which the lending institution can make a proper decision.

c. Approval Procedure. Before accepting any dealer-presented loan application, the following steps should be taken:

- (1) Obtain a completed FH-13. (MH) Dealer Application and a current financial statement certified by a licensed public accountant.
- (2) Check the FHA Precautionary Measures List to ascertain if the firm or any of its principals or sales personnel are listed thereon.
- (3) Order a credit report on the firm and local retail credit report on each of the principals. (Information on paying habits of the principals on their personal obligations is useful in evaluating the financial stability of the business they operate.)
- (4) Make direct checks on trade and banking references. Check with the local HUD-FHA Field Office to see if that office has had any adverse experience with the dealer seeking your approval.
- (5) Inspect the dealer's place of business to determine the permanency of same and the adequacy of available equipment.

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- (6) Obtain copies of brochures, descriptive literature, guarantees, sales contracts, and price lists.
  - (7) Carefully analyze the information developed to determine whether the principals are of good character and the firm is solvent, financially responsible, qualified by experience to Set-up the home, and equipped to give customer proper services.
  - (8) If the dealer is approved, complete the reverse side of the FH-13 (MH) Application form, with particular attention to the blocks calling for the signature of the approving institution official and the date of approval.

1-7. SUPERVISION BY LENDING INSTITUTIONS. Review the contents of the

Mobile Home Regulations with the approved dealers, familiarize the dealer with the required Title I forms with emphasis being placed upon the proper completion of all documents. The experience of many years of consumer lending has shown the following procedures to be the minimum for a lending institution to adopt in supervising dealers:

- a. When the Dealer Brings in his First Loan Application, set up a dealer experience record showing at least the volume of loans purchased, transactions rejected, claims filed, and borrower complaints received or irregularities discovered.
- b. Make an On-The-Premises Inspection of the Mobile Home placement on the first transaction discounted by a new dealer and interview the borrower prior to disbursement. Thereafter by phone, letter, or observation, spot check an average of at least one of every four loans discounted.
- c. Require Each Approved and Active Dealer to submit an up-to-date financial statement annually, certified by a licensed public accountant.
- d. Supplement the Financial Statement obtained by up-to-date credit report(s) or direct inquiries to the dealer's supply sources, as considered necessary.

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- e. Analyze Dealer Experience Records on monthly basis. Principal considerations in this analysis should be:
    - (1) The dealer's reject ratio. If in excess of 20 percent, review the rejected applications to determine the dealer's area of operation, the quality of the paper being presented, etc.
    - (2) The number and nature of complaints received to ascertain the quality of the dealer's workmanship, his past cooperation in satisfying complaints, and tendencies to perpetuate irregularities.
  - f. At Least Every Three Months visit the dealer's place of business to observe condition of premises and discuss the quality of the paper being presented, problems encountered, and changes in sales personnel.
- 1-8. MAINTENANCE OF RECORD ON EACH APPROVED DEALER. As a basis for determining whether continued dealer approval is warranted, the insured institution is required to establish and maintain a

separate control record on each dealer indicating at least the volume of loans purchased, claims filed, and borrower complaints received or irregularities discovered. A suggested control record which an institution may use is supplied by the HUD-FHA upon request. Whenever an institution has occasion to withdraw approval of a dealer, the dealer file should clearly indicate who took the action, the reason for the action, and the date.

- 1-9. REPORTING IRREGULARITIES TO HUD-FHA. Materials irregularities or unethical practices perpetrated by anyone participating in the program should be immediately reported to HUD-FHA. The report may be sent either to the local HUD-FHA Field Office or directly to the Central Office in Washington.
- 1-10. PRECAUTIONARY MEASURES. When irregularities or disregard for the Statute and Regulations on the part of dealer, or salesmen employed by them, are brought to the attention of the HUD-FHA lending institutions will be notified. When such notification is received from the Assistant Secretary-FHA Commissioner or his authorized agent, the provisions of Section 201.615 of the Regulations will apply. Lending institutions should consult with the local HUD-FHA Field Office if a dealer problem arises where they believe assistance is needed.

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- 1-11. INELIGIBLE PERSONS. A procedure has been established under which individuals, companies, or institutions may be barred entirely from further participation in the various housing programs. The procedure is intended to be employed in connection with particularly flagrant violations or abuses. Insured lending institutions will be given appropriate notification of actions taken under this procedure.
  - 1-12. INSURANCE RESERVES. An insurance reserve is established for each participating lending institution. For each eligible loan reported by an insured lender and accepted for insurance registry by HUD-FHA, 10 percent of the net proceeds of the loan is credited to the lender's insurance reserve. The cumulative credits to the insurance reserve for each lender will equal 10 percent of the net amount advanced by it on all eligible loans. Each lending institution is thus insured against losses on its overall lending operation, with the amount of each claim paid being subtracted from the insurance reserve recorded for the particular lending institution that submitted the claim.
    - a. Annual Reserve Adjustments. On July 1 next following the expiration of a period of 5 years after the date of acceptance of the contract of insurance issued to a lending

institution by the Commissioner, the amount of insurance reserve to the credit of such insured is adjusted by carrying forward into the next annual period 90 percent of the unused reserves outstanding on such date. The insurance reserve of each insured is adjusted in like manner on each subsequent July 1. No such adjustment shall reduce the insurance reserve of any insured to an amount less than \$15,000.

- b. Unused Reserves. The amount of unused reserves to be carried forward at the beginning of each annual period is determined according to the records of the Assistant Secretary-FHA Commissioner, and a statement showing the amount of such unused reserves is furnished each insured as promptly as possible after the close of each annual period.
- c. Co-mingled Reserves. The aggregate amount of loans advanced by a lending institution, for the purpose of determining its general insurance reserve, shall include loans reported for insurance under both the property improvement and mobile home loan programs.

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- 1-13. CLAIM FOR LOSS. Claim for reimbursement of loss on an eligible obligation may be made to the Assistant Secretary-FHA Commissioner after default, repossession, and sale of the mobile home. Unless an extension of the claim filing period has been granted by the Assistant Secretary-FHA Commissioner, the allowable claim period will run to 9 months and 31 days after the due date of the earliest fully unpaid installment.
- a. Amount Payable on Losses. The amount of claim is limited to 90 percent of the calculated principal loss sustained by the lender, plus other allowances permitted by the Regulations. Interest at 7 percent per annum will be computed on the outstanding principal balance from the date of default to the date of application for reimbursement of loss, or to a date nine months and 31 days from date of default, whichever period of time is the lesser. In no event shall the total interest allowance exceed the maximum permissible financing charge on the principal amount outstanding nine months and 31 days from the date of default.
  - b. Assignment of Obligation. The obligation on which a claim is paid is assigned in full to the United States, and 10 percent of the calculated loss will be borne by the lender. The obligation is not reassignable even though HUD-FHA may make full recovery of the amount due on the obligation, nor will there be any transfer or credit of funds in such

instances. In no case may an insured lending institution ask a borrower, dealer, or other person to reimburse the institution for co-insurance loss, or any other deduction made by HUD-FHA in settlement of a claim, since the National Housing Act contemplates that such loss will be borne by the lender. Since the lending institution is no longer holder of the obligation, it has no legal basis for requesting the obligor to make further payments. Any amounts received on account by the lending institution after assignment of the claim must be forwarded promptly to HUD-FHA.

- c. Cancellation or Voluntary Repurchase of Claims. A claim may be withdrawn upon return of the Treasury check. In the event the check has been accepted for deposit, the insured may voluntarily repurchase the claim by submitting its official check for the claim amount, provided in each instance the transaction is consummated not later than thirty-one (31) days from the date the Treasury check was received by the lender.

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- 1-14. INSURANCE CHARGE. The Regulations provide for an insurance charge of thirty-three one-hundredths of one percent per annum of the net proceeds of each loan reported for insurance. The charge for a full month is made for the fractional period of a month if more than 14 days, but no charge is made if the fractional period is 14 days or less. For example, in the case of a loan for a term of 36 months and 14 days a charge is made for 36 months, and in the case of a loan for a term of 36 months and 15 days a charge is made for 37 months.
- a. As an Illustration of the Computation of the Insurance Charge, if the net proceeds of a loan maturing in 144 equal monthly installments beginning one calendar month after the date of the note is \$10,000, the insurance charge would be \$3.96 percent (12 years time 0.33 percent) of \$10,000 or \$396.00. Stated another way, the factor for one month at 0.33 percent (.00027500) is multiplied by the amount of net proceeds, and this result is then multiplied by the term in months--that is, .00027500 x \$10,000 x 144 months in the foregoing example.
  - b. Lending Institutions are Billed on monthly statements. The statement covering initial insurance charges constitutes acknowledgment of the acceptance of the related loans for insurance registration. Detailed information and instructions pertaining to the computation and payment of the insurance charge are given in Chapter 3.

- c. No part of the Insurance Charge may be passed on to the borrower directly or indirectly if such charge would cause the total payments made by the borrower to exceed the maximum charge permitted.

1-15. RESTRICTIONS OF ELIGIBILITY OF LOANS FOR INSURANCE

- a. Dealer Reserve and Guarantees. A dealer reserve account is established when a lender sets aside or holds back a portion of the net proceeds or principal of a loan for return to the dealer, contingent upon the repayment of the mobile home obligation as scheduled. Such reserve accounts to cover losses on loans reported to the Assistant Secretary-FHA Commissioner for insurance are prohibited.

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- (1-15) (1) A loan may be endorsed or guaranteed by a dealer or other person; however, it must be undertaken without the aid of a dealer reserve and must cover the full amount due on the obligation.
  - (2) Dealer participation, wherein the lender sets aside a portion of the financing charge for the dealer is acceptable provided the total financing charge taken does not exceed the maximum allowable charge permitted.
  - b. DISCOUNTS, POINTS, AND FEES. The maximum financing charge allowed by the regulations is fixed by law and is intended to cover all expenses that may be incurred by the lending institution in acquiring the obligation and placing the transaction on its books.
    - (1) In acquiring an obligation the lender may not charge the dealer or others a discount on the purchase price nor may the lender assess the dealer any other points. For example, a mobile home obligation presented to the lender in the principal amount of \$8,000 must be purchased at this figure. That is, a 2% discount lowering the purchase price to \$7,840, or assessment of 2 points wherein the lender accepts \$160, would be a violation of the Regulations.
    - (2) A lending institution may not charge an application or origination fee in purchasing a mobile home obligation.
  - c. Outstanding Mobile Home Obligations. The Regulations do not permit an individual borrower to have outstanding more than one mobile home obligation at any time. The lending

institution must determine that any prior insured mobile home obligation has or will be paid in full prior to disbursal of proceeds of an additional mobile home loan. Upon presentation, of the facts to the Director, Property Improvement and Mobile Home Division, consideration to granting a waiver to this provision may be made provided the loan otherwise qualifies for insurance.

- d. Outstanding Federal Obligations. If, prior to the disbursement of the loan proceeds, the lending institution has knowledge that the borrower is past due more than 15 days in the payment

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of either principal or interest on an obligation owing to or insured by a department or agency of the Federal Government, the transaction will not be eligible for insurance.

NOTE: If the borrower is in default under such an obligation by reason of his being in the military service, this provision may be waived upon presentation of the facts to the Director, Property Improvement and Mobile Home Division.

1-16. GNMA PARTICIPATION. To facilitate financing under the Title I Mobile Home Loan Program a mortgage-backed security program under a "modified pass-through" concept has been established with the Government National Mortgage Association. The Modified Pass-Through Mortgage-Backed Securities are based on and backed by pools of mobile home loans insured by HUD-FHA and guaranteed by GNMA. Full particulars regarding this participation with GNMA are detailed in Reference (1) of the Foreword.

- a. A pool must consist of at least \$500,000 in outstanding principal balance of loans accepted for insurance by HUD-FHA under Title I of the National Housing Act, as amended. Mobile Home Loans to be eligible for inclusion in a pool shall in addition to the Mobile Home Regulations comply with the following modifications:

- (1) Pool "A" all loans shall have been made for a term of 12 years at 7.97% simple interest in an amount not to exceed \$10,000 on a single wide unit.

- (2) Pool "B" all loans shall have been made for a term of 15 years at 7.63% simple interest in an amount not to exceed \$15,000 on a double wide unit. (A double wide unit not exceeding \$10,000 in cost may be included in Pool "A").



- (3) Loans in Pool "A" and Pool "B" may not be co-mingled as each must contain only loans of prescribed uniform original terms and rate and must not have been discounted at any time.

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- (1-16) (4) Each pooled loan must be written as a simple interest obligation. It shall have equal monthly payments of principal and interest due. It shall be payable on the first day of the month following execution of loan documents (example: all loans closed in August must have the first payment due September 1st).
- (5) All loans must commence amortization on or before the date of issue and no loans may be delinquent more than 15 days at the time of execution of the Schedule of Pooled Mortgage.
- (6) The lending institution must certify that he has in its possession a valid, standard policy of insurance for fire and extended coverage, or comparable insurance coverage. The policy will be in an amount equal to the unpaid balance of the obligations or the value of the unit, whichever is the lesser. The policy will have loss payable endorsements designating the lending institution as payee, as well as vendor's single interest (VSI) coverage. The lender will also certify that it will use its best efforts to maintain such insurance in full force and effect.

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CHAPTER 2. DISBURSEMENT OF ELIGIBLE LOANS

- 2-1. GENERAL. This chapter provides the insured lending institution with the policy and requirements in connection with the disbursement of eligible loans, including: property, structural and location standards; credits; loan documents; financing charges; refinancings, assumptions, and modifications; and collection procedures.
- 2-2. DISTINCTION BETWEEN "DIRECT LOANS" AND "DEALER LOANS". It is important that a clear understanding be had as to the elements constituting "direct loans" as distinguished from "dealer loans
- 2-3. DIRECT LOANS. The lending institution may make a direct loan by drawing the proceeds check jointly to the borrower and seller of the mobile home. The direct loan procedure should be used only where the application for the loan, and all contacts and arrangements are made solely by the borrower.
- a. On a direct loan, the provisions of Section 201.595 of the Mobile Home Regulations covering dealer investigation, approval, and control do not apply.
  - b. In addition, on a direct loan, the credit application bearing the borrower's signature must be filled out and completed by one of the following:
    - (1) The borrower or borrowers; or
    - (2) The maker of the obligation other than a borrower; or
    - (3) A person acting at the direction of a borrower who has no financial interest, directly or indirectly, in the contract for the purchase of the mobile home. (An officer of the lending institution will normally qualify under this category.)
- 2-4. DEALER LOANS. In connection with all loans not made directly to the borrower, the lending institution must have investigated and approved the dealer (See Chapter 1).

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- 2-5. BORROWER'S USE. The borrower must establish that he is purchasing the mobile home for his own use and occupancy as his principal

shelter, i.e., a residence where he expects to live not less than 9 months of a year.

A mobile home purchased for the purpose of establishing a second home, vacation home or for other temporary use and occupancy is not eligible.

- 2-6. NEW OR USED MOBILE HOMES. A mobile home loan may be made for financing the purchase of either a new or used unit.
- a. A New Unit is the current year model or a previous year model, neither of which had been previously used or occupied at the time of purchase.
  - b. A Used Mobile Home may be financed provided the unit being sold has been acquired with financing provided under the Title I Mobile Home Program, or has been occupied under lease from a governmental agency for temporary shelter when the President has determined a major disaster exists.
- 2-7. STRUCTURAL DESIGN AND STANDARDS. To assure buyer protection the mobile home must be designed and constructed so as to insure adequate durability and livability as well as safety for the occupants.
- a. A mobile home to be eligible for financing must be constructed in accordance with the specifications in effect at the time the loan is made as prescribed in Mobile Home Standard No. A119.1, as approved by the American National Standard Institute. These standards cover the equipment and installation of plumbing, heating, and electrical systems as well as the body and frame design and construction of the mobile home.
  - b. A certification from the manufacturer stating that the mobile home was constructed in accordance with Standard No. A119.1 must be obtained and become a part of the borrower's individual loan file.
  - c. An eligible mobile home must have a minimum floor space area of at least 400 square feet and may consist of one or more modules. For instance, a single wide module 40 feet long

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and 10 feet wide would be eligible as well as a double module consisting of two units 30 feet long and 8 feet wide intended by the manufacturer to be joined to make a single house.

- 2-8. LOCATION STANDARDS. The mobile home may be placed in a mobile

home park, approved by the Assistant Secretary-FHA Commissioner, or on a site owned by the borrower which meets the requirements prescribed by the Assistant Secretary-FHA Commissioner.

- a. A mobile home park to be approved by the Assistant Secretary-FHA Commissioner must meet minimum standards and specifications relating to sanitation, site or lot location, vehicular access, landscaping, and such other requirements conducive to a adequate environment. Park acceptability may be obtained by inquiry and request for inspection to the local HUD Field Office.
- b. A park constructed or financed with government assisted funds or located within the confines of a government or military reservation is an accepted site without the need for inspection.
- c. Privately owned property or property being acquired under a land contract agreement are eligible sites for the emplacement of mobile homes. In the event the site is serviced by a governmental authority with respect to central water and sewer facilities there is no minimum size requirement. However, if the site requires installation of a well, septic field system, cesspool, etc., the minimum size of the property may not be less than one-quarter acre. Additionally, a certification from an authorized local official must be obtained certifying that the emplacement of a mobile home does not violate sanitary, zoning, or other restrictive codes.
- d. Emplacement of a mobile home on rented or leased private or municipal property is ineligible.
- e. Insurability of a transaction will not be adversely affected if after complying with initial placement procedure, the borrower with lender knowledge, moves the unit to a site which does not conform to eligibility standards.

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2-9. CREDIT INVESTIGATION AND APPROVAL. In applying for and accepting a contract of insurance, the lending institution assumes the responsibility of applying sound principles in the evaluation of credit. The lending institution in considering the credit of the applicant must bear in mind that HUD-FHA insurance coverage does not relieve it of the responsibility of exercising the care that a prudent lender would take if the loan were not being offered for insurance.

- a. Credit Application. The applicant must furnish the lending institution with an executed credit application on a form

approved or provided by HUD-FHA for each loan made or obligation purchased. The credit application form provided is numbered FH-1(MH). The lending institution should assure:

- (1) that all questions are answered;
  - (2) that the form is properly dated and executed by the eligible borrower;
  - (3) that if proceeds are to be disbursed to a dealer, the persons selling the mobile home have signed; and
  - (4) that if prepared by other than the applicant, the person preparing the application has signed.
- b. Credit Investigation. The application must be supplemented by either a commercial credit report on the borrower or evidence of the lender's investigation of the borrower's credit to satisfy the lender that the applicant represents an acceptable credit risk. Such other information as is considered desirable should be obtained and on the basis of all information in its possession, the lending institution must then pass upon the acceptability of the credit risk.
- c. Credit Approval. There should be assurance that the applicant has a steady and sufficient income that will permit orderly reduction of his mobile home loan as well as living and operating expenses and other obligations. Income from rents and other sources should be given credit consideration only when such income is verified and is determined to continue for the life of the loan. The applicant must have a reputation for meeting his obligations promptly.

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- d. Inflated Prices. When considering an application for a loan, it is important that the lending institution, determine that the amount of credit applied for is in proper proportion to the value of the mobile home being purchased. Lending institutions are expected to exercise due diligence to detect inflated charges for homes to be financed with proceeds of the Title I loan. It is obvious that loans which finance excessive costs represent unsound credit advances on which collection will be difficult. More importantly lending money under such conditions is a grave disservice to mobile home purchasers.

2-10. ELIGIBLE OBLIGATIONS.

- a. To be Eligible it is necessary that:
- (1) An obligation bear the genuine signature of the borrower(s);
  - (2) The obligation must be valid and enforceable against the "borrower(s)" as defined in the Regulations;
  - (3) Any signature in addition to that of the borrower(s), such as the co-makers or endorsers, must be genuine;
  - (4) The name of the payee must be stated;
  - (5) The numerical and written face amounts must be in agreement;
  - (6) The obligation must stipulate the number and amount of the equal periodic payments, and;
  - (7) If the obligation calls for monthly installments, the first payment must not be due more than two calendar months from the date of the obligation.
- b. Postdating or Delayed Dating Obligations to project or extend the due date of the initial payment is not permitted. It is suggested that the date fixed by the insured institution for the first and subsequent payments should be made agreeable to the borrower and correspond whenever possible with the date on which he receives his income. The obligation must contain a provision for acceleration of maturity upon default.

- c. Obligation Forms. HUD-FHA does not furnish the lending institution with mobile home obligation forms. Lending institutions have the responsibility of drafting forms and obtaining completed forms that are valid and enforceable in the jurisdiction where loans are made. Proposed mobile home obligation forms may be submitted to HUD-FHA to ascertain whether or not any of the provisions conflict with the requirements of the Title I regulations or the Housing Act of 1969. If a dealer loan, and the dealer is designated payee, the reverse of the obligation must bear a complete with or without recourse endorsement by the dealer-contractor. Example:

WITHOUT RECOURSE  
Pay to the order of

The Doe Bank  
ABC Home Improvement Company

By .....  
Manager  
Title .....

d. The Obligation must be secured by a properly recorded financing statement and security agreement or other security instrument which creates a first lien against the mobile home and its furnishings, equipment, and accessories.

2-11. LOAN DOCUMENTS. In addition to the credit application and obligation, other documents are required in connection with the disbursement of loans under certain circumstances. These documents (when applicable), as well as the credit application and obligation, must be included in the file if a claim for loss is made.

2-12. BORROWER'S AND DEALER'S PLACEMENT CERTIFICATE, FORM FH-2 (MH):  
The applicant must furnish the lending institution with a properly executed placement certificate on a form provided by HUD-FHA for each loan made or obligation purchased. The placement certificate form provided is numbered Form FH-2 (MH).

a. The purchase of the mobile home and the installation services performed by the dealer must constitute the entire consideration for which the obligation was executed and delivered by the maker.

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b. The placement certificate must be supported by a certificate of approval by a public authority which establishes that the site has adequate sanitary facilities and is in conformance with applicable sanitary codes of the jurisdiction where the mobile home is to be located.

c. The certificate must be properly dated and signed. The signature of only one eligible borrower is required as well as the signature of the person approved by the lender as dealer. The signature on the borrower's portion of the certificate should be compared with the signatures on the credit application and obligation as a precaution against forgery.

2-13. MANUFACTURER'S INVOICE. The dealer or the person selling the mobile home must furnish the lending institution with a manufacturer's invoice statement issued by the manufacturer and

stating the true wholesale price of the mobile home, its furnishings, equipment and accessories. HUD-FHA does not issue this form, thus, a document which is in general use in the industry is acceptable.

- a. The manufacturer's invoice must be reduced by the cost of all components removed by the dealer, and likewise, the invoice must be increased by the cost of all components added by the dealer. In no case may the net proceeds of a loan include an amount in excess of 115% of the invoice cost of the mobile home, furnishings, equipment, and accessories.
- b. Items which are eligible expenditures and may be included as accessories are skirts, tie-down straps, awnings, steps and stoops, as well as other accessories which substantially protect or improve the basic livability or utility of the property.
- c. Items which are ineligible expenditures include purchase of the lot, site preparation, grading, landscaping, well digging and installation of septic system or cesspool.
- d. A request for a specific ruling as to any item about which there may be doubt on the part of the lending institution as to eligibility may be requested from the Director, Property Improvement and Mobile Homes Division, Federal Housing Administration, Department of Housing and Urban Development, Washington, DC 20411.

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2-14. ADVANCE NOTICE TO BORROWER. At least six days prior to making disbursement to a dealer, the lending institution is required to mail or personally deliver to the borrower written notice of its intention to make the loan if there is no objection from the applicant. It is not required that the borrower acknowledge receipt of the notice; however, the insured must have a record of having mailed or delivered such notice. Suggested record of such delivery is a dated carbon copy of the notice or a dated notation in the loan file.

- a. Supplies of the Advance Notice are not furnished by HUD-FHA as it is believed that the institutions should issue the notice on their own stationary. As the Regulations require such notice to be on a form approved by the Assistant Secretary-FHA Commissioner, this shall be considered as official approval of any notice containing in its text the minimum data in either of the suggested form illustrated below.



- b. Lenders should Add to this Notice any additional information that may be helpful to the homeowner in fully understanding the transaction. Frequently, a warning is expressed and the borrower is cautioned that the placement certificate should not be signed until he is satisfied as to the completion of the installation and set-up of the mobile home.
- c. In Case the Amount of a HUD-FHA Home Loan is to be Increased, a second advance notice reflecting the new amount should be mailed to the borrower and disbursement not made until at least six days thereafter. If, for example, the notice is mailed on the first day of the month, disbursement shall not be made before the seventh day of the month. In a case where the amount of the loan turns out to be less than the amount indicated in the notice, it will not be necessary to send the customer another notice.
- d. Suggested Notice Forms. See Figures 1 and 2.

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CHAPTER 2 FIGURE 1

(letterhead of institution)

OUR NOTICE OF INTENTION TO EXTEND A  
MOBILE HOME LOAN TO YOU

\_\_\_\_\_  
Date

Dear \_\_\_\_\_:

We are pleased to have received your application for credit in the amount of \$\_\_\_\_\_, for \_\_\_\_\_ months under Title I of the Housing Act of 1969 as presented to us by \_\_\_\_\_.

In the event the application is approved, the face amount of your obligation will be \$\_\_\_\_\_ which includes financing charges and will be payable in installments of \$\_\_\_\_\_ per month.

If you have any questions regarding this transaction, or if we can be helpful in any way, kindly let us hear from you within 6 days from the date of this notice. Otherwise, if the loan is finally approved, we shall purchase your obligation and pay the proceeds to the dealer named above. It will be a pleasure to have you as a customer.

Sincerely,

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CHAPTER 2 FIGURE 2

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Letterhead of Institution

ADVANCE NOTICE OF ACCEPTANCE AND INTENT TO PURCHASE  
AN FHA TITLE I MOBILE HOME OBLIGATION

\_\_\_\_\_ Date

Dear \_\_\_\_\_:

We will purchase the obligation payable to the dealer listed below. The face amount of your obligation will be \$\_\_\_\_\_ which includes financing charges and will be payable in installments of \$\_\_\_\_\_ per month.

It is our intention to disburse the funds to the dealer when all the necessary documents, including a placement certificate indicating the installation has been satisfactorily completed, are received in proper order, but not earlier than six days from this date.

If you have any questions regarding this transaction, or if we can be helpful in any way, let us hear from you within six days from this date.

Sincerely,

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2-15. ADDITIONAL LOAN REQUIREMENTS.

- a. Borrower's Minimum Investment. The borrower must make a minimum cash downpayment of 5% of the first \$6,000 of the total cost of the mobile home its furnishings, equipment, and accessories as shown in the purchase contract, plus 10% of

of any amount in excess of \$6,000.

- (1) While the foregoing is basically the minimum cash investment required on a Title I Mobile Home Loan, the occasion may arise where a greater down payment is required to comply with all of the provisions of the regulations.

For example, let us say that a borrower is purchasing a mobile home on which the manufacturer's invoice price of the unit, its furnishings, equipment, and accessories is \$6,000. The dealer is selling this unit at a price of \$7,500. The down payment requirement will thus be 5% of \$6,000 or \$300, plus 10% of \$1,500 or \$150, for a total of \$450. Deducting \$450 from the cost of \$7,500 leaves a balance of \$7,050. Since 115% of the manufacturer's invoice cost of \$6,000 amounts to only \$6,900, the borrower would of necessity have to make an additional down payment of \$150, the difference between \$7,050 and \$6,900.

- (2) The down payment must be in the form of cash. Trade-ins are not acceptable as a down payment unless converted to cash.

b. **PERMISSIBLE FEES AND CHARGES.** A loan may include the cost of filing and recording fees, documentary stamp taxes, state and local sales taxes, costs of comprehensive and extended coverage insurance and vendor's single interest coverage, transportation or freight and set-up charges.

- (1) Items of furnishings, equipment, or accessories may not be included in permissible fees and charges.
- (2) Protective insurance in the form of credit life or accident and health insurance may not be included or incorporated in the net proceeds of a loan. While HUD-FHA has no objection to lending institutions

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selling credit life or other protective insurance to borrowers under the Title 1 program, the borrower shall be permitted to purchase such insurance on a voluntary basis, and the cost of the insurance must be handled as a separate transaction.

- (3) Lenders are not authorized to charge an applicant a credit investigation fee, nor may such charge be included in the proceeds of a loan.

2-16. CHARGE FORMULA. Although the standard formula for determining the charge to the borrower contemplates a monthly installment note, it is intended that the same resulting ratio shall apply in the case of a note on which there is only one payment (or any number more or less than 12) per year, as in the case of a borrower who is making payments in accordance with the dates on which his income is received.

- a. Discount Factor. A discount of \$5.50 on a \$100 obligation for a period of 1 year, with provision in the obligation for equal monthly installment payments, gives a ratio of 0.107-448 of total charge paid by borrower to average amount outstanding on the debt during the period of the loan. A discount of \$4.50 on a \$100 obligation for a period of 1 year, with provision in the obligation for equal monthly installment payments, gives ratio of 0.86992 of total charge paid by borrower to average amount outstanding on the debt during the period of the loan.
- b. Gross Charge Factor. By using the gross charge factor, a lending institution can ascertain the maximum amount of interest it may charge on a loan of any amount and any duration.
- c. Tables for Use in Determining Financing Charge.
  - (1) FHA No. 1354 Gross Charge Factors for Loans Having Seasonal Payments, i.e., quarterly, semi-annually, and annually.
  - (2) FHA No. 1356 \$5.50 Gross Charge Factor Table, one month through 180 months.

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- (3) FHA No. 1357 \$4.50 Gross Charge Factor Table, one month through 180 months.
  - (4) FHA No. 1358 \$5.50 and \$4.50 Daily Gross Charge Factors, 1 day through 31 days.
- d. Payment Schedule Booklets. The Regulations permit a monthly-payment note to provide for a period of as long as two calendar months from the date of the instrument to the due date of the first payment. A "calendar month" is the interval from a particular date in a month to the corresponding date in the following month. For example, from October 3 to November 3 is one calendar month; from February 15 to April

15 is two calendar months, etc. For simplicity, payment schedule booklets are available which contain pre-computed financing charges, monthly installments, and effective annual percentage rate. These are:

- (1) FHA No. 1359 and 1359A, for use in connection with loans in which the initial period (the interval between the date of the note and the due date of the first payment) is exactly one calendar month.
- (2) FHA No. 1360 and 1360A, for use where the interval is one and one-half calendar months.
- (3) FHA No. 1361 and 1361A, for use where the interval is two calendar months.

2-17. PREPAYMENT REBATE. Where the prepayment of an installment is merely a voluntary payment prior to its due date, such payment shall not be construed as increasing the ratio provided for in the Regulations. However, if the entire balance outstanding on the note is paid in advance, the lending institution must make a rebate of the full unearned portion of the total financing charge. The prepayment rebate will therefore be calculated in the same manner as a refinancing rebate, more commonly identified as the rule of 78ths. Where the law of the jurisdiction permits an acquisition or minimum retained charge, such charge may be deducted from the rebate. See booklet FHA No. 1355, Tables of Factors, for applicable factor.

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In computing the prepayment rebate, the lender is not required to make a rebate of less than \$1.00 except on application of the borrower.

2-18. REFINANCING. HUD-FHA recommends that lending institutions utilize the refinancing privilege permitted by the Regulations in cases where the facts and circumstances justify retention of the account. Such action should be taken when it will assist the borrower to pay out his obligation in full. Care must be taken in refinancing to be certain that security is not released. The dropping of a signature in refinancing is considered a release of security. Each refinancing transaction should be reported within 31 days from the date of refinancing on the Title I Refinancing Report, Form FH-5. (See Chapter 3.)

- a. All loans previously insured may be refinanced in accordance with the provisions of the regulations in effect at the date of refinancing.

- b. In refinancing notes previously reported for insurance, the unearned portion of the financing charge must be refunded to the borrower. The borrower may be assessed a handling charge of not more than \$25.00 in connection with the refinancing. For simplicity in handling, it is suggested in the refinancing of an account that it be effected on the due date of an installment.

2-19. COLLECTIONS. A lending institution is expected to pursue an aggressive policy in the collection of HUD-FHA Mobile Home loans. In carrying out such a policy it is suggested that form notices, dictated letters, telegrams, telephone calls, and personal contacts be used. A system should be established calling for automatic follow-up, such as the fifth, tenth, and fifteenth day after default occurs. If this does not produce results, the account should receive special handling.

- a. The use of the telephone is recommended, but if results are not obtained the borrower should be personally contacted by a collector.
- b. Every effort should be made to discover the reason for default and to effect reinstatement of the account.

- c. It is of the utmost importance to keep in close touch with the borrower when his note has become delinquent. Constant follow-up is essential to a successful collection program.
  - d. Collectors should be urged "to make people think they will benefit by paying" on delinquent loans by emphasizing the necessity of shelter--"one of the needs of life" -- and values of homeownership rather than using general consumer orientated collection techniques.
- 2-20. ASSUMPTION AGREEMENTS. Where circumstances warrant, a lender may permit the assumption of the balance of a Title I Mobile Home Loan by a third party. This procedure in many instances will afford the lending institution with a prompt payer. It should be made clear, to all parties however, that the terms of the obligation must remain in full force and effect and the assumption does not relieve the original obligors of further liability.
- a. If, after obtaining credit reports, the lending institution is convinced that its security obligation is adequately protected, it may request release of original obligor by

writing for permission to the Director, Property Improvement and Mobile Home Division.

- b. Except in instances wherein a request for release of the original obligor is made, it is not necessary to notify HUD-FHA of the assumption.
- c. For all cases wherein a mobile home obligation is to be assumed, the lending institution should earmark its loan record since all future renewal insurance premiums will be billed in the name of the original obligors.

2-21. PERMISSIBLE LATE CHARGES. A late charge is to reimburse the insured for work involved in following the borrower for a delinquent payment. It is not a part of the original finance charge which is determined at the time the loan is granted on the basis that the obligation will be paid in accordance with its terms. The collection of late charges shall not be considered in computing the maximum amount which the insured institution may charge the borrower for discount, interest, or fees.

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- a. Application of Late Charge. If the borrower makes a payment to be applied to his regular installment, it is not permissible for the institution to deduct late charges that have been billed unless the borrower specifies such deduction. However, if in the absence of specific instructions from the borrower the institution advises the borrower in writing that a portion of his payment has been applied to late charges and the borrower expresses no objection, such application shall be considered permissible insofar as the Regulations are concerned.
  - b. Evidence of Billing. Evidence supporting the application of late charges collected must be included in the file when a claim for loss is made. HUD-FHA does not reimburse the institution for uncollected late charges.
  - c. It is not Intended that late charges shall take the place of interest on the principal after the maturity of the whole obligation. Thus, a provision for such interest after maturity will not conflict with the limitations set forth in the Regulations. These limitations refer only to interest or late charges taken on a specific installment for failure to make that payment on time.

2-22. PRE-CLAIM COLLECTION ASSISTANCE. Preclaim collection assistance

is available when the financial institution determines that all collection effort on a defaulted account has been exhausted. Upon proper request (Form FH-83), HUD-FHA writes to the borrower(s) advising of the seriously delinquent condition of the account and urges that they immediately contact the financial institution to arrange a satisfactory repayment schedule. Detailed information about this plan may be obtained from the local HUD Field office. Lending institutions are requested to use this plan only as a last measure prior to filing a claim for loss with HUD-FHA. The plan should not be used when the lending institution knows there is a dispute or complaint by the borrower.



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 CHAPTER 3. REPORTING OF LOANS

- 3-1. GENERAL. This chapter has been prepared to assist lenders in the proper reporting of Title I Mobile Home, Mobile Home Lot, and Combination (mobile home and lot) Loans for insurance registration and the handling of related transactions, including the reconciliation and payment of the insurance charges billed by HUD.
- 3-2. REPORTING REQUIREMENTS.
- a. Reporting Forms. The forms used for reporting Title I mobile home related loans (Mobile Home, Mobile Home Lot, and Combination Loans) are:
- (1) For new loans. Title I Loan Reporting Manifest, Form HUD-56004 (Appendix 3, pages 1 and 3), or 80-column punched tabulating cards (Appendix 3, page 5).
- \* (a) Lenders who utilize tabulating equipment or who have devices that convert required reporting data from other types of equipment to an 80-column tabulating card, have the option of reporting new loans for insurance registration either by means of punched tabulating cards or by manifest, or by both methods. However, to avoid duplicate billing, only one method may be selected for reporting any one loan. Further, if the Title I Loan Reporting Manifest, Form HUD-56004, is elected, only the 7/76 and 10/79 revisions shall be used.
- (b) Lenders who elect to use the card method of reporting must order tabulating cards from their own source of supply. The card must conform to the illustration in Appendix 3, page 5. No other type of tabulating card may be substituted, and no deviation from instructions for preparation of the card (Appendix 3, page 4) is permitted. \*
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- (3-2) (2) For refinancing of loans. Title I Refinancing Report, Form FH-5 (Appendix 3, page 7).
- (3) For transfers of loans between lenders. Title I Transfer of Note Report, Form FH-6 (Appendix 3, page 9).

- (4) For transfer of loans to GNMA Pool. Title I Transfer of Mobile Home Loans to GNMA Pool, Form HUD 676, (Appendix 3, page 11).
- b. When to Report. Title I Regulations require that a loan initially reported for insurance registration shall be reported within 31 calendar days from the date of the note or date upon which it was purchased from a dealer. Refinancings and transfers must be reported within 31 calendar days from the date of refinancing or transfer. A refinance or transfer report cannot be processed until the original note has been acknowledged on a Title I Billing Statement, Form HUD 2041, (Appendix 3, page 13) and the premium paid as billed.
- (1) To avoid month-end accumulations and permit timely notification to lenders of registration of loans for insurance, lenders who use manifest-type reporting shall submit reports daily when the volume is 14 items or more.
- (2) Low-volume lenders shall submit reports promptly when 14 items have been accumulated. In any event, regardless of the number of loans, a manifest shall be submitted at the end of each week.
- (3) Lenders reporting new loans by punched tabulating cards shall submit cards promptly when a block of approximately 200 has been accumulated. For lesser accumulations, cards shall be submitted once each week.

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3-3. MAILING INSTRUCTIONS. To expedite processing by HUD, cooperation of all lenders is requested in mailing manifests, punched tabulating cards, and reports according to the following instructions:

- \* a. Manifest (Form HUD-56004) or Punched Tabulating Cards are to be mailed to the Office of ADP Operations, Attention: Production and Data Control Division, Department of Housing and Urban Development, 451 Seventh Street S.W., Washington, D.C. 20410. The cards shall be wrapped carefully in several folds of heavy wrapping paper and tied securely with strong cord to prevent damage or loss in shipment. Only the 7/76 revision of the FH-4 or the 10/79 revision of the HUD-56004 shall be used. \*
- b. Refinancing Reports (Form FH-5), Transfer of Note Reports Form FH-6), and Transfer of Mobile Home Loans to GNMA Pool

Form HUD-676) are to be mailed to the address as shown on the respective forms.

- c. Avoid Attachments of any kind to the Title I report forms. Unnecessary attachments such as transmittal letters result in delay of insurance registration, since all report forms having attachments are set aside for special handling.

3-4. PREPARATION OF REPORTING FORMS. To minimize rejection of the data entered into HUD's automatic data processing equipment, all reports must be typed and the data carefully verified before mailing. Lenders are particularly cautioned to insert their names, addresses, and the correct 5 digit contract numbers on all forms exactly as shown in the top portion of the billing statements. Lenders reporting by punched tabulating cards must verify the data punched into the cards before submission.

- \* a. Manifest and Punched Tabulating Cards. Instructions for preparation of the Loan Reporting Manifest (Form HUD-56004) and the tabulating card (if this method of reporting is elected by the lender) are provided in Appendix 3, pages 2 and 4. Only the 7/76 revision of the FH-4 and/or the 10/79 revision of the HUD-56004 shall be used.

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- b. Refinancing Reports and Transfer of Note Reports. Instructions for preparation of the Refinancing Report (Form FH-5) and the Transfer of Note Report (Form FH-6) are provided in Appendix 3, pages 6 and 8.

- \* c. Transfer of Mobile Home Loans to GNMA Pools. Instructions for preparation of the Transfer of Mobile Home Loans to GNMA Pool (Form HUD-676) are provided in Appendix 3, page 10. \*

3-5. CLEARANCE OF EXCEPTIONS. HUD's ADP Title I program will reject a loan reported for insurance registration when the tabulating card submitted by the lender, or the tabulating card created by HUD from the manifest (Form HUD-56004) or from the Refinancing Report (Form FH-5), contains data that is in error, incompatible, or incomplete.

- a. New Loans Rejected are listed in the "Exceptions Reported" section of the monthly statement (Form HUD-2041). Each item in this section will be coded as to the reason for rejection. The original reporting document, whether a tabulating card or manifest (Form HUD-56004) is not returned to the lender. The reason for nonacceptance may be determined by matching the

error code shown in the Insurance Charge or Reject Identification column of the "Exception Reported" section with the listing of error codes and messages on the reverse of the Form HUD-2041 (Appendix 3, page 12). Each new loan rejected and listed in this section shall be corrected promptly by the lender, and the correct data shall be reported in the lender's next submission of a manifest (Form HUD-56004) or tabulating cards to obtain insurance registration. Form HUD-2041 shall not be returned when resubmitting corrections. \*

- b. Refinanced Loans Rejected are not listed in the "Exceptions Reported" section of the monthly statement. These rejects are resolved by HUD, when possible, via telephone communication with the lender. If HUD determines this technique is not possible, Form FH-5 is returned to the lender for correction and resubmission.

3-6. COMPUTATION OF TERM AND INSURANCE CHARGE. The insurance charge for each loan is calculated by HUD and billed to the approved lending institution on a monthly statement. The method of computing the charge is explained in the following paragraphs.

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3-7. NEW LOANS.

- a. Term. The term of the loan, for insurance purposes, is computed from the date of the note to the maturity date. HUD determines the final maturity date of the loan from the information furnished by the lender as to the date of the first payment, the number of payments to liquidate the loan, and the mode of payment. No charge is made for a fractional part of a month which is 14 calendar days or less, and a charge for a full month is made for a fractional part of a month which is 15 calendar days or more.
- b. Insurance Charge.
  - (1) Rate. The insurance charge for all mobile home related loans is computed at the rate of fifty-four one-hundredths (0.54) of one percent per annum of the net proceeds.
  - (2) Calculation. To obtain the total insurance charge on the loan, the factor for 1 month, .00045000 (0.54% divided by 12), is multiplied by the amount of net proceeds, and this result is then multiplied by the term in months.
  - (3) Billing. The total insurance charge is billed to the lender for each loan having a duration of 25 months or less. The insurance charge on those loans having a term

in excess of 25 months is payable in installments. Each installment is the equivalent of the charge for one year, except that the final installment is inclusive of any fractional part of a year when such fractional part is 6 months or less.

(4) Refund or Abatement. Title I Regulations for insurance charge refund and abatement are cited in paragraph 3-13.

c. Due Dates. The initial insurance charge shall be paid within 25 calendar days of HUD's acknowledgment of the loan. The second and succeeding installments, if any, are billed on the first and each succeeding anniversary of the first day of the month in which the note was dated. These installments shall be paid within 25 calendar days of such billing by HUD in order to avoid late charges (see paragraph 3-12).

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d. Example. A Mobile Home Loan with proceeds to the borrower of \$12,500 is dated January 20, 1978 and matures on February 20, 1990.

PERIOD	TERM IN MONTHS	INSURANCE CHARGE
Payable within 25 calendar days after acknowledgement:		
1-20-78/1-20-79	12	\$67.50
1-20-79/1-20-80	12	67.50
1-20-80/1-20-81	12	67.50
1-20-81/1-20-82	12	67.50
1-20-82/1-20-83	12	67.50
Payable within 25 calendar days after billing:		
1-20-83/1-20-84	12	67.50
1-20-84/1-20-85	12	67.50
1-20-85/1-20-86	12	67.50
1-20-86/1-20-87	12	67.50
1-20-87/1-20-88	12	67.50
1-20-88/1-20-89	12	67.50
1-20-89/1-20-90	13	73.13

3-8. REFINANCING. The adjusted insurance charge in a refinancing transaction is the amount due HUD on the new note after credit has been allowed for the unearned charge paid on the loan being refinanced. MOBILE HOME LOT LOANS AND COMBINATION LOANS ARE NOT ELIGIBLE FOR REFINANCING. The computation of the credit for the unearned charge of a mobile home loan being refinanced is explained

below.

a. Unearned Charge. The unearned charge in a refinancing transaction is established by first determining the earned Charge then subtracting that amount from the total charges paid. Detailed steps to be taken in determining the unearned charge are as follows:

- (1) Count the number of months between the date of the note being refinanced (old note) and the date of the refinancing note (new note) to obtain the number of earned insurance charge months.

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- (2) Multiply the monthly insurance charge factor times the number of months for which insurance charges are earned (see (1) above) times the amount of proceeds of the note being refinanced (old note) to obtain the amount of earned insurance charge.
- (3) Deduct the amount of earned insurance charges (see (2) above) from the total insurance charges paid to obtain the amount of credit (unearned charge) due on the refinancing note. The ADP System automatically credits this amount to the insurance charge due on the new note, and bills the lender a net charge. See Appendix 3, page 13. When withholding insurance charges on a refinanced loan, which appears under the Initial Billing Section of Form HUD-2041, deduct the net charge (not the gross charge) for the note.

\*

\*

b. Example. A Mobile Home Loan dated August 10, 1975, for a term of 10 years, with loan proceeds of \$9,500, was charged a per annum insurance rate of 0.54% (monthly factor .00045000). The refinanced note was dated March 10, 1978. The period for which insurance charges were billed and paid for the old note is 36 months. For ADP purposes, all months contain 30 calendar days.

(1)	Month	Day	Year	
	15		77	
Date of New Note	03	10	78	
Date of Old Note	08	10	75	
	<hr/>			
	7	0	02	= 31 Earned Insurance Charge Months

Full Term

120 months

Earned Term (calculated above)	-31 months
Unearned Term	<u>89 months</u>

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(2) Monthly Factor	X	Earned Insurance Charge Months	X	Proceeds	=	Earned Insurance Charge
.00045000	X	31	X	\$9,500	=	\$132.53
(3) Total Insurance Charges Paid (3 X \$51.30)						\$153.90
Earned Insurance Charges						-132.53
Unearned Insurance Charges						21.37

- 3-9. **INSURANCE CHARGE PAYMENT.** The insurance charge is billed to the approved lending institution on a monthly statement, Form HUD-2041 (Appendix 3, pages 13 through 19) which includes all insurance charges due. The billing statement also includes other data related to the lenders Title I needs. Features of the billing statement are:
- \* a. Initial Billing Section. An insurance charge listed in this section constitutes HUD's acknowledgment to the lender of loans accepted for insurance and itemizes insurance charges now due. All charges are made in accordance with the HUD Title I Regulations. Final insurance registration of these loans is dependent upon payment of the insurance charge within 25 calendar days after the date of the Form HUD-2041. (See Appendix 3, page 13.) \*
  - b. Renewal Billings Section. An insurance charge listed in this section represents the second or subsequent installment insurance charge for each previously registered loan having a duration in excess of 25 months and for which a renewal insurance charge is due. (See Appendix 3, page 14.)
  - c. Special Billing Section. Any corrective adjustments necessary as a result of an erroneous billing statement (overstated, understated, or adjusted reserve balance) are listed in this section. Also included in this section are insurance charges withheld by the lending institution under Schedule 1 or 2 of a previous month's reconciliation form (see paragraph 3-11) which HUD deems valid and collectible. (See Appendix 3, page 15.)

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- d. Claims Section. This section lists claims paid, supplemental claims paid, and repurchases. Once a claim is listed in this section, the lending institution is no longer holder of the obligation. (See Appendix 3, page 16.) Any further payments received on account by the lender after assignment of the claim must be made payable to the Department of Housing and Urban Development and immediately transmitted to Mortgage Insurance Accounting and Servicing Group, Insurance Accounting Division, Attention: Cash and Securities Section, Department of Housing and Urban Development, 451 Seventh Street S. W., Washington, D. C., 20410. \*
- e. Summary Section. This section contains several beneficial features carefully prepared as a necessary aid to the lender. These features include:
- (1) Cumulative net total of monthly insurance charges billed.
  - (2) The up-to-date net balance for each primary or earmarked insurance reserve which had activity during the previous month. In addition, each year the October 1 billing statements are mailed to all active Title I lenders in order to display the balance for each insurance reserve as of September 30. (See 24 CFR Part 201.12 of the HUD Regulations for Title I Insurance Reserve provisions.)
  - (3) The net balance of all claims paid or repurchased during a prior billing cycle. (See Appendix 3, page 17.)
- f. Return Sheet. Total insurance charges billed for the month are provided in this sheet. Detach this sheet from the other sections and return to HUD with the lender's remittance check.
- (1) If deductions have been made from the total billed, the lender shall indicate that amount in the space provided on the "Return Sheet." (See Appendix 3, page 18.)
  - (2) Reconciliation of Insurance Charges, Form HUD-646 (see Appendix 3, pages 20 and 21), must also be completed and attached if there are loans to be reported as outlined in paragraph 3-11.
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- g. Exceptions Reported. Rejected loans reported in this section shall be corrected and promptly resubmitted. (See paragraph 3-5.) DO NOT return the "Exceptions Reported" sheet with the Form HUD-56004 when resubmitting. (See Appendix 3, page 19.) \*
- 3-10. HUD ASSIGNED NUMBERS. Lender Contract Numbers and Title I Loan Numbers are assigned by HUD. If, at any time, the lending institution finds it necessary to correspond with HUD, the Lender Contract Number and the Title I Loan Number (if concerning an acknowledged loan) must be included.
- a. Lender Contract Number. Upon acceptance of a financial institution as a HUD-approved Title I Lender, a contract and an acceptance letter are prepared by HUD and forwarded to the approved lender. It is at this time that the lender is first made aware of the 5-digit Contract Number with HUD. It is extremely important that the Contract Number of the insured institution is shown correctly on all documents to HUD, especially documents reporting loan information since that information will be used as direct input for HUD's automated system.
- b. Title I Loan Number (previously FHA Loan Number). Each loan acknowledged for insurance is assigned a loan number by HUD. Any number assigned having less than 7-digits must be left justified with zeros. Example: Title I Loan No. 1234 shall be shown as 0001234. The loan number appears each time a particular loan is referenced on a billing statement. In case of a refinancing, a new loan number is assigned to the new note.
- 3-11. RECONCILEMENT FORM. Title I Monthly Statement - Reconciliation of Insurance Charges, Form HUD-646 (Appendix 3, pages 20 and 21), must be completed and submitted with the remittance check and the "Return Sheet" of Form HUD-2041 if: (1) an amount other than the exact amount of the total insurance charges billed is remitted -- the deductions to be shown under Schedules 1 and 2; or (2) there are loans to be reported in the categories covered by Schedules 3, 4, or 5. If the exact amount of insurance charges billed is remitted, and there are no loans to be reported in any of the above mentioned schedules, only the "Return Sheet" need accompany the remittance check. The reconciliation form shall be signed by an authorized official of the insured institution. Facsimile signatures are acceptable. Instructions for \*

applicable, are set forth below.

- a. Withholding on Prepaid Loans - Schedule 1. Any deductions made from the billing under Schedule 1 of the reconciliation form must relate to loans appearing in the particular statement being reconciled, and only for loans which have been prepaid in full prior to or within 25 calendar days after the date of the monthly statement being reconciled. Do not withhold remittance on loans which have been refinanced and have been or will be refunded as a credit of the unearned insurance charge on a subsequent monthly statement. \*
- b. Withholding for Other Reasons - Schedule 2. Any insurance charge withheld for other reasons shall be listed in Schedule 2, giving the reason for withholding payment.
  - (1) Such reasons included loans acknowledged to the institution in error, and loans found to be ineligible duplicate insuring of loans, for insurance. \*
  - (2) Deductions must not be made in Schedule 1 or 2 for insurance charges on loans which have been refinanced and have been or will be reported to HUD. The withholding of such insurance charges will result in an automatic cancellation of the loan insurance. \*
  - (3) The unearned portion of the insurance charges paid is refunded as a credit when the refinancing is acknowledged on a subsequent statement.
- c. Differences in Loans Listed on Current Monthly Statement Schedule 3. All loans for which the "net proceeds" or the "term in months" is incorrectly stated on the Current monthly statement shall be listed under Schedule 3. The remittance must not be adjusted by any differences shown in this schedule. A subsequent statement will reflect any corrections or adjustments necessary for these items.
- d. Loans Reported but Not Shown on Monthly Statement-Schedules 4 and 5. Each new and refinanced loan which was reported 60 calendar days or more prior to the date of the current monthly statement, but has not been acknowledged by

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HUD on a monthly statement shall be listed under Schedules 4 and 5, as applicable.

- (1) The lender shall resubmit those new loans listed in Schedule 4 on its next manifest or include them in

its next submission of punched tabulating cards.

- (2) Refinanced loans included in Schedule 5 shall be resubmitted on Form FH-5.
- (3) It is of utmost importance that all unacknowledged loans continue to be listed in Schedules 4 and 5 until they are acknowledged on a monthly statement.
- (4) Proper adherence to the procedures in this subparagraph precludes the denial of a claim for payment by HUD because the loan had not been acknowledged for insurance.

\*

3.12. LATE CHARGES ON INSURANCE CHARGES. HUD regulations require lenders to pay a late charge of 4% on the amount of their payment to HUD for insurance charges if paid more than 25 calendar days after the acknowledgment (new loans) or billing date (renewal and other loans) as shown on Form HUD-2041.

- a. No late charge will be required with respect to any loan which HUD fails to render a proper billing (Form HUD-2041) to the lender. No late charges will be imposed on any loan listed under Schedules 1, 2, 4, and 5 of the Title I Monthly Statement--Reconcilement of Insurance Charges, Form HUD-646.
- b. The postmark date of the postal service on the envelope in which the remittance is mailed will be accepted by HUD as the date payment is made by the lender.
- c. Lenders will compute the late charge on the total amount due HUD after performing the reconcilement or on the amount billed, if paying as billed, when payment is not made within 25 calendar days after acknowledgement of billing date. If amounts are deducted from the billing during the reconcilement process, and HUD determines, through its research that the billing was proper, the late charge will be due.

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- \* d. Show the amount of late charge, if due, on the Form HUD-646 and the "Return Sheet" of the Form HUD-2041 (see Appendix 3, pages 14, 16 & 17).
- (1) If no exceptions are taken, the late charge calculation shall be as follows: Total Insurance Charges Billed as shown on the "Return Sheet" of the HUD-2041 multiplied

by four percent (.04).

(2) If exceptions are taken, the late charge calculation shall be as follows: Total Insurance Charges Billed as shown on the "Return Sheet" of the HUD-2041, less the total of the exceptions as listed in schedules 1 and 2 of the HUD-646, multiplied by four percent (.04).

e. When the late charge (as calculated above) is added to the total bill or the total bill less exceptions, the sum will represent the total amount due HUD. Lenders should issue one check for the total amount due HUD.

f. THE LATE CHARGE SHALL NOT BE PASSED ON TO THE BORROWER. \*

3-13. REFUND OR ABATEMENT. The Title I Regulations provide that there shall be no refund or abatement of any portion or installment of the insurance charge except:

- a. The charge on a refinanced note may be credited with the unearned portion of the paid charge, and future renewal premiums remaining on the original note will be abated;
- b. Insurance charges falling due after the claim is filed or the note is prepaid in full;
- c. The charge paid on a loan or portion thereof which is found to be ineligible; but no refund is made unless a claim is denied by the Federal Housing Commissioner or the ineligibility is reported by the insured promptly upon discovery and an application for refund made. In no event shall charges be refunded where the application for refund is not made until after the loan is paid in full.

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3-14. LOAN ACKNOWLEDGMENT DATE. The date of the monthly statement on which HUD lists the initial insurance charge for a loan is the "loan acknowledgment date." This date is necessary on all Refinancing Reports (FH-5), Transfer of Note Reports (FH-6), and Title I Claim for Loss Reports (FH-7) or (HUD-637A). Since individual loan reports are not maintained in HUD files, lenders must note the acknowledgment date on the loan jacket or other appropriate document. \*

- a. Such notation will make this date easily accessible to the lender to allow expeditious reconciliation on monthly insurance charge statements, thus assuring that all loans have been acknowledged for insurance.

- b. The notation also precludes the possibility of denial of a claim for insurance benefits by reason of the lender not being in a position to furnish the required data on the claim form.
- c. If the above forms are submitted to HUD without showing the dates of the actions, they will be returned to the lender for correction and resubmission.

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CHAPTER 4. SETTLEMENT OF CLAIMS

- 4-1. INTRODUCTION. When a claim for loss on a defaulted, repossessed, and resold Mobile Home Loan insured under Title I of the National Housing Act, as Amended, is received by HUD-FHA, every effort is made to process it expeditiously so that its certification for payment by the Treasury Department can be made promptly. This chapter was prepared for the guidance of the lender in preparing its claim for submission. It not only outlines the required documents, forms, and papers, but also explains what information is necessary so that the claim can be processed, in most cases, without further correspondence. Careful adherence to these procedures will result in payment of Title I claims within a minimum of time and thereby reduce processing costs of both the lenders and HUD-FHA.
- a. If the Claim Submitted is Accurate and Complete in every detail, its examination for compliance with statutory and regulatory requirements and the calculation of the allowable loss can be completed within a few days. In such cases the lender receives its check from the Treasury Department in a relatively short time. When inaccuracies and omissions require correspondence with the lender to obtain clarification or completion of information, payment of the claim is unavoidably delayed.
  - b. An Accurate and Complete Claim Requires certain data and documentation which must be obtained at the inception of the loan. Some of these requirements will vary, depending on the HUD-FHA Title I Regulations in effect at the time the loan was made. It is important, therefore, that personnel engaged in initiating transactions as well as those who are responsible for preparing and submitting claims be familiar with these requirements. Chapters 1 and 2 contain the current administrative policy and requirements concerning the disbursement of eligible loans. For an explanation of insurance reserves, and for other requirements and information concerning claims for loss including the cancellation or voluntary repurchase of claims, also see Chapter 1.
- 4-2. ASSEMBLING THE NECESSARY PAPERS. When the lender decides that it has exhausted all collection efforts, and when default exists either in nonpayment of installments on the mobile home loan or failure to make payments of rents, taxes, or other charges incurred

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in connection with the lot or site where the mobile home is emplaced, the lender must repossess and sell the mobile home prior to filing its application for reimbursement of insurance loss. The lender's next step is to assemble its complete file, this includes, all documents, forms, certification, collection history, and correspondence history, and correspondence relating to the transaction.

4-3. EXAMINING PAPERS FOR COMPLETION. The documents in this file should be carefully examined for completeness with particular emphasis on the items listed below.

a. Credit Application, Form FH-1 (MH).

- (1) This form should be examined to determine:
  - (a) that it has been properly dated;
  - (b) that the certification section has been completed indicating that the mobile home will serve as the applicant's principal residence and that the unit will be located in an approved mobile home park or privately owned site complying with all local requirements;
  - (c) that the description of the mobile home unit with accessories and furnishings together with their costs have been fully stated;
  - (d) that all other items on the form have been completed;
  - (e) that the application has been properly signed by the borrower, and
  - (f) that, the application has been signed by either the person selling the mobile home unit or by a person other than the borrower who prepared the credit application.
- (2) In all instances the credit application must be supplemented by either a commercial credit report on the borrower or evidence of the lender's investigation of the borrower's credit.

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- (3) If the examination discloses inaccuracies or omissions,

an explanation should be prepared for inclusion in the Title I Claim For Loss Transmittal Letter, Form FH-7 (Appendix 4).

- b. Obligation or Evidence of Indebtedness. The obligation or evidence of indebtedness may be in a form of a Conditional Sales Contract, Chattel Mortgage, Purchase Money Mortgage, Promissory Note, or other form which is complete and regular on its face and valid and enforceable against the borrower in the jurisdiction issued. Similarly, the obligation or evidence of indebtedness must be secured by a properly recorded financing statement or security agreement which creates a first lien against the mobile home and its furnishings, equipment, and accessories.
- (1) The obligation should be examined to determine:
- (a) that it fully describes the mobile home unit and furnishings;
  - (b) that full disclosure of items are in compliance with the Truth in Lending Law;
  - (c) that the written and numerical gross amount of the obligation are stated with the amount of periodic payments;
  - (d) that it is otherwise completely executed with the genuine signatures of the borrower(s).
- (2) The reverse of the obligation should be examined to assure that it bears a complete endorsement and transfer of interest from the dealer-seller.
- c. Placement Certificate For Mobile Home, Form FH-2 (MH). The placement Certificate should be examined to determine that it has been completely executed by the borrower and the dealer-seller. As in the case of the obligation or evidence of indebtedness all signatures to the certificate must be genuine.

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- d. Dealer Contract, Purchase Orders.
- (1) This is generally the dealer-seller work order form which reflects the overall cost to the purchaser, including:



- (a) the cost of the mobile home, its furnishings, equipment, and accessories;
  - (b) the downpayment made;
  - (c) insurance charges;
  - (d) other fees and charges;
  - (e) financing charges stated in dollars as well as percentages; and
  - (f) warranty of the home as guaranteed by the manufacturer and dealer-seller.
- (2) This document should be examined to determine that the amount to be financed does not exceed 115% of the manufacturer's invoice price of the mobile home unit, its furnishings, equipment, and accessories.
- e. Manufacturer's Invoice. A document identifying the mobile home unit by serial number and officially issued to the dealer stating the true wholesale price of the mobile home, its furnishings, equipment, and accessories.
- f. Advance Notice to Borrower. At least six calendar days prior to making disbursement, the lender must give the borrower written notice of the approval of his credit application.
- (1) It is not required that the borrower acknowledge receipt of such notice. The lender must, however, produce a record of having mailed or delivered such notice. An acceptable record of delivery would be a dated carbon copy of the notice or a dated entry in the borrower's loan file.

- (2) Supplies of the advance notice are not furnished by HUD-FHA since lenders should issue the notice on their own letterhead stationery. (Suggested forms of this notice are illustrated in Chapter 2.)
- g. Certificate of Design and Construction - Mobile Home Loan. Determine from inspection that the manufacturer's certificate of design and construction has been completely executed and signed on behalf of the manufacturer. The certificate must also state that the mobile home was constructed in accordance with the requirements prescribed in Mobile Home

Standard No. A 119.1, as approved by the American National Standard Institute.

- h. Documentation Required When Mobile Home Placed on Borrower's Site. The two certificates which are required when a mobile home is emplaced on an owner's site should be inspected to assure that they have been fully executed and signed.
    - (1) One certificate by an authorized local official should establish that the site has adequate sanitary facilities and is in conformance with applicable sanitary codes in the jurisdiction where the mobile home is to be located.
    - (2) The second certificate by the dealer and the borrower stating that the current zoning of the site does not preclude emplacement of a mobile home.
  - i. Certificate of Origin - Mobile Home Loan. Determine from inspection that the manufacturer's certificate of origin has been completely executed and signed on behalf of the manufacturer and states that the mobile home is free and clear of all legal encumbrances.
- 4-4. CORRESPONDENCE FILE. The file should contain a resume or copies of all collection correspondence pertaining to the account, including letters exercising the lender's option to accelerate the maturity of the obligation.
- 4-5. REPOSSESSION COSTS. A statement of expense incurred in repossessing and selling the mobile home unit should be included in the claim file. These expenses are reimbursable as a part of the insurable loss and are not subject to the 10% co-insurance feature.

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- a. Allowable Expenses. The cost of repossessing and refurbishing the mobile home not to exceed \$500. Such as:
    - (1) Unpaid taxes or park rental fees
    - (2) Unpaid utility bills
    - (3) Lock replacements
    - (4) Cleaning and painting
    - (5) Transportation or freight to relocated site

- (6) Replacement or repair of fixtures and/or appliances.
- b. Attorney Fees. The cost of attorney fees incurred in connection with court orders to repossess are not to exceed \$100.
- c. Uncollected Court Costs including fees paid for issuing, serving, and filing summons.
- d. Sale Commission. A sales commission not to exceed 3% of the sale price of the mobile home unit. While the commission in most instances will be paid to the dealer, it may, if circumstances warrant, also be paid to mobile home park owner or recognized realty salesman.
- 4-6. DEFICIENCY JUDGMENTS. The regulations do not specifically require a lender to litigate on the remaining balance of an account following repossession and resale. However, in any instance where a deficiency judgment or other security device has been obtained, it must be assigned to the United States of America, on a form recordable in the jurisdiction in which the judgment or other security device was taken.
- 4-7. INSURANCE REFUNDS. Following repossession and resale of the mobile home unit, insurance coverage should be cancelled and any refund of insurance premiums, whether prepaid or escrowed, must be credited to the unpaid balance of the borrower's account.
- 4-8. TITLE I CLAIM FOR LOSS (FORM FH-7). When the examination of the claim papers has been completed, the next step is the preparation of the subject form, which includes a cover sheet and six parts comprised of the Transmittal Letter (parts 1 and 2) and the

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- Application Voucher (parts 3 through 6). This form is illustrated in Appendix 4, with instructions for its preparation and transmittal.
- 4-9. COMPUTATION OF INSURED LOSS. From the information furnished by the lender on Form FH-7, the computation of the insured loss is made by HUD-FHA. The HUD-FHA computation is entered on the Application Voucher in the column headed "FOR FHA USE ONLY - Determination of Amount Due," and the claim number is also entered by HUD-FHA. Part 4 is forwarded to the lender with the treasury check issued in payment of the claim.
- 4-10. EXAMPLE OF COMPUTATION OF INSURED LOSS. The following hypothetical case is prepared for the information of lenders to

illustrate the manner in which an insured loss is determined. Let us assume that a 10 year note for \$11,766.49 payable in monthly installments of 598.06 with a date of first payment July 1, 1970 was executed on June 1, 1970. The financing charge was \$3,766.49 and the dealer received net proceeds of 58,000. Installments were paid when due up to and including the payment of January 1, 1972, but the February payment was not made until April 10.

On May 2, 1972, the lender having received no further payments, exercised its option to accelerate the maturity of the loan, and on May 10, 1972, instituted proceedings to repossess the mobile home. The mobile home was repossessed on June 20, 1972, and resold on July 15, 1972 for \$6,200. The cost of repossession totaled \$480, and the cancellation of a comprehensive insurance policy resulted in a refund of \$240. On August 10, 1972, the lender decided to file claim and furnish the required information on the Title I Claim of Loss, Application Voucher, Form FH-7.

- a. Comments. The computation is made in accordance with the following comments and is inserted on Form FH-7 (Application Voucher) as illustrated in Appendix 4. The item numbers listed relate to the numbers in the left margin of the Application Voucher.

(Item 1). - In this case the maximum financing charge, obtained from FHA Title I Payment Schedule Booklet, FHA No. 1359 was taken.

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- (4-10) (Item 2). - The charge is considered distributed over the period of the loan and is prorated to the date of default. The proration is based upon the outstanding balances for the total period of time from the date of the note. Twenty of the 120 regular payments were received, the default being in the 21st period. The factor to be used, therefore, is 0.31818 based on the formula in sub-paragraph b, below for the 21st period of a "120" Period to Maturity Loan where the number of days from the date of note to the date of first payment is 30 days. The charge to be prorated (\$3,766.49) multiplied by this factor represents the charge earned prior to default.

The amount that will be allowed under this claim is \$3,766.49 X 0.31818, or \$1,198.42.

(Items 3 and 4) - Since the proceeds were \$8,000, the total

amount due up to the time of default was \$9,198.42 (the proceeds paid to the borrower plus the earned charge).

(Items 5 and 6) - Since \$1,961.20 was received in regular installments, this amount is subtracted from the total amount due to the time of default, leaving a balance due of \$7,237.22.

(Items 7 and 8) - On July 15, 1972, the mobile home unit was resold for \$6,200 and insurance refund of \$240 was received. The total of \$6,440 subtracted from the total amount due to the time of default reduced the balance remaining to \$797.22.

(Item 9) - Interest at 7% was due, therefore, on \$797.22 from March 1, 1972 to August 10, 1972, the date on which application for reimbursement was made. The table headed "Exact Number of Days in Fractional Parts of a Year" (see Appendix 4) shows the number of days between March 1, 1972 and August 10, 1972, to be 162 days. The interest factor for 162 days at 7% per annum as shown in the interest table (see Appendix 4) is .0310685. This factor multiplied by the outstanding balance due as of March 1, 1972, \$797.22 results in interest for this period of \$24.77.

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(4-10) (Item 10) - The earned interest is added to the net unpaid principal and prorated charge to determine the principal prorated charge, and interest earned by the lender.

(Items 11 and 12) - The co-insurance loss 10, which is borne by the lender is deducted to determine the net unpaid principal, prorated charge, and interest due the lender. (The co-insurance loss is not recoverable from either the borrower, dealer or HUD-FHA).

(Item 13) - The costs of repossession and resale are not subject to the co-insurance deduction, therefore, the total costs are added to the net unpaid principal, prorated charge, and earned interest to arrive at the total insured loss, which in this case is \$1,219.79.

- b. Formula for Determining Proration Factor. Outlined below is the formula for determining the proration factor required to compute the earned charge to date of default.

m = number of days to first payment

n = number of periods in loan

d = number of payments made before default

$$\frac{m n + d n - d (1 + d)}{30 \quad 2}$$

$$\frac{m n + n (n-1)}{30 \quad 2} = \text{Proration Factor}$$

$$\frac{m n + n (n-1)}{30 \quad 2} \quad \frac{m n + n (n-1)}{30 \quad 2}$$

(1) To illustrate how this formula is used, the following shows how the factor was determined for the hypothetical case explained in subparagraph a, above and illustrated in Appendix 4.

$$\frac{30 \times 120}{30} + \frac{20 \times 120 - (20 (1 + 20))}{2}$$

$$\frac{30 \times 120}{30} + \frac{120 (120-1)}{2} = 0.31818$$

## LOAN CHART - GENERAL ADMINISTRATIVE POLICY

BASIC LOAN LIMITATION	PERMISSIBLE CHARGES AND FEES	MAXIMUM LOAN EXCLUSIVE OF FINANCING CHARGES	MAXIMUM MATURITY OF NOTE	MAXIMUM FINANCING CHARGE - INCLUDING FHA INSURANCE CHARGE	INSURANCE PREMIUM TO BE INCLUDED IN MAXIMUM FINANCING CHARGE
<p><b>SINGLE WIDE</b></p> <p>A <b>MOBILE HOME</b> is a transportable structure, which exceeds either 10 body feet in width or 40 body feet in length, built on a chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities.</p> <p>An <b>EXPANDABLE MOBILE HOME</b> is a mobile home with one or more room sections that fold, collapse or telescope into the principal unit when being transported and which can be expanded at the site to provide additional living area.</p> <p>A <b>MODULAR UNIT</b> is a factory fabricated transportable building unit designed to be used by itself for residential purposes.</p>	<p>Filing or Recording Fees, Documentary Stamp Tax, State and Local Sales Tax, Comprehensive and Extended Coverage Insurance <sup>1/</sup></p> <p>Vendor's Single Interest Insurance Coverage <sup>1/</sup></p> <p>Transportation or Freight not to exceed \$400.</p> <p>Set-up Charges not to exceed \$200.</p>	<p>Basic Loan Limitation plus Permissible Charges and Fees not to exceed \$10,000</p>	<p>12 years 32 days</p>	<p>\$5.50 Discount per \$1,000 of face amount per year on first \$2,500</p> <p>\$4.50 Discount on amount above \$2,500</p>	<p>0.11% per year of amount advanced</p>
<p>Loan proceeds shall not exceed the lesser of 115% of manufacturer's invoice price of unit, furnishings, equipment, and accessories or \$10,000.</p>	<p>Filing or Recording Fees, Documentary Stamp Tax, State and Local Sales Tax, Comprehensive and Extended Insurance Coverage <sup>1/</sup></p> <p>Vendor's Single Interest Insurance Coverage <sup>1/</sup></p> <p>Transportation or Freight not to exceed \$600.</p> <p>Set-up Charges not to exceed \$400.</p>	<p>Basic Loan Limitation plus Permissible Charges and Fees not to exceed \$15,000.</p>	<p>15 years 32 days</p>	<p>\$5.50 Discount per \$1,000 of face amount per year on first \$2,500</p> <p>\$4.50 Discount on amount above \$2,500</p>	<p>0.11% per year of amount advanced</p>
<p><b>DOUBLE WIDE</b></p> <p>A <b>DOUBLE WIDE MOBILE HOME</b> is a mobile home consisting of two sections combined horizontally at the site while still retaining their individual chassis for possible future movement.</p> <p>A <b>SECTIONAL HOME</b> is a dwelling made of two or more modular units factory fabricated and transported to the home site where they are put on a foundation and joined to make a single house.</p>					

<sup>1/</sup> Initial Insurance Coverage May Not Exceed 5 Years.

Credit Application for Mobile Home Loan  
Disbursement of Eligible Loans

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION  
CREDIT APPLICATION FOR MOBILE HOME LOAN  
Form No. 10  
Date: 03-81-79

1. Do you have any debt due or owing to or secured by an agency of the Federal Government? Yes  No   
2. Have you any other application for an FHA Title I Improvement or Mobile Home Loan pending at this time? Yes  No  I hereby apply for a loan of \$ 6,300 (Net) and interest To be repaid in 120 Months

4 APPLICANT  
Name: John A. Purchaser Age: 25 Married Status: Married Number of Dependents: 2  
Present Address: 2000 D Street Washington, D.C. 20002  
Permanent Address: 2000 D Street Washington, D.C. 20002  
1. Name of Applicant: John A. Purchaser  
2. Name of Applicant: Jane Age: 20  
3. Name of Applicant: Robert Purchaser  
4. Name of Applicant: Father  
5. Name of Applicant: Mother

5 EMPLOYMENT AND SALARIES  
Employer Name and Business Address: Gen. Electronics, Inc. Annapolis, Maryland  
Type of Work or Position: Electrical Engineer  
Annual Salary: \$ 25,000.00  
1. Name of Employer: Gen. Electronics, Inc.  
2. Type of Work or Position: Electrical Engineer  
3. Annual Salary: \$ 25,000.00

6 Other Income  
Name and Business Address: Rental Property  
Annual Income: \$ 115.00 Per Mo.

7 BANK ACCOUNT  
X Yes  No   
X Savings  X Checking   
Bank Name and Branch: Sixth Bank and Trust Co., Washington, D.C.

8 CREDIT ACCOUNTS  
Name and Business Address: Atlas Trust Thermal Oil Co.

9 DEBTS  
List all unpaid obligations, installment accounts, FHA loans and debts to banks, finance companies and Government agencies. If more space needed, list additional debts on attached sheet.

FHA No.	To Whom Incurred	City and State	Date Incurred	Original Amount	Present Balance	Monthly Payments	Amount Past Due
x	Arlington Mtg. Co.	Arlington, Va.	6/2/69	\$17,000	\$15,800	\$175	\$ -0-
x	Best Finance	Wash., D. C.	8/7/71	\$ 900	\$ 360	\$ 60	\$ -0-
x	Teoney's	Wash., D. C.	4/10/72	\$ 600	\$ 500	\$ 30	\$ -0-

10 LIEN RECORD  
A Lien No. on: ABC Loan and Trust Year and Make: 1971 Ford Amount: \$ 3,100 Monthly Payment: \$ 110 Past Due: \$ -0-



Credit Application for Mobile Home Loan  
Disbursement of Eligible Loans

WE CERTIFY THAT THE MOBILE HOME WILL SERVE AS MY/OUR PRINCIPAL RESIDENCE AND WILL BE LOCATED  
in The Applicant's Home Port X Yes No

OR Palatia Sugarloaf Maryland 217-5 65.00 45.00

To Be Attached to Foundation  Yes  No Approximate Square Feet of Site 320 ACRES

IF PROCEEDS OF THIS LOAN WILL BE USED TO PURCHASE A MOBILE HOME FURNISHINGS AND OTHER ACCESSORIES AS FOLLOWS

YEAR	MANUFACTURER'S NAME	MODEL, NAME AND NUMBER	MANUFACTURER'S SERIAL NO.	TYPE	PRICE
1972	Castle Co.	Regal 2042A	76767	70 2L Blue	7,400
		2 Ton Air Conditioner			600
		Washer - Dryer			450

FINANCE  Yes  No  More Comprehensive and Expanded Insurance Terms 6 60 76

**IMPORTANT - APPLICANT AND SELLER READ BEFORE SIGNING**

I, the undersigned, certify that the above statements are true, accurate and complete to the best of my own knowledge and belief. This application shall remain the property of the lending institution which submitted for the purpose of obtaining a loan.

I, the undersigned, consent to and authorize the lending institution or the FMA, after the giving of reasonable notice, to enter the premises property for the purpose of determining that the Mobile Home specified in this application has been delivered and installed.

Name \_\_\_\_\_ (LS) Name \_\_\_\_\_ (App. rep.)

I, the undersigned, certify that I am the person who sold the Mobile Home. The Contract covering the whole agreement with the borrower is the borrower's responsibility. The borrower has not been given or shown a copy of the contract or terms of the agreement. The borrower has received a copy based on commission on future sales as an inducement for the consumer of this transaction. No encouragement of the purchase, no promise that the Mobile Home will be used as a home for occupancy or other demonstration purposes, and no offer of post-contract commission.

Representing LMN Mobile Sales (LS) Name \_\_\_\_\_ (App. rep.)

I, the undersigned, certify that I am the person who prepared the above application and I am authorized to sign the same on behalf of the undersigned.

Prepared By \_\_\_\_\_ Address \_\_\_\_\_  
Signature of Preparer (Name, Title, Business)

Representing \_\_\_\_\_ (App. rep.)

**WARNING**  
Any person who knowingly makes a false statement or a misrepresentation in this application or causes such a false statement or misrepresentation to be made shall be subject to a fine of not more than \$5000 or be imprisoned for not more than 2 years or both, under provisions of the United States Criminal Code.

SPACE BELOW RESERVED FOR USE OF LENDER

Placement Certificate for Mobile Home Loan  
Disbursement of Eligible Loans

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION  
**PLACEMENT CERTIFICATE FOR MOBILE HOME**  
UNDER FHA TITLE I  
Delivery and Installation

FH-215M

TO Financial Institution:		Address:	
Corner National Bank		Frederick, Maryland	
YEAR	MANUFACTURER'S MODEL NAME AND NUMBER	MANUFACTURER'S SERIAL NO.	DESCRIPTION
1972	Castle Co. Regal 3M22A	74767	70' x 20' Blue

In accordance with Mr/Dur's Credit Application dated \_\_\_\_\_ For a Loan Pursuant to the Provisions of Title I of the National Housing Act, I/We hereby certify that:

- (1) The Mobile Home financed is to be located at PARADISE ST., SUGARTON, Md.
- (2) The Mobile Home financed was placed at PARADISE ST., SUGARTON, Md.
- (3) Check appropriate items:
  - A.  The Mobile Home is located in an FHA-Approved Mobile Home Court Park.
  - B.  The Mobile Home is located on an individual site meeting these minimum requirements:
    1. No violation of Zoning Laws or other local requirements applicable to Mobile Homes.
    2. The site is served by Water and Sanitary Facilities. The Water and Sanitary Facilities have been approved by the appropriate Local Public Authority. Attached is a Certificate of Approval from the Public Authority.
    3. The site is served by a Street or Road.
    4. The site is not known to be subject to conditions that may be hazardous to the Personal Health or Safety of the Occupants or that may endanger the improvements.
- (4) I/We have not been given or promised a cash payment or rebate nor has it been represented to us (to) that I/We will receive a cash bonus or commission in future sales as an inducement for the consummation of this transaction.
- (5) I/We understand that the selection, purchase and acceptance of the Mobile Home and all installation work performed is Mr/Dur's responsibility and that neither the FHA nor the Financial Institution guarantees the Mobile Home or the installation thereof.

NOTICE TO BORROWER	DO NOT SIGN THIS CERTIFICATE UNTIL THE MOBILE HOME HAS BEEN DELIVERED AND CONTAINS ALL OF THE FURNISHINGS, EQUIPMENT AND ACCESSORIES ITEMIZED IN THE SALES AGREEMENT.	SIGNATURES OF BORROWERS		DATE SIGNED
		Read before signing.	Read before signing.	

For the purpose of insuring the payment of proceeds of this loan and the insurance thereof by the FHA the undersigned certifies and warrants that:

- (1) The information as to location and requirements stated under items (1) through (3) of the Borrower's Certificate are correct.
  - (2) The purchase and installation of this Mobile Home constitutes the entire consideration for which this loan is made.
  - (3) 1. A copy of the contract or sales agreement has been delivered to the Borrower and the above financial institution.
  2. This contract contains the whole agreement with the Borrower.
  3. A true copy of the Factory Invoice has been furnished to the financial institution.
  - (4) As an inducement for the consummation of this transaction the Borrower has not been given or promised a cash payment or rebate nor has it been represented to the Borrower that he will receive a cash bonus or commission in the future.
  - (5) The Mobile Home has been satisfactorily delivered and installed.
  - (6) The above certificate was signed by the Borrower after such delivery and installation.
  - (7) The manufacturer has certified that construction of this Mobile Home including installation of plumbing, heating and electrical systems complies with standard A119.1 of the American National Standards Institute now in effect.
- If any of the above representations prove incorrect, the undersigned agrees to promptly repurchase the obligation from the Financial Institution or from the FHA as the case may be.

DEALER SIGN HERE	Name of Dealer	Date
	IMN Mobile Sales Signature	Title

**WARNING**  
Any person who knowingly makes a false statement or misrepresentation in this certificate shall be subject to a fine of not more than \$5,000 or to imprisonment for not more than 3 years, or both, under provisions of the United States Criminal Code.

Directive Number: 4710.1

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\*

HUD-56004, TITLE I LOAN REPORTING MANIFEST (REVERSE)

TYPE OF PROPERTY CODE

(BLOCK 4)

Code	Type of Property
0	New Mobile Home Residence - Single-Wide Structure
A	Used Mobile Home Residence - Single-Wide Structure
B	New Mobile Home Residence - Double-Wide Structure
C	Used Mobile Home Residence - Double-Wide Structure
D	New Mobile Home Residence - Triple-Wide Structure
E	Used Mobile Home Residence - Triple-Wide Structure
F	New Mobile Home Residence - Other
G	Used Mobile Home Residence - Other
1	Single-Family Residence
R	Single-Family Residence with Business
2	Two-to-Four-Family Residence
T	Two-to-Four-Family Residence with Business
3	Apartments or Flats, Five Families or More
4	Retail Store
S	Service Shop, Automobile Repair, Filling Station, Restaurant, etc.
5	Commercial other than Retail, Office Building, Hotel, Theatre or other Amusement Property, Wholesale Entertainment, Warehouse, etc.
6	Industrial or Manufacturing Property, Light Manufacturing Establishment, Factory, Industrial Plant, etc.
7	Farm Property, Farm Home, Barn, Silo, Stable, Shed Building or Other Structure used wholly or in part for agricultural purposes.
8	Institutional, Hospital, Nursing Home, Health Care Facility, School, College, Club, Fraternity Organization, etc.
*M	Nursing Home, Intermediate Care Facility, Extended Health Care Facility - Fire Safety Equipment.
9	Other Property

\* To be used only for loans authorized by Title III,  
Section 309 (b)(1) and 309 (b)(3) of P.L. 93-383.

TYPE OF IMPROVEMENT CODE

(BLOCK 5)

Enter the Code for the most important improvement made based on the dollar expenditure for the work done.

Code                      Type of Improvement

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MOBILE HOME RESIDENCES

- 01 Financing of a Mobile Home
- 02 Financing of an undeveloped Mobile Home Lot - Site preparation expenses Not Included
- 03 Financing of a developed Mobile Home Lot - Site preparation expenses Included
- 04 Financing of a Mobile Home and undeveloped Lot
- 05 Financing of a Mobile Home and developed Lot

NEW NONRESIDENTIAL BUILDINGS

- 11 Detached Garages, Sheds, Car Shelters, etc., on residential properties
- 12 Manufacturing and Processing Plants, Retail and Service Stores on commercial properties
- 13 Barns, Dairies, Silos, Brooders and Service Buildings on farm properties

PRESERVATION OF HISTORIC STRUCTURE

- 19 Historic Site preservation.

STRUCTURAL ADDITIONS AND ALTERATIONS

- 21 Attached Garages, Carports, Porches, Covered Patios, etc.
- 22 Added Rooms, Baths, Closets etc.
- 23 New Doors, Windows, Jalousies, Fireplaces, Chimneys, etc.
- 24 Other structural additions or alterations including new fronts, display windows, etc.
- 25 Bomb and Fallout Shelter.

EXTERIOR FINISHING

- 31 Painting and waterproofing.
- 32 Asbestos, asphalt, composition and wood shingles or siding and brick, cement, metal, stone, stucco, etc., finishing.
- 33 Other exterior finishing work.

INTERIOR FINISHING

- 41 Painting and papering.
- 42 Plastering, wallboard composition and wood paneling, and acoustical, ceramic, plastic and metal tile.
- 43 Kitchen remodeling including cabinets.
- 44 Composition, linoleum tile and wood flooring.
- 45 Other interior work.

ROOTING -- REPAIR OR REPLACEMENT

- 51 Asbestos, asphalt, build-up, metal, slate, tile and wood shingle.
- 52 Gutters and downspouts
- 53 Other roofing work.

PLUMBING -- INSTALLATION OR REPLACEMENT

- 61 Bathroom fixtures and connections.
- 62 Domestic water heaters, softeners and connections.
- 63 Wells, pumps and disposal systems.
- 64 Other plumbing work.

HEATING, COOLING AND VENTILATING

- 71 Furnaces and boiler systems; pipes, ducts and radiation; and floor furnaces and wall heaters.
- 72 Mechanical air conditioning systems.
- 73 Evaporative coolers, exhaust and ventilating fans.
- 74 Other heating and cooling systems.
- 75 Energy conserving improvements that are designed to reduce the total energy requirements of the structure such as heat pumps, attic fans, energy efficient air conditioning systems, etc.
- 76 Solar energy systems that utilize solar energy to reduce the energy requirements of that structure from other other conventional energy sources.

INSULATION

- 81 Blanket, belt, reflectors, loose-fill types.
- 82 Storm doors and windows, insulating glass.
- 83 Weatherstripping, awning, blinds and other insulation.

MISCELLANEOUS

- 91 Electric wiring.
- 92 Fences and walls.

- 93 Landscaping and lawn sprinkling systems.
- 94 Paving, driveways, porch and window screen, termite control and other miscellaneous work not classified elsewhere.
- 95 Fire safety equipment.

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MODE OF PAYMENT CODE  
(BLOCK 10)

Code	Payment frequency
1	Monthly
2	Quarterly
3	Semiannually
4	Annually
5	Twice a Month
6	Every two weeks
7	Weekly
8	Every four weeks

MINORITY GROUP IDENTIFICATION CODE  
(BLOCK 17)

Code	Definition
1	White (non-minority)
2	Negro/Black
3	American Indian
4	Oriental
5	Spanish American
6	Other

[HUD-56004](#) (10-79)

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LOAN REPORTING MANIFEST, FORM [HUD-56004](#)

Prepare by typewriter. Insert name and address, including zip code, of insured institution and complete the blocks as indicated below. Verify carefully before mailing. Submit original to the Office of ADP Operations, Attention: Production and Data Control Division, Department of Housing and Urban Development Washington, D.C. 20410. NOTE: Only the 7/76 revision of the FH-4 and the 10/79 revision of the [HUD-56004](#), Title I Reporting Manifest, shall be used.

Block  
No.

Instructions

- 
- (1) This is preprinted code "L," used internally by HUD.
  - (2) Name(s) of Borrower(s): Enter last name first.
  - (3) Contract Number: It is extremely important that the complete five-digit contract number of the insured institution be shown correctly, since there is no verification by HUD.  
Example: Contract number 231 should be shown as 00231.
  - (4) Type of Property and Improvement: Enter the designated codes as and shown on the reverse of the Form [HUD-56004](#).\* If more than one
  - (5) type of improvement is involved, enter the code for the most important type as determined by relative dollar expenditures.
  - (6) Location of Property: Enter the codes for state and county location and of the property improved as shown on the listing furnished by HUD
  - (7) (county code must be shown as three digits).
  - (8) Date of Note: Enter the month, day, and year as shown in the note.
  - (9) Type of Note: Enter "1" if interest-bearing note. No entry is to be made in this column for those notes that include interest in the face amount (discount notes).
  - (10) Payment Mode: This column must contain one of the designated mode of payment codes. These codes are shown on the reverse of Form [HUD-56004](#).\* The mode of payment code indicates the frequency of payment and will enable HUD to compute accurately the maturity date of the loan and the insurance charge.

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Block

No.

Instructions

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- (11) Number of Payments to Liquidate Loan: Enter the number of payments required to liquidate the loan as shown in the note.
- (12) Net Proceeds to Borrower or Purchase Price: Enter the principal amount of the loan exclusive of financing charges.
- (13) Type of Loan: Enter "1" if the transaction is a loan made directly to the borrower and no dealer participated in any way in the negotiation of the loan or the disbursement of the proceeds. No entry is necessary if it is a dealer loan.
- (14) Face Amount of Note: Enter the face amount exactly as shown in the note.
- (15) Amount of Periodic Payment: Show the amount of the regular installments. Although the Title I Regulations provide that the first or the final installment may not be less than one-half of more than one and one-half times the amount of a regular installment, it is not necessary to show the amount of the adjusted installment.
- (16) Date of First Payment: Enter the month, day and year of the first payment to be made by the borrower as shown in the note.
- (17) Minority Identification: Enter the designated code as shown on the reverse of the Form [HUD-56004](#).\*

\* The reverse of [HUD-56004](#) is illustrated in Appendix 3, page 1.

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[HUD-56004](#), TITLE I LOAN REPORTING MANIFEST (FACE)(Links to 47101x3)

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INSTRUCTIONS FOR PREPARATION OF PUNCHED TABULATING CARDS

Prepare punched tabulating cards used in reporting new Title I loans for insurance registration as indicated below. No deviation from these instructions will be permitted. Verify the data punched into the cards before submission. Mail securely packaged cards to Office of ADP Operations, Attn: Production and Data Control Division, Department of Housing and Urban Development, 451 Seventh Street S.W. , Washington, D.C. 20410.

Card Columns	Descriptions	Instructions
1	Card Code	Punched "L."
2-23	Name(s) of Borrower(s)	This field must be left justified. Punch last name first. Allow only one blank space between each part of name.
24-28	Contract Number of Insured Institution	All columns must be punched. Spaces to the left of significant digits must be filled with zeros. Example: Contract Number 231 should be punched as 00231.
29-31	Type of Property and Improvement	Column 29 must contain one of the designated property codes. Columns 30 and 31 must contain one of the designated improvement codes. These codes are shown on the reverse of Form <a href="#">HUD-56004</a> .*
32-36	Location of Property	Columns 32 and 33 should contain the state code for the location of the property. Columns 34-36 should contain the county code for the location of the property. All columns must be punched. Spaces to the left of significant digits must be filled with zeros.
37-42	Date of Note	All columns must be punched. Example: A note dated January 8, 1981, must be punched 010881.
43	Type of Note	Punch "L" if interest bearing note. Otherwise, leave column blank.

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Card Columns	Descriptions	Instructions
44	Type of Mode	This column contains one of the designated mode of payment codes. These codes are shown on the reverse of Form <a href="#">HUD-56004</a> .*
45-47	Number of Payments Required to Liquidate the Loan	All columns must be punched. Spaces to the left of significant digits must be filled with zeros. Example: A note for forty-two months must be punched as 042.
48-54	Net Proceeds to Borrower or Purchase Price	All columns must be punched. Example: Net proceeds of seven hundred dollars must be punched as 0070000.
55	Type of Loan	Punch "1" if Direct Loan. Otherwise, leave column blank.
*56-63	Face Amount of Note	All columns must be punched. See example for net proceeds.
64-69	Amount of Periodic Payments	All columns must be punched. Example: Payments of sixty-nine dollars and fifty cents must be punched as 0006950.
70-75	Date of First Payment	All columns must be punched. See example for date of note.
76	Minority Code	Enter the designated code as shown on the reverse side of the Form <a href="#">HUD-56004</a> .*
77-80	For HUD Use Only	

\* The reverse of [HUD-56004](#) is illustrated in Appendix 3, page 1. \*

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TITLE I PUNCH TABULATING CARD

REPORTING OF LOANS

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INSTRUCTIONS FOR PREPARATION OF FORM FH-5, TITLE I REFINANCING REPORT  
REPORTING OF LOANS

Prepare by typewriter. Insert name and address, including zip code, of the insured institution. Complete the blocks as indicated below. Verify carefully before mailing to HUD. Submit original to Department of Housing and Urban Development, Insurance Operations Division, OFA, 451 Seventh Street, S.W. Washington, D.C. 20410. \*

Block No.	Instructions
1.	This is a preprinted code used internally by HUD.
2.	Name(s) of Borrower(s): Enter last name first.
3.	Contract Number: It is extremely important that the complete five-digit contract number of the insured institution be shown correctly, since there is no verification by HUD. Example: Contract number 231 should be shown as 00231.
4. and	Type of Property and Improvement: Enter the designated codes as shown on the reverse side of Form <a href="#">HUD-56004</a> .
5.	If more than one type of improvement is involved, enter the code for the most important type as determined by relative dollar expenditures.
6. and	Location of Property: Enter the codes for state and county location (most recent note being refinanced) of the property improved as shown in the FHA Title I Property Location Codes. (State code must be shown in two digits, county code must be shown in three digits.)
7.	
8.	Date of Note: Enter the month, day and year as shown in the note.
9.	Type of Note: Enter the numeral "1" if interest-bearing note. No entry is to be made in this column for those notes that include interest in the face amount (discount notes).

Block No.	Instructions
10.	Payment Mode: This column must contain one of the designated mode of payment codes shown on the reverse of Form <a href="#">HUD-56004</a> .* The mode of payment code indicates the frequency of payment and will enable HUD to compute accurately the maturity date of the loan and the insurance charge.
11.	Number of Payments to Liquidate Loan: Enter the number of payments required to liquidate the loan as shown in the note.
12.	Net Proceeds to Borrower or Purchase Price: Enter the principal amount of the loan exclusive of financing charges.
13.	Type of Note: Enter the numeral "1" if the transaction is a loan made directly to the borrower and no dealer participated in any way in the negotiation of the loan or the disbursement of the loan proceeds. No entry is necessary if it is a dealer loan.
14.	Face Amount of Note: Enter the face amount exactly as shown in the note unless it is reported as an interest bearing note in block 9, in which case the amount shall be the same as block 12.
15.	Amount of Periodic Payment: Show the amount of the regular installments. Although the Title I Regulations provide that the first or the final installment may not be less than one-half or more than one and one-half times the amount of a regular installment, it is not necessary to show the amount of the adjusted installment.
16.	Date of First Installment: Enter the month, day and year of the first payment to be made by the borrower as shown in the note.
17.	Minority Identification: Enter the designated code as shown on the reverse of the Form <a href="#">HUD-56004</a> .*
18, 23, 28, 33.	FHA Loan Number: Enter the seven digit FHA Loan Number assigned by HUD to all new loans as they were acknowledged. Do not include loans which have been previously reported on an FH-5 as being refinanced. Example: FHA Loan No. 4875 should be shown as 0004875.

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Block  
No.

Instructions

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19, 24, Date of Note: Enter the date of the old note being  
29, 34. refinanced.

20, 25. Unpaid Balance: Enter the unpaid balance less the unearned  
30, 35. finance charge of the old note being refinanced.  
(A handling charge may be deducted from the unearned  
finance charge if no additional advance has been made.)

21, 26, Monthly Statement: Enter the month and year as shown on  
31, 36. the Form HUD-2041, Title I Loan Statement, which  
acknowledged the loan for registration.

22, 27, Maturity Date of Note: Enter maturity date of old note  
32, 37. being refinanced.

The report should be signed by an authorized official of  
the insured institution. Insert the title of the  
signing official and the date.

\* The reverse side of Form [HUD-56004](#) is illustrated in  
Appendix 3, page 1.

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FH-5, TITLE I REFINANCING REPORT

REPORTING OF LOANS

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INSTRUCTIONS FOR PREPARATION OF TITLE I  
TRANSFER OF NOTE REPORT, FH-6

- \* Prepare by typewriter. Complete the blocks as indicated below. Verify carefully before mailing to HUD. Submit original to Department of Housing and Urban Development, Mortgage Insurance Accounting Servicing Group, OFA, Attention: Insurance Operations Division, 451 Seventh Street S.W., Washington, D.C., 20410. \*

Enter the date of the monthly statement on which the loan was acknowledged by HUD for insurance registration in the top right corner of the form.

Block  
No.

Instructions

- | Block No. | Instructions   |
|-----------|--|
| 1.        | Name of Borrower(s): Enter the last name first.  |
| 2.        | Contract Number of Buying Institution: It is important that the complete five-digit contract number of the insured buying institution be shown correctly.<br>Example: Contract No. 231 should be shown 00231.  |
| 3.        | Date of Note: Enter the month, day and year as shown in the note.  |
| 4.        | Number of Payments to Liquidate Loan: Enter the number of payments required to liquidate the loan as shown in the note.  |
| 5.        | Original Face Amount of Note: Enter the face amount exactly as shown in the note.  |
| 6.        | Amount of Periodic Payment: Show the amount of the regular installments. Although the Title I Regulations provide that the first or the final installment may not be less than one-half or more than one and one-half times the amount of the regular installment, do not show the amount of the adjusted installment. |
| 7.        | Date of First Payment: Enter the month, day and year of the first payment made by the borrower as shown in the note.   |
| 8.        | Unpaid Balance on Note: Enter the unpaid balance as of the date of transfer.   |

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Block  
No.

Instructions

- | Block<br>No. | Instructions   |
|--------------|--|
| 9.           | Transfer or Net Selling Price: Enter the unpaid balance less the unearned finance charge of the note that was outstanding when the note was transferred or sold.                   |
| 10.          | Date of Transfer: Enter the date the note was sold or transferred.   |
| 11.          | Contract Number of Selling Institution: Show the complete five-digit contract number of the insured selling institution.   |
| 12.          | Title I Loan Number: Enter the seven-digit Title I loan number that is assigned to each loan upon acknowledgement. Example: Title I Loan Number 4567 should be shown as 0004567. * |

Indicate agreement of parties with reference to transfer of insurance reserve by placing an "X" in the appropriate box (1, 2, or 3).

The name and address, authorized signature, official title of person signing, and date of signing must be furnished, as indicated, by both the selling and the buying institutions.

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FH-6, TITLE I TRANSFER OF NOTE REPORT  
REPORTING OF LOANS

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APPENDIX 3

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\*

INSTRUCTIONS FOR PREPARATION OF TITLE I  
TRANSFER OF MOBILE HOME LOANS TO GNMA POOL, FORM HUD-676

Prepare by typewriter. Complete the blocks as indicated below. Use additional pages, if needed, or a supporting listing or printout with a covering Form HUD-676. If additional pages of Form HUD-676 are used, the GNMA Pool Numbers and the Contract Number of the Lending Institution must be inserted in the appropriate blocks on all pages submitted. If a supporting listing or printout is used with a covering Form HUD-676, the GNMA Pool Number and the Contract Number of the Lending Institution must be typed on all pages submitted. All supporting listings or printouts must be in the same general format and contain the same basic information as the Form HUD-676. Submit original to Mortgage Insurance Accounting, Office of Finance and Accounting, Department of Housing and Urban Development, Washington, D.C., 20410, Attention: Title I Branch.

GNMA POOL NUMBER - Enter the complete number assigned by GNMA to designate a particular pool of mobile home loans.

EFFECTIVE DATE OF TRANSFER - Enter the month and year that the transfer of mobile home loans to the GNMA pool is to take effect.

NAME AND ADDRESS OF LENDING INSTITUTION - In the spaces provided, enter the name and address of the lending institution, the title of the signing official, and the date. The report should be signed by an authorized official of the institution.

CONTRACT NUMBER OF LENDING INSTITUTION - It is important that the complete five-digit contract number of the lending institution be shown correctly. Example: Contract No. 170 should be shown as 00170.

TOTAL NUMBER OF LOANS REPORTED TRANSFERRED - Report the total number of mobile home loans that are being transferred to the GNMA pool and scheduled individually on the lower portion on the report. If additional pages of the Form HUD-676 are used to list individual loans, enter the total number of loans on the first page of the report and staple all pages together in the upper left corner. If a supporting listing or printout is used with a covering Form HUD-676, enter the total number of loans shown on the listing or printout in this block and staple the report and listing or printout together in the upper left corner.

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TOTAL NET UNPAID PRINCIPAL BALANCE OF LOANS TRANSFERRED - Enter the total net unpaid principal balance as of the effective date of transfer, for all loans being transferred to the GNMA pool. This figure must be at least \$500,000 in order to be eligible for a GNMA pool. If additional pages of the Form HUD-676 are used, enter the total net unpaid principal balance on the first page of the report and staple all pages together in the upper left corner. If a supporting listing or printout is used with a covering Form HUD-676, enter the total net unpaid principal balance for all loans shown on the listing or printout in this block and staple the report and listing or printout together in the upper left corner.

NAME OF BORROWER(S) - Enter the last name first.

FHA LOAN NUMBER - This is the number assigned by FHA to each loan on the initial insurance billing.

DATE ACKNOWLEDGED FOR INSURANCE - Enter the date of the monthly statement on which the loan was acknowledged by FHA for insurance registration.

DATE OF NOTE - Enter the month, day, and year as shown in the note.

UNPAID PRINCIPAL BALANCE - Enter the net unpaid principal balance as of the effective date of transfer.

A supply of Form HUD-676 may be obtained from the Director. Title I Insured Loans Division, Department of Housing and Urban Development, Washington, D.C. 20410.

HUD-676 (5-80) \*

TITLE I

TRANSFER OF MOBILE HOME LOANS TO GNMA POOL

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TITLE I LOAN STATEMENT (REVERSE)

HUD-2041

\*

INSURANCE CHARGE STATEMENT

An insurance charge listed in the Initial Billing Section of this statement constitutes an acknowledgement of the acceptance of the loan for insurance Section 201.13(b), and Section 201.630 require that insurance registration of loans shown on the statement is dependent upon payment of the related insurance charges WITHIN 25 DAYS AFTER THE DATE THE COMMISSIONER ACKNOWLEDGES RECEIPT OF THE LOANS TO THE LENDING INSTITUTION. The statement date is shown on the front of this statement and represents the date of acknowledgement. To assure registration for insurance and to avoid possible denial of claims you are urged to carefully follow the instructions in Chapter 3, Title I Operating Guide with respect to the completion of all schedules of the reconciliation form, FHA Form No 59 \*

An initial insurance charge is made for the full term of each loan having a duration of 25 months or less. The insurance charges on those loans having a maturity in excess of 25 months will be paid in installments. The Renewal Billing Sections of this statement shows loan date and the amount of the insurance charge for each previously registered loan having a duration in excess of 25 months for which a renewal charge is due. These charges are also due within 25 days of the statement date.

Any deduction made from a billing MUST RELATE TO LOANS APPEARING IN THIS MONTHLY STATEMENT. Loans which have been prepaid in full prior to the due date of this statement should be listed under Schedule 1 of the reconciliation form, FHA Form No 59. All other allowable deductions should be listed under Schedule 2, giving the reason for withholding payment. Allowable deductions for loans transferred prior to the billing due date should also be included under Schedule 2. If a loan has been refinanced and reported to FHA, the charge must not be withheld under Schedules 1 or 2. When the refinanced loan is acknowledged on a future monthly statement, the amount of the unearned insurance charge will be automatically refunded at a credit entry.

In Schedule 3, list all loans for which either the "net proceeds" or the "term in months" is incorrectly acknowledged. However, the exact billed amount should be remitted for these loans. A subsequent statement will acknowledge the correction and will include a credit entry for any overpayment on the particular loan.

When you remit the exact amount of the total charges shown on the final (summary) sheet of the statement, only the summary sheet need accompany your check. If you remit an amount other than the total billed, a reconciliation form, FHA Form No 59, must be completed and submitted with the summary sheet and your check.

To assure prompt credit for payment and adjustments for differences please:

- a. Enter your Title I contract number in the designated block on the reconciliation form. Do not use the mortgagee stamp furnished approved mortgagees under FHA's home mortgage insurance programs.
- b. Issue a single check for the entire amount being paid to cover this statement. Do not, however, combine your Title I payments with other payments to FHA since the FHA fund accounting treatment for Title I insurance charges differs from that used for premiums on mortgagees insured under other programs.
- c. Enclose your check, summary sheet from the statement and the reconciliation form, if any, in the pre-addressed envelope.

FHA Regulations require that your payment of the entire billing be received within 25 days of the statement date. See Chapter 3, Title I Operating Guide, if necessary, for further details concerning the payment of listed insurance charges.

#### EXCEPTIONS REPORTED STATEMENT

The statement, if any, titled "Exceptions Reported," lists those loans reported which are not presently acceptable for insurance. The reason for non-acceptance may be determined by referring to the reject codes shown below. If an error was made in reporting a loan that appears as an exception on the statement you should resubmit it correctly on your next manifest or card transmittal in order to obtain insurance registry. If reported loans have not been listed for insurance nor returned as "Exceptions Reported", it indicates that an incorrect contract number was used. Verification of contract number on all submittals is essential. See chapter 3, Title I Operating Guide.

#### REJECT CODES

1. Property or improvement code incorrect. Enter in blocks 4 and 5 the property and improvement codes as shown on reverse of loan manifest. Show only one code for type of improvement, enter code for most important type as determined by dollar expenditures. (Show type of improvement code as two-digits.)
2. State or county code incorrect. Enter in blocks 6 and 7 state and county codes shown on listing furnished by FHA.
3. Date of note is subsequent to date of first payment.

REJECT CODES (Continued)

4. Date of note or date of first payment is incorrect.
5. (Reserved).
6. Payment mode code is incorrect.
7. Borrower's name was omitted as name was not left justified on punched card.
8. Net proceeds were omitted, or coded as a credit.
9. Contract of institution suspended or canceled.
10. Number of installments computed by dividing face amount of note by amount of periodic payments does not agree with reported number of payments to liquidate.
11. Number of payments to liquidate loan was omitted, or is excessive.
12. Net proceeds are greater than face amount of note or, net proceeds and face amount are equal but not reported as interest bearing note.
13. Maturity of note is less than provided for in Section 201.2(d) of the Title I regulations for property improvement loans as Section 201.560 of the regulations for mobile home loans.
14. Term of note cannot exceed provisions of Section 201.2(d) of the Title I regulations for property improvement loans or Section 201.560 of the regulations for mobile home loans.
15. See Section 201.3 of the Title I regulations for the maximum net proceeds of property improvement loans as Section 201.530 of the regulations for the maximum net proceeds of mobile home loans.

\* FHA Form No. 59 has been redesignated to Form HUD-646.

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TITLE I LOAN STATEMENT  
RENEWAL INSURANCE BILLINGS SECTION

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TITLE I LOAN STATEMENT  
SPECIAL BILLINGS SECTION

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TITLE I LOAN STATEMENT  
CLAIMS SECTION

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TITLE I LOAN STATEMENT  
SUMMARY SECTION

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TITLE I LOAN STATEMENT  
RETURN SHEET

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TITLE I LOAN STATEMENT  
EXCEPTIONS REPORTED

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TITLE I MONTHLY STATEMENT  
RECONCILEMENT OF INSURANCE CHARGES

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TITLE I MONTHLY STATEMENT  
RECONCILEMENT OF INSURANCE CHARGES  
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TITLE I CLAIM FOR LOSS (Links to Appendix 47101x4)

Settlement of Claims

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Appendix 4

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INSTRUCTIONS FOR PREPARATION OF TITLE I  
CLAIM FOR LOSS - TRANSMITTAL LETTER, FORM FH-7

SETTLEMENT OF CLAIMS

Prepare parts 1 and 2. Forward part 1 together with parts 3, 4 and 5 of the Application Voucher (with carbon intact) and the complete file to the Office of the Comptroller, Department of Housing and Urban Development, Washington, D. C., 20412, Attention: Title I Branch. Retain part 2.

The circled letters on the illustrated form correspond with the letters listed below.

- a. Enter the name(s) of the borrower(s).
- b. Enter the name of the payee on the disbursement check or identify the account credited.
- c. Enter the date of the disbursement check or the date an account was credited with the amount of proceeds.
- d. Enter the reason(s) for default. This item is most important in the Administration's effort to set up a plan for the liquidation of the defaulted note.
- e. Enter a check mark to the left of each item included in the claim file to be submitted.
- f. Enter in "Remarks" any inaccuracies or omissions found in assembling and examining the necessary papers. Unnecessary delays and additional correspondence will be avoided if the inaccuracies or omissions are clearly explained.
- g. Enter the date, the name of the lending institution, and the



signature and title of an authorized official who reviewed the file for completeness.

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TITLE I CLAIM FOR LOSS

Transmittal Letter

Settlement of Claims

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INSTRUCTIONS FOR PREPARATION OF TITLE I  
CLAIM FOR LOSS - APPLICATION VOUCHER, FORM FH-7

SETTLEMENT OF CLAIMS

Prepare part 3 through 6 by typewriter. Forward parts 3, 4 and 5 (with carbon intact) to HUD-FHA with part 1 of Transmittal Letter and supporting file. Retain part 6.

The circled letters on the illustrated form correspond with the letters listed below.

- a. Enter the applicable earmarked reserve number if loan is a purchased transfer.
- b. Enter the Title I insurance contract number assigned to your institution.
- c. Enter the name(s) and address of the maker(s) of the note, with the surname preceding the given name. Include zip code.
- d. Enter the names of all co-makers, endorsers, or guarantors.

- e. Enter the date of the note as taken from the instrument.
- f. Enter the written face amount of the note.
- g. Enter the number of payments required and the amount of each as provided in the note.
- h. Enter the month and year of the last action which was acknowledged on a monthly statement.
- i. Enter the date of default (date of the earliest installment for which full payment has not been received).
- j. Enter the date on which final demand was made for the full unpaid balance.
- k. The following required data to be furnished should be shown in the column headed "Certified Information Furnished by Applicant." The column headed "FOR FHA USE ONLY - Determination of Amount Due" should be left blank (see paragraph 4-10. for comments on HUD-FHA's computation of the insured loss illustrated in this column). The "item" numbers below refer to the numbers printed in the left margin of the form.

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Item (1) - Enter the total finance charge which has been included in the face amount of the note.

Item (3) - Enter the actual amount of funds disbursed to the borrower or the dealer.

Item (5) - Enter the total amount of payments received on the account before the maturing of the note. Certification concerning these payments is incorporated in the Application Voucher Form.

Item (7) - Enter amount recovered on resale, plus insurance refund.

Item (13) - Enter the total amount of uncollected costs of repossession actually paid, itemized in a supplemental statement attached.

- m. Enter the name of the insured institution, street address, city, state and ZIP code. (Lenders requesting special mailing destination of the Treasury check should indicate the desired address in this space.)
- n. The application must be signed by an authorized official, with title indicated, and be dated.

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TITLE I CLAIM FOR LOSS

APPLICATION VOUCHER

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SETTLEMENT OF CLAIMS

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SETTLEMENT OF CLAIMS

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