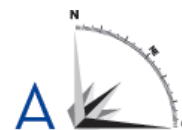




**Topic: FHA Home Affordable
Modification Program Loans**



Date: January 9, 2017

The FHA-Home Affordable Modification Program (HAMP) allows homeowners to modify FHA-insured mortgages by reducing monthly mortgage payment obligations. Generally, in a HAMP transaction, the borrower will enter into an agreement to modify the mortgage that is in arrears (Modification Agreement), and execute a second subordinate mortgage in favor of HUD (Subordinate Mortgage). A Modification Agreement and a Subordinate Mortgage get recorded simultaneously in the public records.

The Modification Agreement and the Subordinate Mortgage are considered two separate mortgages or deeds of trust. However, the Modification Agreement and the Subordinate Mortgage may reference the same FHA Case Number, as well as the same loan number. Our Claims Team has received some claims related to HAMP loans where the Subordinate Mortgage did not get paid off. Below are some scenarios we have seen arise in the context of a claim:

1. Scenario One: The agent relies on confirmation from the named lender on the Modification Agreement that it has the authority to provide a payoff for the Subordinate Mortgage. The lender may also have also drafted the Subordinate Mortgage, or confirm that it services the Subordinate Mortgage. The agent relies on this information and obtains a payoff from the lender, rather than HUD. The payoff appears to include the total amounts due on the Modification Agreement and the Subordinate Mortgage. The Agent then sends the payment to the lender referenced on the Modification Agreement. When the lender realizes it has received too much money, it sends the excess funds to the borrower rather than to HUD.
2. Scenario Two: The agent obtains a payoff from the lender referenced on the Modification Agreement. The lender's payoff includes the balance for the Subordinate Mortgage, and shows a zero balance is due. After the closing, HUD demands payment alleging there is a balance on the Subordinate Mortgage.

Below are some tips to help you avoid a claim:

1. Always obtain a payoff for the Subordinate Mortgage from HUD. HUD's current loan servicing contractor is Novad Management Consulting. You can send a payoff request to Novad via facsimile or email to:

Novad Management Consulting
Shepherd's Mall
2401 NW 23rd Street, Suite 1A1
Oklahoma City, OK 73107
Phone: 877-622-8525
Fax: 800-489-1733
payoffs@novadconsulting.com

Your request must include a letter of authorization signed and dated by the Borrower. The request should have the FHA Case No., Property Address and Borrower's Name, and your fax number or email.

2. Obtain a separate payoff directly from the lender referenced on the Modification Agreement. If the payoff statement includes amounts due to HUD, do not rely on this balance for payment of the Subordinate Mortgage. Only rely on the payoff statement provided by HUD.



3. Always send the payment for the Subordinate Mortgage directly to HUD.

