

**PART 3500—REAL ESTATE SETTLEMENT PROCEDURES ACT**

1. The authority citation for part 3500 is revised to read as follows:

**Authority:** 12 U.S.C. 2601 *et seq.*; 42 U.S.C. 3535(d).

2. Section 3500.8(c)(1) is revised to read as follows:

**§ 3500.8 Use of HUD-1 or HUD-1A settlement statements.**

\* \* \* \* \*

(c) \* \* \*

(1) After itemizing individual deposits in the 1000 series using single-item accounting, the settlement agent shall make an adjustment based on an aggregate analysis to reflect the difference between the deposit required under aggregate accounting and the sum of the deposits required under single-item accounting. The computation steps for both accounting methods are set out in § 3500.17(d). The adjustment will always be a negative number or zero (-0-). The servicer shall enter the aggregate adjustment amount on a final line in the 1000 series of the HUD-1 or HUD-1A statement.

\* \* \* \* \*

3. Section § 3500.17 is amended by:

- a. Revising the fourth sentence of paragraph (a);
- b. Removing the word "servicing" following the phrase "the terms of any mortgage" in the definition of "Servicing" in paragraph (b);
- c. Adding a sentence after the first sentence in paragraph (c)(1)(i);
- d. Revising paragraphs (f)(3)(i)(B) and (C);
- e. Revising paragraph (f)(3)(ii)(B);
- f. Revising paragraph (f)(4)(i)(C);
- g. Revising paragraph (f)(4)(ii);
- h. Adding a sentence after the first sentence in paragraph (i) introductory text;
- i. Adding a sentence after the first sentence in paragraph (i)(1) introductory text;
- j. Removing the period at the end of paragraph (i)(1)(viii), and by adding a phrase and sentence to the end of the paragraph; and
- k. Revising paragraph (i)(2), to read as follows:

**§ 3500.17 Escrow accounts.**

(a) \* \* \* Appendix H to this part provides examples of biweekly accounting and Appendix J to this part provides examples of a 3-year accounting cycle that may be used in

accordance with paragraph (c)(9) of this section.

\* \* \* \* \*

(c) \* \* \*

(1) \* \* \*

(i) *Charges at settlement or upon creation of an escrow account.* \* \* \* The "amount sufficient to pay" is computed so that the lowest month end target balance projected for the escrow account computation year is zero (-0-) (see Step 2 in Appendix F). \* \* \*

\* \* \* \* \*

(f) \* \* \*

(3) \* \* \*

(i) \* \* \*

(B) The servicer may require the borrower to repay the shortage amount within 30 days; or

(C) The servicer may require the borrower to repay the shortage amount in equal monthly payments over at least a 12-month period.

(ii) \* \* \*

(B) The servicer may require the borrower to repay the shortage in equal monthly payments over at least a 12-month period.

(4) \* \* \*

(i) \* \* \*

(C) May require the borrower to repay the deficiency in 2 or more equal monthly payments.

(ii) If the deficiency is greater than or equal to 1 month's escrow payment, the servicer may allow the deficiency to exist and do nothing to change it or may require the borrower to repay the deficiency in two or more equal monthly payments.

\* \* \* \* \*

(i) \* \* \* The servicer shall also submit to the borrower the previous year's projection or initial escrow account statement. \* \* \*

(1) *Contents of Annual Escrow Account Statement.* \* \* \* In preparing the statement, the servicer may assume scheduled payments and disbursements will be made for the final 2 months of the escrow account computation year. \* \* \*

\* \* \* \* \*

(viii) \* \* \*, as indicated by noting differences between the most recent account history and last year's projection. Appendix I of this part sets forth an acceptable format and methodology for conveying this information.

(2) *No annual statements in the case of default, foreclosure, or bankruptcy.* This paragraph contains an exemption from the provisions of § 3500.17(i)(1). If

at the time the servicer conducts the escrow account analysis the borrower is more than 30 days overdue, then the servicer is exempt from the requirements of submitting an annual escrow account statement to the borrower under § 3500.17(i). This exemption also applies in situations where the servicer has brought an action for foreclosure under the underlying mortgage loan, or where the borrower is in bankruptcy proceedings. If the servicer does not issue an annual statement pursuant to this exemption and the loan subsequently is reinstated or otherwise becomes current, the servicer shall provide a history of the account since the last annual statement (which may be longer than 1 year) within 90 days of the date the account became current.

\* \* \* \* \*

4. In Appendix A to part 3500, the heading for the Appendix is revised, and the second paragraph for lines 1000-1008 under the heading "Line Item Instructions" is revised, to read as follows:

**Appendix A to Part 3500—Instructions for Completing HUD-1 and HUD-1A Settlement Statements**

\* \* \* \* \*

**Line Item Instructions**

\* \* \* \* \*

Lines 1000-1008. \* \* \* After itemizing individual deposits in the 1000 series using single-item accounting, the settlement agent shall make an adjustment based on an aggregate analysis to reflect the difference between the deposit required under aggregate accounting and the sum of the deposits required under single-item accounting. The computation steps for both accounting methods are set out in 24 CFR 3500.17(d). The adjustment will always be either a negative number or zero (-0-). The servicer shall enter the aggregate adjustment amount on a final line in the 1000 series of the HUD-1 or HUD-1A statement.

\* \* \* \* \*

- 5. Appendix F to part 3500 is amended by:
  - a. Revising in Example I, illustrating aggregate analysis, step 3, the reference to "Jul", which immediately follows "May" to read "Jun"; and
  - b. Revising the chart for "Step 1.—Initial Trial Balance" in Example II, illustrating single-item analysis (existing accounts), to read as follows: