

**You must** read this entire document at the time you apply for the loan.

Return one copy to mortgagee as proof of notification and keep one copy for your records.

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## Condition of Property

The property you are buying is not HUD/FHA approved and HUD/FHA does not warrant the condition or the value of the property. An appraisal will be performed to estimate the value of the property, but this appraisal does not guarantee that the house is free of defects. You should inspect the property yourself very carefully or hire a professional inspection service to inspect the property for you.

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## Interest Rate and Discount Points

- a. HUD does not regulate the interest rate or the discount points that may be paid by you or the seller or other third party. You should shop around to be sure you are satisfied with the loan terms offered and with the service reputation of the mortgagee you have chosen.
- b. The interest rate, any discount points, and the length of time the mortgagee will honor the loan terms are all negotiated between you and the mortgagee.
- c. The seller can pay the discount points, or a portion thereof, if you and the seller agree to such an arrangement.

- d. Mortgagees may agree to guarantee or "lock-in" the loan terms for a definite period of time (i.e., 15, 30, 60 days, etc.) or may permit your loan to be determined by future market conditions, also known as "floating". Mortgagees may require a fee to lock in the interest rate or the terms of the loan, but must provide a written agreement covering a minimum of 15 days before the anticipated closing.
- e. Your agreement with the mortgagee will determine the degree, if any, that the interest rate and discount points may rise before closing.
- f. If the mortgagee determines you are eligible for the mortgage, your agreement with the seller may require you to complete the transaction or lose your deposit on the property.

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## Don't Commit Loan Fraud

It is important for you to understand that you are required to provide complete and accurate information when applying for a mortgage loan.

- a. Do not falsify information about your income or assets.
- b. Disclose all loans and debts (including money that may have been borrowed to make the down payment).
- c. Do not provide false letters-of-credit, cash-on-hand statements, and gift letters or sweat equity letters.
- d. Do not accept funds to be used for your down payment from any other party (seller, real estate salesperson, builder, etc.).
- e. Do not falsely certify that a property will be used for your primary residence when you are actually going to use it as a rental property.
- f. Do not act as a "strawbuyer" (somebody who purchases a property for another person and then transfers title of the property to that person), nor should you give that person personal or credit information for them to use in any such scheme.
- g. Do not apply for a loan by assuming the identity of another person.

- h. Do not sign an incomplete or blank document; that is missing the name and address of the recipient or other important identifying information.

**Penalties for Loan Fraud:** Federal laws provide severe penalties for fraud, misrepresentation, or conspiracy to influence wrongly the issuance of mortgage insurance by HUD. You can be subject to a possible prison term and fine of up to \$10,000 for providing false information. Additionally, you could be prohibited from obtaining a HUD-insured loan for an indefinite period.

**Report Loan Fraud:** If you are aware of any fraud in HUD programs or if an individual tries to persuade you to make false statements on a loan application, you should report the matter by calling your nearest HUD office or the HUD Regional Inspector General, or call the HUD Hotline on 1 (800) 347-3735.

**Warning:** It is a crime to knowingly make false statements to the United States Government on this or any similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.

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## Discrimination

If you believe you have been subject to discrimination because of race, color, religion, sex, handicap, familial status, or national origin, you should call HUD's Fair Housing & Equal Opportunity Complaint Hotline: 1 (800) 669-9777.

## About Prepayment

This notice is to advise you of the requirements that must be followed to accomplish a prepayment of your mortgage, and to prevent accrual of any interest after the date of prepayment.

You may prepay any or all of the outstanding indebtedness due under your mortgage at any time, without penalty. However, to avoid the accrual of interest on any prepayment, the prepayment must be received on the installment due date (the first day of the month) if the mortgagee stated this policy in its response to a request for a payoff figure.

Otherwise, you may be required to pay interest on the amount prepaid through the end of the month. The mortgagee can refuse to accept prepayment on any date other than the installment due date.

For all FHA mortgages closed on or after January 21, 2015, mortgagees may only charge interest through the date the mortgage is paid in full.

## FHA Mortgage Insurance Information

### Who may be eligible for a refund?

**Premium Refund:** You may be eligible for a refund of a portion of the insurance premium if you paid an upfront mortgage insurance premium at settlement and are refinancing with another FHA mortgage.

Review your settlement papers or check with your mortgage company to determine if you paid an upfront premium.

### Exceptions:

**Assumptions:** When a FHA insured loan is assumed the insurance remains in force (the seller receives no refund). The owner of the property at the time the insurance is terminated is entitled to any refund.

**FHA-to-FHA Refinance:** When a FHA insured loan is refinanced; the refund from the old premium may be applied toward the upfront premium required for the new loan.

### How are Refunds Determined?

The FHA Commissioner determines how much of the upfront premium is refunded when loans are terminated. Refunds are based on the number of months the loan is insured.

### Monthly Insurance Premiums

In addition to an upfront mortgage insurance premium (UFMIP), you may also be charged a monthly mortgage insurance premium. You will pay the monthly premium for either:

- the first 11 years of the mortgage term, or the end of the mortgage term, whichever occurs first, if your mortgage had an original principal obligation (excluding financed UFMIP) with a loan-to-value (LTV) ratio of less than or equal to 90 percent; or
- the first 30 years of the mortgage term, or the end of the mortgage term, whichever occurs first, for any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent.)

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**Important:** The rules governing the eligibility for premium refunds are based on the financial status of the FHA insurance fund and are subject to change.

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**You, the borrower, must be certain that you understand the transaction. Seek professional advice if you are uncertain.**

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**Acknowledgment:** I acknowledge that I have read and received a copy of this notice at the time of loan application. This notice does not constitute a contract or binding agreement. It is designed to provide current HUD/FHA policy regarding refunds.

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Signature & Date:

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