

**FHA Multifamily Housing Policy Handbook  
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# UNIT 4 ASSET PRESERVATION

## CHAPTER 4.11 RELEASES AND SATISFACTIONS

### 4.11.1 PURPOSE/APPLICABILITY

This chapter provides guidance for the U.S. Department of Housing and Urban Development (HUD) and owners for the satisfaction of mortgage instruments (mortgage, deed of trust), regulatory agreement releases, and Uniform Commercial Code (UCC) financing statement terminations. Subsection 4.11.2 discusses the satisfaction of mortgage instruments, and accompanying regulatory agreement releases for mortgages held and serviced by HUD (HUD-held note), including Section 202 Direct Loans. Subsection 4.11.3 provides guidance for release of the regulatory agreement upon termination of mortgage insurance for an FHA-insured mortgage which was not assigned to HUD. Depending on the State in which a loan is endorsed, the mortgage document satisfied may be referred to as either the mortgage or deed of trust.

### 4.11.2 SATISFACTION OF HUD-HELD MORTGAGE/DEED OF TRUST AND SECTION 202 DIRECT LOAN AND RELEASE OF REGULATORY AGREEMENT AND UNIFORM COMMERCIAL CODE

#### A. HUD Held Notes

1) For those mortgages that were previously FHA-insured but subsequently assigned to HUD, as well as those Notes held by HUD as a result of debt restructuring or partial payment of claim, once these mortgages mature, or are prepaid in full prior to maturity, the Multifamily Notes Servicing Branch in Headquarters requests the Office of General Counsel (OGC) to prepare a satisfaction of mortgage/deed of trust for execution by the Multifamily Notes Servicing Branch and a release of regulatory agreement for execution by the Director, Office of Asset Management and Portfolio Oversight (OAMPO).

2) After OGC prepares the legal documents, the account executive in OAMPO confirms that any conditions placed on a prepayment approval have been met for those satisfactions that are a result of a prepayment prior to maturity. The Director of OAMPO signs the release of regulatory agreement, has the document notarized, authorizes the Multifamily Notes Servicing Branch to discharge the HUD-held mortgage, and returns the documents to the Multifamily Notes Servicing Branch for delivery to the owner.

#### B. Section 202 Direct Loans

1) HUD's Fort Worth accounting office holds and services Section 202 Direct Loans. The Fort Worth accounting office annotates on the loan document that it has been paid in full within 20-35 days after final payment is received (either at maturity or by a prepayment approved by HUD). Once the document is marked paid in full, it is forwarded to the multifamily regional center/satellite office with geographical jurisdiction over the project.

- 1            2) For Section 202 Direct Loans, the project owner is responsible for preparing  
2            and submitting the appropriate release of lien or certificate of satisfaction and  
3            release of regulatory agreement (or other instrument) to HUD. HUD will  
4            review and sign the instrument once it has been deemed sufficient. The  
5            owner is responsible for recording the instrument in the appropriate division of  
6            land records for the jurisdiction. HUD Field Counsel is responsible for  
7            ensuring that the release of lien or certificate of satisfaction and release of  
8            regulatory agreement are legally acceptable and contain correct identifying  
9            information (names, property description, amount of lien).
  
- 10           3) The project owner shall prepare a draft UCC Termination Statement for  
11           HUD's review along with the submission of other release documents. After  
12           HUD approval, the owner shall be responsible for filing the UCC Termination  
13           Statement with the appropriate Secretary of State in the jurisdiction of the  
14           project.
  
- 15           4) Account executives in the regional center/satellite office submit a  
16           memorandum to OAMPO along with the release document(s), a copy of the  
17           documents to be released, and any supporting documentation confirming that  
18           prepayment conditions have been met (when the release/satisfaction is a  
19           result of prepayment prior to maturity).
  
- 20           5) The Director of OAMPO signs the document, has it notarized and returns the  
21           original to the appropriate multifamily regional center/satellite office for  
22           delivery to the owner. The account executive in the regional center/satellite  
23           office will scan a copy in the project file/laserfische.

24           **4.11.3 RELEASE OF REGULATORY AGREEMENT UPON TERMINATION OF FHA MORTGAGE**  
25           **INSURANCE**

26           A. Submitting Release of Regulatory Agreement Request

- 27           1) For FHA-insured multifamily rental housing loans that have matured, been  
28           prepaid in full prior to maturity, or the mortgage insurance is voluntarily  
29           terminated, the project owner or the owner's designee may submit a request  
30           for the release of regulatory agreement to the following email box:  
  
31           [InsuranceTerminationRequests@hud.gov](mailto:InsuranceTerminationRequests@hud.gov)
  
- 32           2) The account executive in OAMPO reviews the request to confirm that the  
33           mortgage insurance has been terminated. If termination was a result of  
34           prepayment prior to maturity, OAMPO also confirms that the owner has  
35           complied with any conditions placed upon the prepayment approval. This may  
36           include contacting the appropriate multifamily regional center/satellite office  
37           for confirmation.
  
- 38           3) The Director of OAMPO then forwards the request to HQ OGC to prepare the  
39           release document for execution. After execution and notarization by OAMPO,

1            the account executive in OAMPO sends the original to the owner/owner's  
2            designee and a scanned copy to the multifamily regional center/satellite  
3            office. The account executive in the multifamily regional center/satellite office  
4            will scan a copy into the project file/laserfische.  
5

6            **4.11.4 PREPAYMENT APPROVAL CONDITIONS**  
7

8            1)Where a mortgage satisfaction or regulatory agreement release is the result of a  
9            mortgage prepayment, the owner must have complied with any conditions placed upon  
10           the prepayment approval prior to execution of the release. Those conditions may  
11           include, but are not limited to, the following:

12           a) Execution and recordation of a use agreement.

13           b) Any existing use agreement remains in effect for the project through its  
14           term and in first security position.

15           c) Disposition of residual receipts and reserve for replacement (RfR)  
16           accounts must be addressed, depending upon the type of Section 8  
17           Housing Assistance Payments (HAP) contract or applicable HUD use  
18           agreement for the project.

19           d) Any other debt owed to HUD that becomes due upon prepayment or  
20           maturity of the HUD-insured or HUD-held mortgage is required to be paid in  
21           full at that time. Failure to repay this debt will not prevent HUD from providing  
22           a satisfaction or release; however, the project owner and all principals will be  
23           flagged in HUD's Active Partners Performance System (APPS) for the non-  
24           compliance until it has been resolved.

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