



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

June 23, 2004

Mortgagee Letter 2004-26

TO: ALL APPROVED MORTGAGEES

ATTENTION: SINGLE FAMILY SERVICING MANAGERS

**SUBJECT: FILING CONVEYANCE AND PRE-FORECLOSURE SALE CLAIMS VIA
THE FHA CONNECTION**

Conveyance and pre-foreclosure sale claims can now be filed electronically using the FHA Connection. Most lenders are already using the FHA Connection for a variety of functions, including checking claim status and title approval records. This new enhancement will make it possible for lenders to switch from paper claim filing to electronic submission for these two claim types and avoid the \$100 fee for filing paper conveyance and pre-foreclosure sale claims. This enhancement is an additional means of filing conveyance and pre-foreclosure sale claims. Conveyance and Pre-foreclosure sale claims can also be submitted via Electronic Data Interchange (EDI) or paper.

Liability for claims filed via FHA Connection:

Lenders are liable for the contents of any claims they file via the FHA Connection. Electronic submission of the claim constitutes certification that the statements and information contained in the claim are true and correct. Lenders control who can file claims on their behalf because it is their responsibility to oversee the release of user IDs to their employees. It is extremely important that lenders carefully select their Application Coordinators and conscientiously keep track of standard users, promptly terminating any who have left the company and updating authorizations when appropriate.

At the time the claim is submitted, the user's FHA Connection user ID is validated and the corresponding mortgagee ID must be either the holder or servicer displayed on the claim submission.

To ensure the security of electronic claim filing over the FHA Connection, as well as other FHA Connection applications, we advise all users to exit the browser after completing a session using Claim Input. This will prevent another user of the same computer from gaining access under the first user's ID.

How to access the Claim Input Screen:

The Claim Input Screen is reached by selecting Claim Processing under Single Family Servicing in the FHA Connection. Detailed instructions about the FHA Connection site and registration are provided in Attachment A. Application coordinators may grant registered users access to the Claim Input function.

General Information about Claim Filing via the FHA Connection:

HUD is offering this enhancement as an electronic alternative to paper claim filing for conveyance and pre-foreclosure claims (claim types 01A, 01B and 07). Claims must be entered and transmitted individually under this method.

HUD must receive the Transmittal Sheet (Attachment D) with the FHA Connection Portfolio screens at least five business days before the claim is submitted. The Transmittal Sheet and accompanying FHA Connection Portfolio screens must be delivered to:

**Department of Housing and Urban Development
Single Family-Claims Branch, HWAFPN
Financial Operations and Control Section
451 Seventh Street, SW, Room 6246
Washington, DC 20410**

Claims submitted through the FHA Connection will be batched and loaded nightly on the HUD Claims system for processing the next business day. Within two business days after transmissions, lenders should be able to view claim status on the FHA Connection.

- For paid claims: A duplicate Advice of Payment letter is available on the FHA Connection, paper Advice of Payment letters will be mailed to the holder and servicer, and payment will be made electronically, with an addendum record describing the payment.
- For suspended claims: Claim data with edit codes will be available on the FHA Connection. **No other notification will be sent for suspended claims in need of correction or documentation.** Therefore, it is important for mortgagees to review the status on the FHA Connection after submission (allow two business days from transmission before checking status).

All suspended claims that are not corrected or documented within 60 days will be deleted by HUD Claims Staff.

Screen Appearance:

The data entry screens resemble the form HUD-27011, Single-Family Application for Insurance Benefits. The item numbers on the screens match the item numbers on the HUD-27011. The required Public Reporting Burden and Sensitive Information statements are located on the data entry screen.

Data entry:

Explanations for each field on the data entry screens are provided in help screens, accessible from the data entry screens. Copies of the help screens are attached to this mortgagee letter (Attachments B and C).

When you select the appropriate claim type from the menu, the claim type is already indicated on the form. You will not have to enter the claim type for the claim you are submitting.

You can either select the appropriate entry from a drop down menu for some fields (default reason code, type of damage and state) or key in the requested data in other fields. Four fields have default choices, which can be changed: 1) new claim type; (2) property vacant; (3) property damaged; and (4) mortgagee successful bidder.

1. New Claim, Corrected or Comments: The default selection is “New Claim.”

- Use “New Claim” for submitting a particular claim for the first time.
- Use “Correction” for submitting a correction to a previously transmitted claim. Please note that a corrected claim will replace any earlier electronic claim that has suspended. The claim receipt date will then change to the receipt date of the corrected claim.
- Use “Comments” when sending comments only. Mortgagee comments may be included with new and corrected claims also. But, the designation “Comments” should be used only when sending comments alone.

Follow the instructions in the HUD Handbook 4330.4, FHA Single Family Insurance Claims, to complete the property damaged and mortgagee successful bidder fields and deficiency judgement code. An electronic copy of the handbook can be downloaded and printed by using the following URL: <http://www.hudclips.org/cgi/index legis.cgi>. At this site:

- Click on “Library;”
- Scroll to “Handbooks and Notices;”
- Under the “Handbooks” column select “Housing;”
- Click on “Search” to the far right of “Handbooks and Notices”,
- Enter the Document Number 4330.4 and click on “Submit” to view or print a copy of the handbook.

Edits and Claims Transmission:

To transmit a claim after the appropriate fields have been entered, hit “Submit.” Data will be edited before the submission is accepted. Messages will appear to alert you to possible erroneous data. Edits include the following checks:

- Dates must be logical and formatted as MM/DD/YYYY.
- Numeric fields must not contain alpha characters.
- Required fields must be completed.
- FHA Case Number must be a valid insured loan.
- User ID must be for an employee of the holder or servicer entered on the claim.

A complete listing of the edit messages can be found on the help screens printed in Attachments B and C. When all edits have been resolved and the “Submit” button is hit again, a warning indicating that HUD will prosecute false claims will appear before you can certify the accuracy of the claim. When you select “OK,” another message appears: “Ready to transmit claim to HUD? Choose Cancel to stop or OK to transmit.”

When the claim has been successfully transmitted, a new screen (SFIS Claims Input Result) will appear showing claim detail and receipt date. Print this screen to serve as confirmation of what was transmitted. Retain a copy of this screen in the claim audit file.

Claims Input Summary:

Lenders can get a list of all claims transmitted during the day by going to Claims Input Summary. This lists all claims, in case number order, that were successfully transmitted under a specific user ID.

FHA Connection Editing:

If a claim is transmitted as a new claim via the FHA Connection more than once in the same day, transmissions after the first will be rejected as duplicates. A claim can be retransmitted as a correction. The latest corrected transmission will be processed by HUD’s Claim system.

Claim System Editing:

If a claim that is already suspended in HUD’s claim system is retransmitted as a “New Claim,” it will be rejected as a duplicate when it is processed by the claims system. It must be submitted as a “Correction” to replace an existing suspended claim. Only if the original suspended claim was submitted via the FHA Connection can it be replaced by an FHA Connection correction. If the original suspended claim was a paper claim or an Electronic Data Interchange (EDI) claim, it cannot be replaced by the incoming FHA Connection correction.

Do not retransmit a claim that has been suspended unless you want to change incorrect data on the claim. **A new receipt date will be created by the submission of a corrected claim.**

Contact name and phone number:

All claims submitted via the FHA Connection must include a contact name and phone number. This will make it easier for staff to contact lenders, if necessary, about these electronic submissions. If a specific individual is not the appropriate contact, the name of a department or functional area (e.g., Foreclosure Dept.) may be entered.

If you have questions about the conveyance or pre-foreclosure claims and the use of the FHA Connection to file these claims, please send an email to FHA_SFClaims@hud.gov. Including your servicer number, FHA case number, and a keyword phrase, such as “billing letter,” “claims status,” etc. in the email subject line will assist us in providing a quicker response.

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachments