



PARTIAL CLAIM OPTION

Under the Partial Claim Option, the Lender will advance funds on behalf of a Borrower in an amount necessary to reinstate a delinquent loan. Ref: Mortgagee Letters 2003-19, 2008-21 and 2011-28.

FACTS

- A Subordinate Mortgage and Note, in the amount of the advance, is prepared in the name of the Secretary of HUD.
- Total delinquency may not exceed 12 monthly payments Principal, Interest, Taxes and Insurance.
- Legal fees and related foreclosure costs for work actually completed and applicable to the current default episode may be included into the Partial Claim. Refer to Mortgagee Letter 2005-30.
- Late fees associated with the current default episode should be waived.
- Lender must verify Borrower was not able to repay delinquency through Special Forbearance or Loan Modification Option.
- Partial Claim cannot be used to bring the loan current for sale or assumption.
- Partial Claim may be used as a stand-alone Option.
- Partial Claim cannot be used in conjunction with a Loan Modification.
- Partial Claim amount must be included when calculating total indebtedness for the purpose of a Preforeclosure Sale.
- No administrative fees for completing the Partial Claim documents can be passed on to the Borrower.

ELIGIBILITY

- Loan must be four months due and unpaid.
- Borrower must have overcome the cause of default.
- Owner-occupant committed to continuing occupancy as primary residence.

PROCEDURES

- Lender will conduct a financial analysis of the Borrower's household income and living expenses.
- Calculate surplus income percentage for a minimum of three months.
- If Borrower's income percentage is 0% or less the Partial Claim is disallowed.
- Partial Claim must fully reinstate the loan.
- Partial Claim is due and payable when the first mortgage is paid off or when the Borrower no longer owns the property. Payments are to be delivered to HUD's Contractor –

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Revised – March 12, 2012

Payoff procedure is as follows:

- (a) Payoff request along with the Borrowers authorization and either a copy of the mortgage /deed of trust or title search report, is faxed to the Customer Service Department,
- (b) The Customer Service Department verifies the information in HUD's system and sets up a payoff request,
- (c) Cash Management verifies amount, prepares and fax payoff, and
- (d) Upon receipt of verified payoff funds, they are posted to the account and the Satisfaction of Mortgage is prepared and submitted to the county for recordation.

TRIAL PAYMENT PLAN - Mortgagee Letter 2011-28 supersedes Mortgagee Letters 2000-05 and 2002-17 with respect to guidance pertaining to Trial Payment Plans. Successful completion of a Trial Payment Plan as a prerequisite for a Lender executing a Partial Claim in the following situations is required:

- Borrower has been delinquent (30 or more days) twice or more in the preceding 12 months;
- Borrower has been delinquent for 90 days or more (three or more consecutive payments past due) in the preceding 36 months;
- Borrower has defaulted within 90 days of a previous Loss Mitigation Retention Option (Special Forbearance, Loan Modification, and Partial Claim) executed in the past 12 months;
- Financial Analysis reflects a Borrower has a net surplus income of less than 20 percent of total net income;
- If less than 14 months have elapsed since the origination of the loan;
- If the amount added to the loan balance in a Loan Modification or the amount of the Partial Claim exceeds 10 percent of the unpaid principal balance;
- Borrower failed a Trial Payment Plan for FHA's Making Home Affordable Program (FHA-HAMP); or
- Lender determines that a Trial Payment Plan is necessary to demonstrate the Borrower's ability to sustain the modified payment.
- Lenders *must* analyze the Borrower's escrow to avoid another payment increase. All or a portion of the arrearage that includes Principal, Interest, Taxes and Insurance may be capitalized and calculated into the outstanding mortgage balance.

FAILURE OPTIONS - Trial Payment Plan -

The following bullets provide the definition of Trial Payment Plan failure. These circumstances must be listed within the written Trial Payment Plan.

- The Borrower abandons the property.
- The Borrower does not make the scheduled Trial Plan Payment within 15 days of the Trial Payment Plan due date.

Revised – March 12, 2012

INCENTIVE/CLAIMS -Trial Payment Plan –

- Within 60 days of the Borrower's successful completion of a Trial Payment Plan and
- Partial Claim documents have been executed by the Borrower, Lender can receive up to \$500.

If you have any questions you may contact NSC at:

National Servicing Center

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/nsc/home

NSC's Call Center - 1-877-622-8525

Frequently Asked Questions:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/faqsctc