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U. S. Department of Housing and Urban Development  
Washington, D.C. 20410-8000

May 29, 1997

OFFICE OF THE ASSISTANT SECRETARY  
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 97-25

TO: ALL APPROVED MORTGAGEES

SUBJECT: Submission of Single Family Claims via Electronic Data  
Interchange (EDI)

In Mortgagee Letter 96-31 , issued June 27, 1996, the Department of Housing and Urban Development (HUD) announced that all Single Family Application for Insurance Benefits (Form HUD-27011) claim forms had to be sent to HUD Headquarters using EDI, effective June 1, 1997. Exceptions to this requirement were supplemental claims, Home Equity Conversion Mortgage (HECM) claims, and the newly established loss mitigation claims.

HUD has learned that while lenders are making an honest effort to comply with the EDI mandate for Single Family claims, many lenders will be unable to meet the June 1, 1997, deadline. HUD recognizes the fact that lenders have been faced with several concurrent initiatives, and therefore, will extend the time for lenders to become EDI compliant. Lenders now have until August 31, 1997, to become EDI compliant for Single Family claims.

Paper claims received after August 31, 1997, will be assessed a processing fee of \$100 for each part (A and B) that is filed as a paper claim. HUD plans to deduct the processing fee from each claim payment. Please note that HUD can accept an electronic Part B conveyance claim even if the corresponding Part A claim was a paper submission. The following claim types will be subject to the processing fee:

Claim Type	Processing Fee
Conveyances 01A	\$100
Conveyances 01B	100
Assignments 02 (A and B)	200
Automatic Assignments 03 (A and B)	200
Coinurance Claims 04 (A and B)	200
CWCOTs 06 (A and B)	200
Pre-foreclosures 07 (A and B)	200

Lenders currently submitting claims via EDI have enjoyed such benefits as faster payment, immediate feedback on every

claim transmission, faster turnaround on suspended claims, fewer "lost" mail problems, better data quality, and increased control resulting from computerized records.

As mentioned in Mortgagee Letter 96-31 , HUD believes there are sufficient alternatives currently available to lenders so that each can choose a workable method to file EDI claims in accordance with mutually agreed upon standards. HUD will also explore usage of the FHA Connection as a means to conduct electronic commerce for Single Family Claims. Because of the amount of time that may be necessary to become EDI capable, including acquiring software, establishing a VAN connection, testing and actual implementation, lenders are encouraged to sign up for EDI as soon as possible to avoid a last minute rush.

If you are not currently participating in HUD's EDI program and need further assistance or information about becoming EDI capable, please contact HUD's Trading Partner Coordinator at 1-800-HUD-4EDI, (i.e., 1-800-483-4334). Attached are key EDI instructions pertaining to claims that may be useful to current and new trading partners in making the transition from paper to electronic claims.

Sincerely yours,

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

Attachment:

KEYS TO SUCCESSFULLY SENDING EDI CLAIMS

Lenders who use the opportunity to "parallel test" EDI claims with HUD before transmission of production EDI claims are better able to make the transition from paper to electronic claims. During this test period, lenders continue to send in paper claims, which are processed in the production environment, as usual. For each paper claim filed, the lender also transmits an EDI claim which is processed in a test environment. The results are compared and any discrepancies are noted. Lenders become familiar with the new procedures associated with EDI claims and can make adjustments in their own business procedures before going "live" with EDI claims.

All Mortgage Insurance Certificates (MICs) for original EDI claims must be sent to the contractor, Myint & Buntua with the MIC transmittal. Case number for each MIC included must be listed on the transmittal.

Lenders have few, if any, problems with "missing" claims if they promptly reconcile their outgoing claim transmissions with incoming feedback:

Functional Acknowledgement--Transaction Set (TS) 997  
Payment Advice--Transaction Set (TS) 820  
Application Advice--Transaction Set (TS) 824

Lenders should look for feedback within two business days after claim filing. HUD will transmit a TS 820 for each EDI claim that has been paid. HUD will transmit a TS 824 for each EDI claim that has suspended for correction or additional information.

Lenders are responsible for matching the codes on the TS 824 with the EDI Claims Messages found in the EDI Implementation Guide to determine what action is necessary to resolve suspended claims.

Lenders who take necessary action to correct a suspended claim or send required documentation within 45 days of the TS 824 avoid deletion of EDI claims from HUD's automated claim system. A second TS 824 is sent 45 days after the first if no action has been taken. This serves as notification that the claim has been scheduled for deletion.

A new claim must be filed for further consideration.

Lenders should make use of the specially formatted comment "ACI" (additional claim information) to inform HUD that documentation has been mailed. This will suppress the second notice TS 824 and will alert the HUD reviewer to look for incoming mail for the claim. The comment "ACI" must be entered in the appropriate field of the comment record to be effective. (For technical staff: This is in data element NTE01 in the first iteration of the NTE segment.)

Lenders must transmit an EDI corrected claim if data on an EDI claim needs to be changed. HUD reviewers will not change data on the EDI claim based on paper corrections from lenders.