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U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

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OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 97-20

TO: ALL APPROVED MORTGAGEES

SUBJECT: Single Family Production - Homeownership Bridal
Registry Accounts

HUD Mortgagee Letter 96-56 , dated October 2, 1996, announced FHA's Bridal Registry Account initiative. The intent is to give couples planning to get married the opportunity to amass monetary gifts from friends and family for the specific purpose of making the downpayment on a home.

Although this initiative emphasizes the use of gifts for the bridal couple's cash investment, and provides a modified documentation procedure for verifying receipt of these funds, FHA recognizes there may be other legitimate occasions where substantial gifts are typically received by an individual or individuals that may in turn be applied toward the purchase of a home.

Therefore, this initiative is not limited just to couples that intend to get married, but is available for other situations where such gifts are typically received by an individual or individuals. Regardless of the occasion, the lender must document the receipt of these gifts under the terms and conditions outlined here and in Mortgagee Letter 96-56 , dated October 2, 1996.

All approved FHA lenders are automatically eligible to take part in the program. The list of lenders included with the above Mortgagee Letter was meant to show industry acceptance of the idea and not indicative of an approval process. However, the Department does request that your institution inform the local HUD office of its intent to participate so that the lender list may be updated.

This list is made available to the public through direct inquiries and the Internet.

The Department designed the program to give lenders maximum flexibility; however, many lenders have requested more procedural information on implementing this program.

Generally, couples planning to get married and others will contact a participating lender in response to its advertising and promotional material, and request that a bridal registry account be established in their names. Lenders that are supervised institutions (FDIC or NCUSIF-insured) can set up the accounts themselves. Participating lenders that are non-supervised

mortgage banking institutions may pursue the following options:

- o If the lender is a subsidiary of a supervised institution (parent), the account can be set up with the parent.
- o A lender may utilize an existing relationship with a supervised lender for the purpose of establishing the accounts.
- o A lender may inform the potential mortgagors that they can open the account with a supervised lender of their choice.

Funds may be deposited by friends and relatives directly into the Bridal Registry Account, or given by cash or check to the couples or individuals for deposit. This account will take the guesswork out of gift selection. These gifts can be given with the assurance that the donors are providing the couples or individuals with an opportunity to purchase their first home.

Bridal couples or individuals are not obligated to use the money in the Bridal Registry Account for a downpayment on a home. The couples or individuals control how the funds will be used, and if their plans change, they can simply withdraw the money and use it for something else. Also, there is no requirement that the bridal couple be married prior to closing the mortgage loan.

The following suggested procedures are intended for lender guidance in operating the program:

- o Lenders can provide assistance to the customers in setting up the account, and may establish any necessary agreements between the mortgagee and the depository institution which creates the relationship, procedures and rules of the program (e.g., access to account information, deposit and withdrawal procedures, etc.).
- o For administrative convenience, lenders can establish one custodial account with a supervised institution for bridal registry funds that would be held in trust and accounted for on a customer-by-customer basis, if this procedure is permitted by state law.
- o Independent mortgage companies can establish relationships with one or more supervised institutions in much the same way they select institutions to hold the custodial accounts for principal, interest, taxes and insurance required by the GNMA mortgage-backed securities program. The depository institutions may be located outside the state where the couples or individuals are located.
- o Mortgage companies affiliated with depository institutions can place the accounts with their affiliates.
- o Lenders may structure their programs in numerous ways. For example, lenders may elect to have the potential mortgagors sign over their checks to the lender as

trustee of the custodial account. The lenders can then deposit the checks directly into the trust account. Alternatively, lenders can have them deal with the depositories directly in establishing their accounts and making deposits. Couples or individuals may receive deposit coupons and envelopes from the mortgage lender and mail their deposits directly to the depository institution.

- o Lenders can provide information about the account to friends and relatives of the bridal couple or individuals by means of letters and/or brochures.
- o Lenders can provide "gift cards" that reflect the gift-givers name and relationship to the bridal couple or individuals for the purpose of documenting the gifts. FHA requires only lender and borrower certification of the funds.
- o Lenders can distribute FHA's promotional brochures. Copies can be ordered by calling 1-800-767-7468. Lenders can also design their own brochures to promote bridal registry accounts.

In summary, participating lenders have great latitude in creating a viable bridal registry account program. They can employ a number of marketing strategies to promote this initiative within their company, and their creativity and ingenuity will have a significant impact on assisting newlyweds and others to become homeowners.

Sincerely yours,

Nicolas P. Retsinas
Assistant Secretary for Housing-
Federal Housing Commissioner