

Attachment B
HUD-Required Information Collections Considered Standard Business Practice.

Loan Application Review. As a part of the reviewing the borrower's credit application prior to loan approval, the lender must verify many of the facts that the borrower has presented, including his/her Social Security Number. The lender must also assure that the borrower's income is adequate to support the debt payments.

Security requirements. The lender is responsible for obtaining appropriate security for Title I loans and for recording them in accordance with the laws of the jurisdiction in which they operate.

Flood Insurance. For properties located in a special flood hazard area, the borrower is required to obtain flood insurance, with the lender named as loss payee, and maintain such insurance for the term of the loan or until such time as the property is no longer in a flood hazard area.

Hazard Insurance. Borrowers must obtain appropriate hazard insurance, with the lender named as loss payee, for any manufactured home purchase loan or combination loan. The borrower must maintain such insurance for the full term of the loan or until the property is repossessed or foreclosed by the lender. If the borrower fails to maintain such insurance, the lender shall obtain it at the borrower's expense. Upon acquiring title to the property through repossession or foreclosure, the lender shall maintain hazard insurance upon the property in the amount prescribed above until its disposition and sale.

Inspection Requirement on Property Improvement Loans. The lender must conduct an on-site inspection on any property improvement loan where the principal obligation is \$7,500 or more and on any direct property improvement loan where the borrower fails to submit a form HUD-56002. On a dealer loan, the inspection shall be completed within 60 days after the date of disbursement. On a direct loan, the inspection shall be completed within 60 days after receipt of the completion certificate, or as soon as the lender determines that the borrower is unwilling to cooperate in submitting the completion certificate. The purpose of the inspection is to verify the eligibility of the improvements and whether the work has been completed.

Inspection Requirement on Dealer Manufactured Home Loans. For any manufactured home purchase loan or combination loan involving the sale of a manufactured home by a dealer, the lender must conduct a site-of-placement inspection within 60 days after the date of disbursement to verify that the terms and conditions of the purchase contract have been met; the manufactured home and any itemized options and appurtenances included in the purchase price of the home or financed with the loan proceeds have been delivered and installed; and the placement certificate executed by the borrower and the dealer is in order.

Loan Servicing. The lender must service loans in accordance with accepted practices of prudent lending institutions. It shall have adequate facilities for contacting the borrower in the event of default, and shall otherwise exercise diligence in collecting the amount due. The lender shall remain responsible to the Secretary for proper collection efforts, even though actual loan servicing and collection may be performed by an agent of the lender. The lender shall have an organized means of identifying, on a periodic basis, the payment status of delinquent loans to enable collection personnel to initiate and follow-up on collection activities, and shall document its records to reflect its collection activities on delinquent loans.

Modification Agreement. A written but unrecorded modification agreement acceptable to the lender and executed by the borrower may be used in lieu of refinancing of a delinquent or defaulted loan to reduce or increase the monthly payment, but not to increase the term or the interest rate, so as to assure that the delinquent or defaulted loan is brought current before or by the end of the loan term. A modification

agreement may also be used in lieu of refinancing in connection with a loan that is current to effect a reduction in the interest rate, and in the monthly payment, for the remainder of the loan term.

Repayment Plan. The lender may elect to negotiate an informal repayment plan with the borrower to enable a temporary delinquency to be cured within a short period of time. The lender may document the terms of the repayment plan by sending a letter to the borrower reciting the terms of their agreement.

Partial Payments. The lender shall accept any partial payment (inclusive of late charges) under an executed modification agreement or an acceptable repayment plan, and either apply it to the borrower's account or hold it in a trust account pending disposition. When partial payments held for disposition aggregate a full monthly installment, they shall be applied to the borrower's account, thus advancing the date of the oldest unpaid installment. If a partial payment is received more than 60 days after the date of default and was not submitted under a repayment plan or a modification agreement, the partial payment may be returned to the borrower, with a letter of explanation.

Bankruptcy or Insolvency. The lender shall file a proof of claim with the court having jurisdiction when the lender has timely information that a borrower is involved in bankruptcy or insolvency proceedings, except that a proof of claim need not be filed if the court notifies the lender that the borrower has no assets and a proof of claim should not be filed. The notice of bankruptcy and a copy of the proof of claim (or the notice from the court that a proof of claim is not required) shall be retained in the loan file. HUD views this as a standard business practice and ascribes no burden hours to it.

Death of a Borrower. The lender shall file a proof of claim with the court having jurisdiction when the lender has timely information that a borrower is deceased, unless the lender determines that there will not be a probate proceeding. A copy of the proof of claim (or documentation as to why a proof of claim was not filed) shall be retained in the loan file.

Responsibility of the Lender after Insurance Claim Is Filed. After the Secretary pays an insurance claim, the Secretary will notify the bankruptcy or probate court, as appropriate, that the loan has been assigned to the United States and will request substitution as the party to whom the claim is owed. Until the insurance claim is paid, the lender shall take all steps necessary to protect the interest of the holder of the note in any bankruptcy or probate proceeding.

Lender Efforts to Cure Defaults. The lender shall undertake foreclosure or repossession of the property securing a Title I loan that is in default only after the lender has serviced the loan in a timely manner and with diligence and has taken all reasonable and prudent measures to induce the borrower to bring the loan account current. The lender must document all such actions in the loan file.

Personal contact with the borrower before acceleration and foreclosure or repossession. Before taking action to accelerate the maturity of the loan, the lender or its agent shall contact the borrower and any co-maker or co-signer, either in a face-to-face meeting or by telephone, to discuss the reasons for the default and to seek its cure.

Notice of default and acceleration. Unless the borrower cures the default or agrees to a modification agreement or repayment plan, the lender shall provide the borrower with written notice that the loan is in default and that the loan maturity is to be accelerated. In addition to complying with applicable State or local notice requirements, the notice shall be sent by certified mail and shall contain

- a description of the obligation or security interest held by the lender;
- a statement of the nature of the default and of the amount due to the lender as unpaid principal and earned interest on the note as of the date 30 days from the date of the notice;
- a demand upon the borrower either to cure the default (by bringing the loan current or by refinancing the loan) or to agree to a modification agreement or a repayment plan, by not later than the date 30 days from the date of the notice;

- a statement that if the borrower fails either to cure the default or to agree to a modification agreement or a repayment plan by the date 30 days from the date of the notice, then, as of the date 30 days from the date of the notice, the maturity of the loan is accelerated and full payment of all amounts due under the loan is required;
- a statement that if the default persists the lender will report the default to an appropriate credit reporting agency; and
- any other requirements prescribed by the Secretary.

Reinstatement of the loan. The lender may rescind the acceleration of maturity after full payment is due and reinstate the loan only if the borrower brings the loan current, executes a modification agreement, or agrees to an acceptable repayment plan.

Notice to credit reporting agency. If the loan maturity is accelerated and the loan is not reinstated, the lender shall report the default to an appropriate credit reporting agency.

Proceeding against the Loan Security – Manufactured Home Loans. After acceleration of maturity on a defaulted manufactured home loan, the lender shall proceed against the loan security by foreclosure or repossession, as appropriate. The lender or its agent shall make a visual inspection of the property and prepare a report on its condition for placement in the loan file. The lender shall obtain a HUD-approved appraisal of the property as soon after repossession as possible, or earlier with the permission of the borrower.

Acquisition by Voluntary Conveyance or Surrender – Manufactured Home Loans. The lender may accept a voluntary conveyance of property securing a defaulted loan for a manufactured home loan provided that the lender accepts the conveyance in full satisfaction of the borrower's obligation and no claim is submitted under its contract of insurance.

Disposition of Manufactured Home Loan Property. The lender may accept voluntary surrender of the property without satisfaction of the borrower's obligation, but the lender must dispose of or sell the property for the best price possible prior to filing a claim, so that it can assign a valid and enforceable obligation, including any deficiency against the borrower, to the Secretary when submitting its claim.

Recordation of Assignment. If the security interest has been assigned to the United States, the assignment shall be recorded in that jurisdiction prior to filing the insurance claim, unless the Secretary determines that recordation by the lender in that jurisdiction is impractical.

Form HUD-646, Worksheet for Reconciliation of Insurance Charges from the Title I Monthly Statement. Lenders are notified electronically each month of their monthly charges for Title I loans. The lenders then submit their payment through the Automated Clearing House (ACH). This payment is approved under OMB Control Number 2502-0512. The form HUD-646 is provided as a convenient worksheet for lenders to reconcile their charges. The form does not transmit information to HUD.