

Amended Loan Documents for Initial MIP Underages and Overages:

1. Underages and overages of the Initial MIP that are identified after a loan closes will cause the loan documents to contain different Initial MIP paid amounts than the amount in FHA's systems (e.g., FHAC and HERMIT). From a case binder perspective – there may be documents (such as the Pay Plan Exhibit to the Loan Agreement and the HUD) that will disclose the correct Initial MIP paid when post-closing adjustments to the initial MIP are made. Will HUD insure the loan “as is”, or does HUD require the incorrect loan documents to be amended post-closing? If loan documents are not required to be re-drawn/signed post-closing, will there be issues with the loan documents that (a) may cause a QAD or request for indemnification or (b) when it comes time to assign these cases to FHA or file a claim for those cases (e.g., denial of assignment/claim)?

Answer: HUD will not require the incorrect loan documents to be re-drawn/signed to address underages/overages post-closing. There will not be an issue with the loan documents resulting in a request for indemnification or denial of assignment/claim due to IMIP underages and overages caused by the FHAC systems adjustment.

Underages

2. If the initial MIP has been undercharged, is it acceptable for the lender to simply pay the under collected amount? **Answer:** Yes
3. If the Lender pays the underage on the consumer's behalf pre- or post-closing, does FHA view that lender payment as an “advance” amount that should be included in the Initial Disbursement Limit, which could trigger a higher Initial MIP for certain loans? **Answer:** No
4. If loan docs must be re-drawn, and the lender cannot simply pay the underage on the initial MIP amount, what would happen if (1) the borrower was suddenly short to close; or (2) the Initial MIP increases due to the impact on the other loan terms that causes the Initial Disbursement Limit to exceed the 60% threshold of the available PL? **Answer:** n/a

Overages:

5. What are HUD's expectations regarding the interest that may have accrued on any amount that may have been over paid on the initial MIP? Does FHA require financial institutions to also credit the interest that accrued on the Initial MIP overage to the consumer's account? **Answer:** HUD expects financial institutions to return the overpayment refund to the original payor.
6. In lieu of crediting Initial MIP overage amounts to the MIP charges on the borrower's servicing account, will FHA permit lenders to issue refund checks directly to the borrower? **Answer:** Yes
7. How should refunds be applied toward the borrower's account?
Can we confirm that the credit to the consumer's account would be applied at the date of the credit posting, as opposed to the closing date, which would require an initial loan balance figures to be reset in FHAC, HERMIT, GNMA, as well as cause figures in loan docs not to match the servicing figures. Will the refunds be applied as if a partial repayment and funds would be available through the net principal balance? **Answer:** Apply credit as of the date of credit posting.

HECM Calculator version 2.4

8. The HECM Calculator does not appear to be utilizing the proper HECM to HECM refinance calculations. The calculator does not have a field to capture the prior Max Claim Amount. Is there a project plan in place to update the HECM Calculator? If so, is there an estimated time line? Additionally, the HECM calculator is not reducing the amount of mandatory obligations if the borrower brings cash to the closing. Prior to the latest release, the mandatory obligations were reduced when a borrower brought cash to the closing. Will this issue with the calculator also be resolved? And if so, will it be resolved at the same time as the prior Max Claim Amount issue. (see HECM Calculator attachment)

Answer: The HECM Calculator was modified to calculate IMIP for HECM to HECM refinances in accordance with requirements set forth in the Federal Register Final Rule FR-5353-F-03, *Federal Housing Administration; Strengthening the Home Equity Conversion Mortgage Program*. A field was added to capture the prior Maximum Claim Amount. See HECM Calculator Software Version 2.5 released on March 21, 2018.

Process for Financial Institution to Request Correction to FHA Systems and Return of Overpayment to FHA when FHA Systems Miscalculate

9. What is the proper escalation procedure for cases that appear to not have the initial MIP calculated correctly in the FHA systems (e.g., FHAC and HERMIT) even after the mortgagee has taken affirmative actions in FHAC to reset the Initial MIP calculation to correct formula? There are occasional cases that appear to have incorrect initial MIP amounts after the FHA system updates, and mortgagees will need a line of communication set up to resolve these issues. Specifically, is there an email/telephone number/mailling address that mortgagees can contact, and what is the current process in which a financial institution can request/obtain (1) corrections to the FHAC's and HERMIT's Initial MIP due amount so that the systems will match the amount on the loan documents; and (2) refund from FHA to the financial institution for the overpayment. (See attached exception example.)

Answer: The proper escalation procedure is to contact the FHA Resource Center at answers@hud.gov or 1-800-CALL-FHA (1-800-225-5342) and request escalation of the inquiry to the local Homeownership Center.

FHA Reporting

10. For those loans with Initial MIP underages or overages that are in the process of being mitigated but have not been mitigated by the time the lenders must submit their annual recertification, will HUD consider those unresolved UPMIP overages and underages a reportable item in the annual recertification process?

Answer: No. Findings that do not involve fraud or material misrepresentation and were mitigated do not have to be reported to FHA. See Single Family Housing Policy Handbook 4000.1 (Handbook 4000.1) Section V.A.2.d.iv *External Reporting to FHA*.

11. Does FHA view Initial MIP underages or overages in the process of being mitigated as an unresolved, material finding that requires the mortgagee to self-report the issue on the loan via the Lender Review System? **Answer:** No