



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date: December 7, 2016**

**To:** All FHA-approved Mortgagees  
All Direct Endorsement Underwriters  
All FHA Roster Appraisers  
All FHA Roster Inspectors  
All FHA-approved 203(k) Consultants  
All HUD-approved Housing Counselors  
All HUD-approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

**Mortgage Letter 2016-24**

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**Subject** Processing Fee for Assumptions

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**Purpose** The purpose of this Mortgagee Letter is to provide guidance on the maximum fee mortgagees may charge to process an assumption request.

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**Effective Date** This guidance is effective for all assumption applications received on or after the date of this Mortgagee Letter. All policy updates will be incorporated into a forthcoming update of the HUD Single Family Housing Policy Handbook 4000.1 (Handbook 4000.1).

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**Affected Programs** This guidance applies to all FHA Title II forward mortgage programs.

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**Affected Topics** This guidance will affect Handbook 4000.1 sections II.A.8.n.vi(A), *Processing Fee and Other Costs*, and III.A.3.b.iii(A), *Allowable Charges Separate from Assumption Processing Fees*.

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**Background** The current maximum fee of \$500 for processing an assumption “where a credit check is required” has not changed since it was established in the now superseded Handbook 4330.1 REV-5, Section 4-4 A.2, dated September 29, 1994. As mortgagee expenses have risen since the maximum processing fee was established, it is appropriate to establish a new standard.

## Mortgagee Letter 2016-24

This change in policy seeks to balance the recognized lender costs associated with processing assumptions with the assuming Borrower's lack of options in selecting servicers.

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### **Summary of Changes**

The applicable sections of Handbook 4000.1 are amended to establish a processing fee for assumptions that is reasonable and customary not to exceed a specified maximum amount.

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### **HUD Single Family Housing Policy Handbook 4000.1**

#### **Processing Fee and Other Costs (II.A.8.n.vi(A))**

Mortgagees may charge the assuming Borrower a processing fee that is reasonable and customary not to exceed a maximum of \$900.

The Mortgagee may charge the assuming Borrower other costs in accordance with Allowable Charges Separate from Assumption Processing Fees.

#### **Allowable Charges Separate from Assumption Processing Fees (III.A.3.b.iii(A))**

The Mortgagee may charge the assuming Borrower reasonable and customary fees not to exceed the actual costs for third party expenses incurred in connection with assumption processing:

- non-refundable fees for credit reports and verifications of employment; and
  - up to \$45.00 for fees for the preparation and execution of release of liability forms (form HUD 92210.1, Approval of Purchaser and Release of Seller), where a Borrower requests an executed release of liability form as evidence that the Borrower was released during a previous creditworthiness review.
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### **Information Collection Requirements**

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## Mortgagee Letter 2016-24

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**Questions**

Any questions regarding this Mortgagee Letter may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at (1-800-877-8339). For additional information on this Mortgagee Letter, please visit [www.hud.gov/answers](http://www.hud.gov/answers).

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**Signature**

Edward L. Golding  
Principal Deputy Assistant Secretary for Housing