



October 3, 2011

HUD Issues Revisions to Mortgagee Approval Process

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September 23, 2011 HUD issued Mortgagee Letter 2011-34 to announce changes to the requirements for FHA lender approval and operations. These changes are effective immediately and supersede specific sections of HUD Handbooks 4060.1 REV-2 and 4155.2. The Letter applies to all FHA approved lenders and Applicants for lender approval.

Modified lender approval requirements include Identifying Officers, Identifying Owners, Office Facilities, and Conversion of FHA Lender Approval Type. Modified lender operational requirements include Prohibited Branch Arrangement, Single Family Loan Origination Lending Area, Business Changes Subsequent to Approval, Doing Business As (DBA) Names, Office Changes, and Ownership Changes.

Below is the AllRegs link to the Mortgagee Letter:
<http://www.allregs.com/ao/main.aspx?did2=b0abfa80790740a1a4d034a6118562d7>

Lender Approval Requirements:

Applicants must list all Corporate Officers on Form HUD 92001-A and must provide a credit report and resume for each individual listed. Applicants must also list the appropriate owners for their business form. All office and home facilities must comply with state licensing requirements; however HUD is no longer regulating branch offices facilities.

Applicants are no longer required to submit evidence of acceptable home office facilities; however the Department will verify compliance through any on-site visits. Lenders that wish to change their FHA approval type must re-apply and pay a new \$1,000 application fee.

Please refer to Section 6.16 of Handbook 4155.2:
<http://www.allregs.com/ao/main.aspx?did2=0bca738ff1814c558e6a6f5c1be9acda>

Lender Operational Requirements:

Approved mortgagees must pay all operational expenses directly and may not engage in "net branching" arrangements. The single family origination lending area or a lender's Area Approved for Business (AAFB) has been expanded to include all HUD field office jurisdictions. Mortgagees must remain compliant

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to maintain approval. Therefore, mortgagees must now notify HUD within 10 business days if the mortgagee (or any affiliate thereof) has been suspended, convicted, is under governmental review, or is in violation of the Secure and Fair Enforcement (SAFE) Act or any state law.

The deadline for mortgagees to report any sanctions, exclusions, fines or penalties has been amended to 10 business days. Further, lenders must register all of their DBAs. The FHA Connection now allows up to 6 registered DBAs for each branch. Lenders must submit any additional DBA names and supporting documentation to the HUD address provided. FHA lenders must also report any changes to Corporate Officer identities and ownership to FHA.

Please refer to Section 2.19, A-B of Handbook 4155.2:
<http://www.allregs.com/ao/main.aspx?did2=c8c043db3cd34bee9c45ead2a68863b5>

Handbook Requirements Being Modified or Superseded:

The chart below reflects specific sections of HUD Handbook 4060.1, Rev 2, "FHA Title II Mortgagee Approval Handbook," and Handbook 4155.2 "Lenders Guide to Single Family Mortgage Insurance Process" being modified or superseded by Mortgagee Letter 2011-34.

Type of Requirement Subject Handbook Section
 4060.1 4155.2
 Lender Approval Requirements Identifying Officers 2-9.B

Identifying Owners 3-3

Office Facilities 2-11 & 3-2.A.9

Conversion of FHA Lender Approval Type 6-16

Lender Operational Requirements Prohibited Branch Arrangement 2-14.B

Single Family Loan Origination Lending Area 2-19 A&B and 5.8C 12.E.2
 Business Changes Subsequent to Approval 6.1 & 6.26

Doing Business As (DBA) Names 6-9

Officer Changes 6-11

Ownership Changes 6-13

Ownership Changes:

The handbook was amended to require FHA approved lenders to report all ownership changes, including new owners and changes in ownership interests, in accordance with the ownership requirements for their business form as detailed in lender approval requirements section of this mortgagee letter. The Mortgagee Letter revises the requirements for obtaining, maintaining, and utilizing an entity's FHA lender approval. The FHA Resource Center is available to answer any related questions at 1-800-CALL-FHA. HUD's Notification Address for FHA Approved Mortgagees has been provided:

HUD's Notification Address for FHA Approved Mortgagees:

U.S. Department of Housing and Urban Development
 Office of Lender Activities and Program Compliance
 Attn: Director, Lender Approval and Recertification Division
 451 7th Street, SW Room B-133/P3214
 Washington, DC 20410