

CHAPTER 9. MORTGAGE INSURANCE PREMIUMS AND FINANCIAL SYSTEMS

9-1 ORGANIZATIONAL RESPONSIBILITIES.

HFAs are responsible for processing Risk-Sharing project applications and approving them for HUD mortgage insurance. The local HUD Office conducts initial and final endorsements. They record project information in the Risk-Sharing data system and provide HUD Headquarters with data needed to establish the insured case in the Departmental Multifamily Insurance System (MFIS). The Multifamily Insurance Operations Branch (MFIOB) is responsible for tracking the portfolio of HUD-insured projects and managing the collection of Mortgage Insurance Premiums (MIP). The MFIOB will bill HFAs for all premiums and applicable late fees and interest charges due subsequent to the MIP payment made at Initial Endorsement.

9-2 ESTABLISHING THE INSURANCE IN FORCE RECORD.

A. PROJECTS WITH INSURED ADVANCES

1. General - Projects endorsed with insured advances provide for HUD mortgage insurance coverage of funds disbursed during the construction period.
2. Initial Endorsement - The initial endorsement of the mortgage note is performed by the local HUD Office and normally occurs prior to the start of construction. Projects become part of the HUD-insured portfolio at this time.
 - a. HFA Responsibilities Prior to Initial Endorsement
 - (1) Collecting the Initial MIP - Prior to submitting projects to the local HUD Office for initial endorsement, the HFA will collect a MIP payment equal to the prescribed percentage of the insured amount as required by the Percentage Share of Risk (Appendix 8). The HFA will instruct the mortgagor to make the MIP check payable to the U.S. Department of Housing and Urban Development.
 - (2) Preparing the Closing Docket - The HFA will prepare a closing docket in accordance with instructions contained in Chapter 6. The closing docket will include the mortgage note, amortization schedule and risk-sharing agreement.
 - (3) Submitting the Endorsement Request to the Local HUD Office - The HFA will mail the MIP along with the Closing Docket to the local HUD Office for

endorsement of the mortgage note. These must be mailed within 15 days of closing.

Local HUD Office Initial Endorsement Responsibilities

- (4) Preparing the Official Receipt - The local HUD Office will deposit the MIP on the day received and prepare and distribute the Official Receipt, Form HUD-27038 (Appendix 12) documenting the MIP payment in accordance with Handbook 4110.1 Rev.
- (5) Preparing the Closing Memorandum - The local HUD Office will prepare the (initial endorsement) Closing Memorandum, Form HUD-290), (Appendix 13) recording the "MIP Percentage" at the top right side of the form.
- (6) Updating the Data System - The Multifamily Housing Division will update the data system within 2 days of initial endorsement. Selected data will be combined with data from the Form HUD-290 and the Initial Receipt to create the MFIS insurance in force file.
- (7) Reporting to MFIOB - Within 5 days of receipt of the Closing Docket from the HFA, the local HUD Office must forward documents required to establish the insurance record to the MFIOB. One copy each of the Closing Memorandum, Amortization Schedule, Risk- Sharing Agreement and the Initial Receipt is to be mailed to:

U.S. Department of Housing and
Urban Development
Multifamily Insurance
Operations Branch
P.O. Box 44124
Washington, D.C. 20026-4124

Copies of these documents will also be incorporated in the official Docket that the local HUD Office must submit to Headquarters. The local Office will submit the Official Receipt for the initial premium payment to the Office of Finance and Accounting (OFA) in accordance with instructions contained in Handbook 4110.1 Rev.

b. MFIOB Actions

The MFIOB will combine information received from the local HUD Office submission with information from the program data base to establish the project in the Multifamily Insurance System (MFIS). The creation of a newly insured project in MFIS also requires certain information from the official receipt issued by the local HUD Office for receipt of the initial insurance premium. The MFIS record will be used to generate the annual MIP billings.

3. Final Endorsement - Projects with insured advances will be finally endorsed by the local HUD Office after completion of project construction. The terms of the mortgage note may be modified at this time as a result of construction and cost certification.

a. HFA Responsibilities Prior to Final Endorsement

(1) Preparing the Closing Docket - The HFA will prepare closing docket and information diskette in accordance with instructions contained in Chapter 6. The docket will include the mortgage note, amortization schedule, Risk-Sharing Agreement and any modifications to the original note.

(2) Submitting the Endorsement Request to the Local HUD Office - The HFA will mail the Closing Docket to the local HUD Office for final endorsement of the note.

b. Local HUD Office Final Endorsement Responsibilities

(1) Preparing the Closing Memorandum - The local HUD Office will prepare the (final endorsement) Closing Memorandum (Form HUD-290), recording the "MIP Percentage" at the top right side of the form (Appendix 14). The final endorsement Closing Memorandum will reflect any changes to the mortgage terms that existed at the time of the initial endorsement.

(2) Updating the Data System - The Multifamily Housing Division will update the program data system within 2 days of the final endorsement.

- (3) Reporting to MFIOB - Within 5 days of receipt of the Closing Docket from the HFA, the local HUD Office must forward one copy each of the final endorsement Closing Memorandum, Mortgage Note, Amortization Schedule, Risk-Sharing Agreement and Modification Agreement, if applicable to:

U.S. Department of Housing and
Urban Development
Multifamily Insurance
Operations Branch
P.O. Box 44124
Washington, D.C. 20026-4124

c. MFIOB Actions

The MFIOB will combine information received from the local HUD Office submission with information from the program data base to process the final endorsement in MFIS.

B. PROJECTS INSURED UPON COMPLETION

1. General - Projects endorsed with insurance upon completion are processed for insurance after completion of project construction (or purchase or refinance with or without repairs for existing projects not requiring substantial rehabilitation). The initial and final endorsement of these cases occurs at the same time.
2. Initial/Final Endorsement - Insured upon completion projects become HUD-insured at the initial/final endorsement.
3. HFA Responsibilities Prior to Initial/Final Endorsement
 - a. Collecting the Initial MIP - Prior to submitting projects to the local HUD Office for initial/final endorsement, the HFA will collect a MIP payment equal to the "Prescribed Percentage for Calculating HFA's Annual MIP" (Appendix 8) times the loan amount. The HFA will instruct the mortgagor to make the check payable to the U.S. Department of HUD.
 - b. Preparing the Closing Docket - The HFA will prepare a Closing Docket in accordance with instructions contained in Chapter 6. The docket will include the Mortgage Note, Amortization Schedule and Risk-Sharing Agreement.

- c. Submitting the Endorsement Request to the local HUD Office - Within 15 days of closing, the HFA will mail the MIP along with the Closing Docket to the local HUD Office for endorsement of the mortgage note.
4. Local HUD Office Initial/Final Endorsement Responsibilities
- a. Preparing the Official Receipt - The local HUD Office will deposit the MIP on the day received and prepare and distribute the Official Receipt, Form HUD-27038 (Appendix 12) documenting the MIP payment in accordance with Handbook 4110.1 Rev.
 - b. Preparing the Closing Memorandum - The local HUD Office will prepare the (initial/final endorsement) Closing Memorandum, Form HUD-290, (Appendix 15) recording the "MIP Percentage" at the top right side of the form.
 - c. Updating the Data System - The Multifamily Housing Division will update the program data system within 2 days of the initial/final endorsement.
 - d. Reporting to MFIOB - Within 5 days of receipt of the Closing Docket from the HFA, the local HUD Office must forward documents required to establish the insurance record to the MFIOB.

One copy each of the Closing Memorandum, Mortgage Note, Amortization Schedule, the Risk-Sharing Agreement and the Official Receipt is to be mailed to:

U.S. Department of Housing and
Urban Development
Multifamily Insurance Operations
Branch
P.O. Box 44124
Washington, D.C. 20026-4124

Copies of these documents will also be incorporated in the official Docket that the local HUD Office must submit to Headquarters. The local HUD Office will submit the Official Receipt for the initial premium payment to the Office of Finance and Accounting (OFA) in accordance with instructions contained in Handbook 4110.1 Rev.

- e. MFIOB Actions

The MFIOB will combine information received from the local HUD Office submission with data from the program data base to establish the project in the MFIS.

9-3 ANNUAL PREMIUM BILLINGS AND RECORD CHANGES

A. GENERAL

Official records on HUD-insured multifamily projects are maintained by the MFIOB in the MFIS System at HUD Headquarters. This organization also is responsible for billing and collecting annual mortgage insurance premiums. MIP is billed and collected in advance and under certain circumstances (in connection with termination of FHA mortgage insurance) refunds of unearned premiums will be made to the HFA for the mortgagor's account. All modifications to the mortgage that take place after final endorsement, as well as mortgagee servicer changes, will be recorded in the MFIS.

B. ANNUAL PREMIUMS

HFAs will be billed for all annual premiums due after the initial premium. All premium payments will be made by check or through the Automated Clearing House (ACH) facility that has been established for this purpose.

1. Interim Premiums Pre-Amortization - Premiums (calculated on the total insured amount) will be due on the first day of the month of each anniversary of the initial endorsement that occurs prior to the date of first payment to principal. These interim premiums are only relevant for projects with insured advances where the first payment to principal date is more than 12 months after initial endorsement. The due date for interim premiums will be the first day of the month in which the anniversary of the initial endorsement occurs.
2. Annual Premiums Post-Amortization - The annual MIP payments, beginning with the first payment to principal, will be calculated in accordance with the amortization schedule prepared by the HFA and supplied to HUD and the MIP Percentage taken from the Closing Memorandum prepared by the local HUD Office.

The first regular annual premium will be due on the first day of the month in which the first payment to principal occurs. This first billing (as well as subsequent annual premiums) will be calculated by multiplying the "Prescribed Percentage for Calculating HFA's Annual MIP" by the average outstanding principal balance during

the upcoming 12 months following first payment. This payment will reflect an adjustment to deduct any portion of the last interim premium paid that covers a period after first payment.

Example:

Mortgage Amount = \$2,000,000
MIP Percentage = .45%
Commitment Type = Insured Advances
Initial Endorsement - 1/2/93
Initial premium for period 1/1/93 - 12/31/93
(\$2,000,000 x 0.45%) = \$9,000
Date of First Payment to
Principal 7/1/93
Post amortization MIP due 7/1/93
covering period 7/1/93 - 6/30/94
MIP due equals average outstanding
balance from amortization
schedule (\$1,950,000) x 0.45% = \$8,775
Less amount of initial MIP
for 7/1/93 - 12/31/93 = -\$4,500
Total Due 7/1/93 = \$4,225

Thereafter, until maturity or termination as defined in paragraph 9-4, MIP payments will be due on the first day of the month of each anniversary of the first payment to principal. The billings will be mailed to the servicing mortgagee of record approximately 45 days before the due date.

3. Billing Statement and Reconciliation. A sample billing statement is shown as Appendix 16. This form is to be returned along with the payment.

C. METHOD OF PAYMENT

Mortgage insurance premium payments may be remitted either by mail (checks) or through an Automated Clearing House (ACH) process that has been established for this purpose.

1. Mailed Remittances - Payments, made payable to the U. S. Department of HUD and accompanied by a copy of the Billing Statement and Reconciliation Appendix 16) are to be sent to:

U.S. Department of Housing and Urban
Development

Multifamily Premiums
P.O. Box 198045
Atlanta, GA 30384-8045

2. ACH Payments - The Automated Clearing House (ACH) is an option that provides the HFA with greater control and assurance that payments will be received timely; this can eliminate the possibility of having late payment charges assessed. For further information regarding ACH, contact the ACH Coordinator, Multifamily Insurance Operations Branch, Telephone (202) 708-2022.

D. LATE FEES AND INTEREST CHARGES

All payments must be received no later than 15 days after the due date. Payments received after this will incur additional charges.

1. Late Fees - All premiums received by HUD more than 15 days after the due date will be assessed a 4 percent late charge.
2. Daily Interest Charges - Premiums that remain unpaid more than 30 days after the due date will accrue daily interest until paid at the rate prescribed by the Treasury Fiscal Requirements Manual.

HUD will bill for interest and late fees each month until the charges are paid.

3. Post Final Endorsement Modifications

a. HFA Responsibilities in Reporting Modifications

The HFA will provide the local HUD Office with a copy of the Modification Agreement along with a copy of the revised Amortization Schedule.

b. Local HUD Office

Updating the Data System - The Multifamily Housing Division will update program data system within 2 days of receipt of notification of the modification agreement.

c. Reporting to MFIOB - The local HUD Office will forward copies of the modification agreement and amortization to MFIOB.

4. MFIOB

The MFIOB will update MFIS to reflect the modified mortgage terms. Future premium billings will be

calculated on the new terms.

E. MORTGAGE SERVICER CHANGES

The HFA will be responsible for notifying HUD of any change in the project Servicing Mortgagee. Up-to-date mortgagee information is needed in order for HUD to properly direct premium billings and other project related correspondence. Mortgage changes will be accomplished by completing and forwarding Form HUD-92080, Mortgage Record Change (Appendix 17) to:

U.S. Department of Housing and Urban Development
Multifamily Insurance Operations Branch
PO Box 44124
Washington, DC 20026-4124

9-4 TERMINATION OF INSURANCE.

- A. General - The HFA will be required to remit annual Mortgage Insurance Premium until the mortgage reaches maturity or is terminated through one of the following actions: (1) the mortgage is paid in full; (2) a deed is filed for record; (3) an application for initial claim payment is received by the Commissioner; or (4) the contract of insurance is otherwise terminated.

The obligation to pay MIP will cease upon receipt by HUD of either of the following: (1) a completed Request for Termination of Multifamily Mortgage Insurance, Form HUD 9807 (see Appendix 18); (2) an Application for Initial Claim Payment; or (3) the Contract of Insurance is otherwise terminated.

1. Prepayment/Voluntary Termination - Prepayments of the mortgage and voluntary terminations of the FHA mortgage insurance are to be reported on Form HUD-9807 (Appendix 18). Requests for voluntary termination must be accompanied by the original credit instrument. When the termination is approved, the insurance endorsement will be cancelled and the credit instrument returned to the HFA. The instructions on Form HUD-9807 are to be followed when requesting termination of projects that require prior approval of the Commissioner.
2. Default Terminations - The obligation to pay MIP will cease in the event a deed is filed for record or an application for initial claim payment is received by the Commissioner.
3. Pro-Rata Refund of Unearned Premiums - If the Contract of Insurance is terminated by payment in full or is terminated by the HFA on a form prescribed by the Commissioner, after the date of first payment to principal, the Commissioner shall

refund any (unearned) MIP paid for the period after the effective date of the termination of insurance. The unearned portion of MIP will be refunded to the HFA for credit to the mortgagor's account.