

# LENDERS UPDATE™

## ALT & ASSOCIATES NEWSLETTER

A COMPLIMENTARY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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## **HUD ISSUES FAQs ON INDEMNIFICATION OF STREAMLINE REFINANCES**

Yesterday, HUD issued brief FAQs concerning the duty of streamline finance mortgagees to indemnify HUD for refinances they originate. These FAQs can be found at [www.hud.gov](http://www.hud.gov).

To briefly summarize:

1. Assume a mortgagee originates a non credit qualifying streamline refinance in which the original loan contained material violations of HUD requirements or fraud or misrepresentation. The original lender is subject to the indemnification obligation and remains so even though there has been a non credit qualifying streamline refinance. The new originating lender is liable only for its own acts.

2. A mortgagee originates a non credit qualifying streamline refinance which the prior mortgagee has already indemnified. HUD will continue to require indemnification from the first mortgagee if a claim occurs during the indemnification period. However, if the origination of the non credit qualifying streamline refinance involves serious violations of HUD requirements or fraud or misrepresentation resulting in a claim after the original indemnification, HUD could demand an indemnification from the mortgagee of the streamline refinance.

3. A claim occurs on a non credit qualifying streamline refinance after an indemnification has expired on the original loan. HUD will require indemnification only from the non credit qualifying streamline refinance mortgagee, if there were serious violations in the refinance transaction.

4. A claim arises on a credit qualifying streamline refinance of a loan originated by another mortgagee. The underwriting mortgagee on the new credit qualifying streamline refinance is liable for indemnification on the streamline refinance.

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