



*First American Title*

## UNDERWRITING COMMUNICATION

Issued by

***First American Title Insurance Company***

**NA-2017-008-Standard**

**Title: Payoffs of FHA HAMP-Related Mortgages**

**Issued By: Corporate Underwriting Department**

**Date Issued: April 28, 2017**

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**Purpose:** To advise of, and set requirements for avoiding, a potential claim issue when paying off mortgages<sup>1</sup> affected by a Home Affordable Modification Program (“HAMP”) modification; in particular United States Department of Housing and Urban Development (“HUD”) subordinate mortgages arising from a HAMP modification transaction.

**Background:** The Federal Housing Administration (“FHA”) initiated HAMP to allow homeowners to reduce the principal balance of FHA-insured mortgages, thereby reducing monthly mortgage payment obligations. As part of a HAMP modification transaction, the borrower enters into an agreement to modify the existing mortgage (“Modification Agreement”) and executes a subordinate mortgage in favor of HUD (“Subordinate HUD Mortgage”). Frequently, both the Modification Agreement and the Subordinate HUD Mortgage are recorded simultaneously in the Public Records. However, the Modification Agreement may not always be recorded, and you may find that only the Subordinate HUD Mortgage is recorded.

The original mortgage (as modified by the Modification Agreement) and the Subordinate HUD Mortgage may reference the same FHA Case Number and the same loan number. However, the original mortgage (as modified by the Modification Agreement) and the Subordinate HUD Mortgage are two separate mortgages for which separate payoff statements must be requested, and for which separate payoffs must be made.

**Standard:** When you encounter a transaction where a Subordinate HUD Mortgage appears in the Public Records, and the Subordinate HUD Mortgage is not recorded simultaneously with the original mortgage, you must obtain a separate payoff statement for both the original mortgage and the Subordinate HUD Mortgage. It is critical that a separate payoff be made directly to HUD for the Subordinate HUD Mortgage.

Take the following steps:

- 1) Contact the holder of the original mortgage (as affected by the Modification Agreement) to obtain a payoff statement for that mortgage. Whether or not this payoff statement reflects amounts due to HUD, do not rely on this representation for payoff of the Subordinate HUD Mortgage.
- 2) Contact the HUD servicing contractor to obtain a payoff of the Subordinate HUD Mortgage. As of the date of this Standard, the HUD servicing contractor for Subordinate HUD Mortgages is Novad Management Consulting. Their contact information is:

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<sup>1</sup> For purposes of this Communication, the generic term “mortgage” refers to the applicable security instrument used in your jurisdiction.

Novad Management Consulting  
Shepherd's Mall  
2401 NW 23<sup>rd</sup> Street  
Suite 1A1  
Oklahoma City, OK 73107  
Phone: 877-622-8525  
Fax: 800-489-1733  
[payoffs@novadconsulting.com](mailto:payoffs@novadconsulting.com)

- 3) As regards the Subordinate HUD Mortgage, follow the payoff instructions provided by HUD's servicing contractor, not those provided by the holder of the original mortgage (as affected by the Modification Agreement).
- 4) As regards the original mortgage, follow the separate payoff instructions provided by the holder.

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**Contact:** If you have any questions, please feel free to contact your local underwriter or the Corporate Underwriting Department at (800) 854-3643.

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NOTE: This Underwriting Communication is intended for use by title issuing offices, title insurance agents, and approved attorneys of First American Title Insurance Company and any reliance by any other person or entity is unauthorized.

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This Underwriting Communication should become a permanent part of your records to assure compliance with its requirements.