

**FHA Single Family Housing Policy Handbook**

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1 **I. DOING BUSINESS WITH FHA**

2 **A. FHA LENDERS AND MORTGAGEES<sup>1</sup>**

3 A mortgagee must be approved by the Federal Housing Administration (FHA) in accordance  
4 with the approval requirements contained in this *FHA Single Family Housing Policy Handbook*  
5 (*SF Handbook*) in order to participate in the origination, underwriting, closing, endorsement,  
6 servicing, purchasing, holding, or selling of FHA-insured Title I or Title II mortgages.

7 **1. Types of Program Approvals**

8 FHA approves mortgagees separately for participation in the Title I and Title II programs. FHA  
9 approval is conveyed to a specific legal Entity and cannot be shared with or extended to other  
10 Entities, including a related Entity such as a parent or subsidiary.

11 **a. Title I**

12 **i. Definition**

13 A Title I mortgagee is a mortgagee that (a) holds a valid Title I contract of insurance and  
14 is approved by FHA or (b) held a Title I contract that has been terminated or suspended  
15 but remains responsible for servicing or selling the Title I mortgages that it holds and is  
16 authorized to file insurance claims on these mortgages.

17 **ii. Standard**

18 A Title I mortgagee may be approved to originate, underwrite, close, endorse, service,  
19 purchase, hold, or sell property improvement mortgages and mortgages for the purchase  
20 of Manufactured Housing. Unless otherwise specified, Title I mortgagees must meet the  
21 same approval requirements and follow the same procedures as Title II mortgagees.

22 **b. Title II**

23 **i. Definition**

24 A Title II mortgagee is a mortgagee that has been approved to originate, underwrite,  
25 close, endorse, service, purchase, hold, or sell FHA single family insured mortgages or  
26 multifamily mortgages.

---

<sup>1</sup> This section covers FHA approval for both Title I lenders and Title II mortgagees. The term “mortgagee” is used for all types of FHA approval (both Title II mortgagees and Title I lenders) and the term “mortgage” is used for all products (both Title II mortgages and Title I loans), unless otherwise specified.

1 **2. Types of Approved Mortgagees**

2 FHA approves mortgagees as one of the following four types: supervised, nonsupervised,  
3 government, or investing.

4 **a. Supervised Mortgagee**

5 **i. Definition**

6 A supervised mortgagee is a financial institution that is a member of the Federal Reserve  
7 System (FRS) or whose accounts are insured by the Federal Deposit Insurance  
8 Corporation (FDIC) or the National Credit Union Administration (NCUA) (collectively,  
9 “Federal Banking Agencies”).

10 **(A) Small Supervised Mortgagee**

11 A Small Supervised Mortgagee is a supervised mortgagee that has consolidated assets  
12 below the threshold for audited financial reporting established by the Federal Banking  
13 Agency with oversight of the mortgagee. Thresholds are codified at [12 CFR §§](#)  
14 [363.1\(a\)](#), [562.4\(b\)\(2\)](#), and [715.4\(c\)](#), and are subject to change.

15 **ii. Standard**

16 A supervised mortgagee must meet the general approval requirements set forth below.

17 **iii. Activities Authorized**

18 A supervised mortgagee may originate, underwrite, close, endorse, service, purchase,  
19 hold, or sell FHA-insured mortgages.

20 **b. Nonsupervised Mortgagee**

21 **i. Definition**

22 A nonsupervised mortgagee is a non-depository lending institution.

23 **ii. Standard**

24 A nonsupervised mortgagee must meet the general approval requirements set forth below  
25 and:

- 26 • meet FHA’s [principal activity requirement](#) by deriving at least 50 percent of its  
27 annual gross revenues from lending, investing, or servicing funds in real estate  
28 mortgages, consumer installment notes, or similar advances of credit, or from  
29 purchasing consumer installment contracts;
- 30 • have an acceptable [business form](#);
- 31 • demonstrate [credit worthiness](#); and
- 32 • have an acceptable [funding program](#).

1           **iii. Activities Authorized**

2           A nonsupervised mortgagee may originate, underwrite, close, endorse, service, purchase,  
3           hold, or sell FHA-insured mortgages.

4           **c. Government Mortgagee**

5           **i. Definition**

6           A government mortgagee is a federal, state, or municipal governmental agency, a Federal  
7           Reserve Bank, or a Federal Home Loan Bank.

8           **ii. Standard**

9           A government mortgagee must meet the general approval requirements set forth below.

10          **iii. Activities Authorized**

11          A government mortgagee may originate, underwrite, close, endorse, service, purchase,  
12          hold, or sell FHA-insured mortgages.

13          **d. Investing Mortgagee**

14          **i. Definition**

15          An investing mortgagee is an organization that invests funds under its own control.

16          **ii. Standard**

17          An investing mortgagee must meet the general approval requirements set forth below  
18          and:

- 19           • it must have staff capable of managing the mortgagee's activities relating to its
- 20           FHA-insured mortgages;
- 21           • it must have an acceptable [business form](#);
- 22           • it must demonstrate [credit worthiness](#);
- 23           • it must have an acceptable [funding program](#); and
- 24           • funds invested in FHA-insured mortgages must be under the mortgagee's direct
- 25           control.

26          **iii. Activities Authorized**

27          An investing mortgagee may purchase, hold, or sell FHA-insured mortgages. An  
28          investing mortgagee may only [service](#) FHA-insured mortgages if it receives prior  
29          approval to do so on a case-by-case basis.

1 **3. Application and Eligibility Requirements for Approval**

2 **a. Title I and Title II Program Applications**

3 A mortgagee may apply for Title I and Title II approval separately or in the same application.

4 **b. Online Application**

5 A mortgagee seeking FHA approval must submit an [online application](#) containing all  
6 information and documentation required to demonstrate eligibility for approval as provided  
7 in this section. The online application also includes required certifications and an application  
8 fee. Mortgagees must ensure that all information contained in and documentation submitted  
9 with the application is true, complete, and up to date as of the date of submission of the  
10 application.

11 **i. Application Information**

12 **(A) Standard**

13 The mortgagee must provide the following information as part of a completed  
14 application for FHA approval:

- 15 • general information (such as the [mortgagee name](#), date mortgagee was  
16 established, Taxpayer Identification Number (TIN), Nationwide Mortgage  
17 Licensing System and Registry (NMLS) ID);
- 18 • contact information (the primary mortgagee contact information for all  
19 inquiries related to the application);
- 20 • addresses (the geographic and mailing addresses for the mortgagee's home  
21 office);
- 22 • [mortgagee type](#) (the type of FHA mortgage approval being sought);
- 23 • [Corporate Officers](#) (the names, titles, and Social Security Numbers (SSN) for  
24 all Corporate Officers who will be directly involved in managing, overseeing,  
25 or conducting FHA business and designate the [Officer in Charge](#)); and
- 26 • [principal owners](#) (the names, SSN or TIN, and percent ownership).

27 **(B) Required Documentation**

28 The mortgagee must submit all of the application information in the [online](#)  
29 [application](#).

30 **ii. Application Documentation**

31 **(A) Standard**

32 The mortgagee must provide supporting documentation to demonstrate that it is  
33 eligible for FHA approval.

1 (B) Required Documentation

2 The mortgagee must submit all eligibility documentation listed in the table below that  
 3 is required for the type of approval being sought. This documentation is submitted in  
 4 the [online application](#).

Documents Required for Application	Supervised Mortgagee	Nonsupervised Mortgagee	Government Mortgagee	Investing Mortgagee	
				Federally Regulated <sup>2</sup>	Not Federally Regulated
<a href="#">Business Formation Documents</a>		✓			✓
<a href="#">Commercial Credit Report of Mortgagee</a>		✓			✓
Credit Reports of <a href="#">Principal Owners and Corporate Officers</a>		✓			✓
<a href="#">Resumes of Corporate Officers</a>		✓	✓		✓
<a href="#">Resume of Officer in Charge</a>	✓	✓	✓	✓	✓
<a href="#">State License or Registration</a>	✓	✓		✓	✓
<a href="#">Financial Reports</a>	✓	✓		✓	✓
<a href="#">Funding Program</a>		✓			✓
<a href="#">Fidelity Bond</a>	✓	✓	✓	✓	✓
<a href="#">Errors and Omissions Insurance</a>	✓	✓	✓	✓	✓
<a href="#">Quality Control Plan</a>	✓	✓	✓		

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<sup>2</sup>An investing mortgagee that is a member of the FRS or whose accounts are insured by the FDIC or the NCUA is “federally regulated.”

1           **iii. Certification of Compliance**

2                   **(A) Standard**

3           The mortgagee, through a Corporate Officer, must make the following certifications  
4           in its application:

- 5           1. I certify I am a Corporate Officer and/or principal owner of the mortgagee with  
6           the authority to legally bind the mortgagee and to execute these certifications and  
7           acknowledgments on behalf of the mortgagee.
- 8           2. I certify the mortgagee is not subject to any assessments or contingent liabilities  
9           not disclosed in its financial statements.
- 10          3. I certify that neither the mortgagee nor any of its officers, partners, directors,  
11          principals, managers, supervisors, loan processors, loan underwriters, or loan  
12          originators are:
- 13               a. Suspended, debarred, under a Limited Denial of Participation (LDP), or  
14               otherwise restricted under Part 24 of Title 24 of the Code of Federal  
15               Regulations, Part 180 of Title 2 as implemented by Part 2424 of Title 2, or  
16               under similar provisions of any other federal or state agencies;
- 17               b. Under indictment for, have been convicted of, or charged with a felony  
18               offense that reflects adversely upon the mortgagee's integrity, competence  
19               or fitness to meet the responsibilities of an FHA-approved mortgagee;
- 20               c. Subject to unresolved findings contained in a U.S. Department of Housing  
21               and Urban Development (HUD) or other governmental audit,  
22               investigation, or review (including the HUD OIG);
- 23               d. Engaged in business practices that do not conform to generally accepted  
24               practices of prudent mortgagees or that demonstrate irresponsibility,  
25               including, but not limited to, failure to satisfy debts due and owing to  
26               HUD, or associating or affiliating, for the purpose of conducting mortgage  
27               business, with a person or entity previously sanctioned or fined by HUD;
- 28               e. Convicted of, or have pled guilty or nolo contendere (no contest) to, a  
29               felony related to participation in the real estate, mortgage loan, or financial  
30               services industry—
- 31                       i. During the seven year period preceding the date of the application  
32                       for licensing and registration; or
- 33                       ii. At any time preceding such date of application, if such felony  
34                       involved an act of fraud, dishonesty, breach of trust, or money  
35                       laundering;
- 36               f. In violation of provisions of the Secure and Fair Enforcement for  
37               Mortgage Licensing Act of 2008 (SAFE Act) (12 U.S.C. § 5101 et seq.) or  
38               any applicable provision of state law;
- 39               g. In violation of any other requirement established by the Secretary;
- 40               h. Currently or presently suspended, terminated, debarred, sanctioned, fined,  
41               convicted, denied approval, or subject to a license or approval revocation  
42               by any federal, state, or local government agency, or a Governmental

**FHA Single Family Housing Policy Handbook**

**I. Doing Business with FHA**

**A. FHA Lenders and Mortgagees**

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- 1 Entity, where the action is related to the responsibilities that are  
2 commensurate with those of the financial services industry; or  
3 i. Currently involved in a proceeding or subject to an investigation that  
4 could result, or has resulted, in suspension, fine, debarment, or other  
5 sanction by a federal, state, or local government agency, conviction in a  
6 criminal matter, bankruptcy or loss of fidelity insurance or errors and  
7 omissions insurance coverage.
- 8 4. I certify that no mortgage insurance companies, secondary marketing agencies,  
9 warehouse lenders, brokers or dealers have denied the mortgagee approval in the  
10 past three years from the date of these certifications.
- 11 5. I certify the mortgagee, its officers, partners, directors, and/or principals,, have  
12 not been subject to any past or present action by HUD, U.S. Department of  
13 Veteran Affairs (VA), Consumer Financial Protection Bureau (CFPB), Federal  
14 National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage  
15 Corporation (Freddie Mac), or other governmental entity in which there has been  
16 a request to repurchase a loan or to indemnify the entity against loss.
- 17 6. I certify the mortgagee is not currently subject to, previously been, or is proposed  
18 for regulatory or supervisory action by any regulatory entity. Regulatory actions  
19 include, but are not limited to, supervisory agreements, cease and desist orders,  
20 notices of determination, notices of proposed actions, formal memoranda of  
21 understanding, informal memoranda of understanding, unresolved audits,  
22 revocation of license(s) and investigations. Supervisory actions include, but are  
23 not limited to, the appointment of a trustee, receiver, conservator, or managing  
24 agent.
- 25 7. I acknowledge on behalf of the mortgagee, its continuing obligation to notify  
26 HUD, in writing, within five days of any change to the information or  
27 documentation provided in connection with this application for approval while  
28 this application is pending review.
- 29 8. I certify that neither the mortgagee nor any of its owners, principals, officers,  
30 managers or supervisors have been involved, through ownership or otherwise,  
31 with a previously defaulted Government National Mortgage Association (Ginnie  
32 Mae) issuer(s), an FHA-approved mortgagee that was subject to action by the  
33 Mortgagee Review Board (MRB), and/or an entity subject to a civil or criminal  
34 action by federal or state law enforcement.
- 35 9. I certify that, upon the submission of this application, and with its submission of  
36 each mortgage for insurance or request for insurance benefits, the mortgagee has  
37 and will comply with the requirements of the Secretary of HUD, which include,  
38 but are not limited to, the National Housing Act (12 U.S.C. § 1702 et seq.) and,  
39 HUD's regulations, FHA Handbooks, Mortgagee Letters (ML), and Title I letters  
40 and policies with regard to using and maintaining its FHA mortgagee approval.
- 41 10. I acknowledge on behalf of the mortgagee, its continuing obligation to notify  
42 FHA, in writing, within 10 days of issuance of any notice (or proposed notice) of  
43 violation, revocation, sanction, suspension, or any other administrative  
44 action/proceeding initiated by a state or federal regulatory entity (including the  
45 HUD OIG).



1                   **(B) Required Documentation**

2                   The certification must be completed in the [online application](#) by a Corporate Officer  
3                   of the mortgagee who has been granted the certifying official authorization in FHA  
4                   Connection ([FHAC](#)).

5                   **(C) Unable to Certify**

6                   If a mortgagee is unable to certify to all of the statements set forth in the certification,  
7                   the mortgagee must submit a detailed explanation in the [online application](#) for each  
8                   certification that it is unable to complete. The document must:

- 9                   • explain in detail the reason(s) why the mortgagee is unable to certify;
- 10                  • be on the mortgagee's letterhead;
- 11                  • be dated;
- 12                  • be signed by the Corporate Officer who signs the application; and
- 13                  • contain language certifying that, if approved, the mortgage will comply with  
14                  all FHA requirements.

15                  **(D) FHA Review**

16                  FHA will review the mortgagee's explanation for being unable to certify and will  
17                  render a final decision regarding the mortgagee's ability to complete the online  
18                  application. If additional documentation is needed prior to making a final decision,  
19                  the mortgagee will be advised and given a date on which the documentation must be  
20                  provided to FHA.

21                  **iv. Application Fee**

22                  **(A) Standard**

23                  The mortgagee must pay a nonrefundable [application fee](#) when submitting an  
24                  application for approval. Mortgagees applying for both Title I and Title II approval,  
25                  whether simultaneously or separately, will only be assessed a single application fee.  
26                  Government mortgagees and mortgagees organized as nonprofits are not required to  
27                  pay an application fee.

28                  **(B) Required Documentation**

29                  The application fee must be submitted in the [online application](#).

1        **c. Eligibility Requirements**

2            **i. Business Form**

3                **(A) Standard**

4            A nonsupervised or investing mortgagee must be organized in one of the following  
5            acceptable business forms. A sole proprietorship is not an acceptable business form.

6                **(1) Corporation**

7                    **(a) Definition**

8            A corporation is an Entity chartered in the United States or its territories.

9                    **(b) Standard**

10           The corporation must be organized in accordance with federal and state laws  
11           regarding corporations and must provide for permanent succession.

12                **(c) Required Documentation**

13           The corporation must submit copies of its articles of incorporation and bylaws  
14           with its application.

15                **(2) Limited Liability Company**

16                    **(a) Definition**

17           A Limited Liability Company (LLC) is an incorporated legal Entity created  
18           under applicable state law that combines certain legal and tax attributes of  
19           corporations and partnerships.

20                    **(b) Standard**

21           The LLC must:

- 22                • consist of two or more members, unless its single member is a
- 23                corporation or LLC consisting of two or more persons or members;
- 24                • have a minimum term of existence of 10 years; and
- 25                • provide for succession and continuance in the event of the withdrawal
- 26                or death of a member.

27                **(c) Required Documentation**

28           The LLC must submit its Articles of Organization and operating agreement  
29           with its application. The Articles of Organization and operating agreement

1 must contain language addressing the requirements listed in the FHA [LLC](#)  
2 [Standard](#) section above.

3 The application must include the names and TINs of all members.

### 4 (3) Series Limited Liability Company

#### 5 (a) Definition

6 A Series LLC is a specific type of LLC that is composed of separate  
7 membership interests, which are divided into individual series. Each series can  
8 hold assets, have members, and conduct operations independently of the other  
9 series in the LLC.

#### 10 (b) Standard

11 The Series LLC must comply with all requirements for approval of an LLC.  
12 The Series LLC must be organized in accordance with state law that does not  
13 conflict with FHA requirements.

14 The Series LLC's operating agreement must stipulate that:

- 15 • no series may participate in FHA programs unless the approved  
16 mortgagee owns 100 percent of the membership interests in that series;  
17 and
- 18 • the approved mortgagee remains fully liable for the debts, liabilities,  
19 obligations and expenses of any and all series that participate in FHA  
20 programs.

#### 21 (c) Required Documentation

22 The Series LLC must submit its Articles of Organization and operating  
23 agreement with its application.

24 The application must include the names and TINs of all series participating in  
25 FHA programs and of all members.

### 26 (4) Partnership

#### 27 (a) Definition

28 A partnership is a for-profit business operation between two or more Entities  
29 that share ownership and management responsibilities.

#### 30 (b) Standard

31 The partnership must:

- 32 • be organized in accordance with relevant state law;

- 1                                   • have a term of existence that continues for a minimum term of 10  
2                                   years from the date of application; and  
3                                   • be structured to continue to exist even if a partner withdraws.

4                                   Each general partner must be a corporation or other chartered institution  
5                                   consisting of two or more individuals.

6                                   The partnership must designate a managing general partner, who:

- 7                                   • has as its principal activity the management of one or more  
8                                   partnerships, all of which are mortgage lenders or property  
9                                   improvement or Manufactured Housing loan lenders; and  
10                                  • has exclusive authority to deal directly with the Secretary on behalf of  
11                                  each partnership.

12                                  **(c) Required Documentation**

13                                  The partnership must submit its partnership agreement. The partnership  
14                                  agreement must contain language addressing the requirements listed in the  
15                                  FHA [Partnership Standard](#) section above.

16                                  The partnership must submit the names and TINs of all general partners as  
17                                  well as the names and SSNs of all officers and directors of the managing  
18                                  general partner.

19                                  **(5) Nonprofit**

20                                  **(a) Definition**

21                                  A nonprofit is a charitable organization or corporation, civic league, social  
22                                  welfare organization, or local employee association organized for purposes  
23                                  other than profit.

24                                  **(b) Standard**

25                                  The nonprofit must be recognized as tax-exempt by the Internal Revenue  
26                                  Service (IRS) in accordance with the federal taxation exemption requirements  
27                                  of Sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code (IRC).

28                                  A nonprofit organized as a [corporation](#), [LLC](#), or [partnership](#) must also comply  
29                                  with all requirements for the applicable business form.

30                                  **(c) Required Documentation**

31                                  The nonprofit must provide a copy of its IRS exemption letter. The nonprofit  
32                                  must submit all Business Formation Documentation required of its business  
33                                  form.

1                   **(B) Required Documentation**

2                   The mortgagee must submit its Business Formation Documentation in the [online](#)  
3                   [application](#).

4                   **ii. Mortgagee Name**

5                   **(A) Definition**

6                   **(1) Institution Name**

7                   The mortgagee’s institution name is the legally registered corporate name  
8                   associated with the mortgagee’s home office.

9                   **(2) “Doing Business As” Name**

10                  The “Doing Business As” (DBA) name is any registered name or alias that the  
11                  mortgagee has a legal right to use.

12                  **(B) Standard**

13                  The mortgagee must use as its institution or DBA name the name shown on its  
14                  Business Formation Documentation or for which it has received approval from its  
15                  state of formation. The mortgagee is prohibited from using any restricted word in, or  
16                  as part of, its institution or DBA name in a manner that would violate the Helping  
17                  Families Save Their Homes Act of 2009 (Pub.L. 111–22) or 18 U.S.C. § 709, which  
18                  places restrictions on “federal,” “government,” or “national” and related words,  
19                  unless the mortgagee is exempt from these statutory prohibitions.

20                  The mortgagee’s institution name and all DBA names used by a mortgagee for  
21                  conducting FHA business must be registered with FHA. The mortgagee must use  
22                  only those names that are registered with FHA in advertising and promotional  
23                  materials related to FHA programs.

24                  **(C) Required Documentation**

25                  A nonsupervised or investing mortgagee must submit its Business Formation  
26                  Documentation and a supervised mortgage must submit a copy of the state license for  
27                  its home office as verification of its institution name. The mortgagee must submit  
28                  documentation from the state showing it is legally approved to use its institution  
29                  name or DBA name, if the name differs from that shown on its Business Formation  
30                  Documentation.

1           **iii. Office Facilities**

2                   **(A) Definition**

3                           **(1) Home Office**

4                           The mortgagee's home office is the main office from which it manages its FHA  
5                           business.

6                           **(2) Branch Offices**

7                           Branch offices are all other offices from which a mortgagee conducts FHA  
8                           business.

9                   **(B) Standard**

10                           **(1) Home Office**

11                           A mortgagee must designate a headquarters or "home office" for its FHA  
12                           business, which does not have to be its corporate office.

13                           The mortgagee's home office must have a staff of at least two full-time  
14                           employees. The mortgagee may not rely on a shared receptionist to satisfy this  
15                           full-time employee requirement.

16                           A mortgagee's home office facilities must:

- 17                           • be located in a commercial space that is separate from any other Entity  
18                           (except for reception-type entrances or lobbies);
- 19                           • be clearly identified, including having a permanently affixed business sign  
20                           and other means of identification commonly used by businesses, so that  
21                           the general public and other businesses will know, at all times, exactly  
22                           which Entity is being represented and is conducting business; and
- 23                           • display a [fair housing poster](#) if the mortgagee deals with mortgagors and  
24                           the general public.

25                           **(2) Branch Offices**

26                           Mortgagees must also register any branch offices that will conduct FHA business  
27                           in accordance with the requirements set forth in the [Branch Office](#) requirements  
28                           section of this *SF Handbook*.

29                   **(C) Required Documentation**

30                           FHA will verify compliance with the office facilities requirements through any onsite  
31                           visits.

1           **iv. Ownership and Personnel**

2           The mortgagee must comply with the following requirements for its ownership and  
3           personnel.

4           **(A) Principal Owners**

5           **(1) Definition**

6           A principal owner is any individual or Entity meeting the following thresholds or  
7           roles for the applicable business form:

<b>Business Form</b>	<b>Principal Owners</b>
Publicly Traded Corporation	10% or more ownership
Private or Close Corporation	25% or more ownership
Limited Liability Company (LLC)	All Members
Partnerships	All Partners

8           **(2) Standard**

9           The mortgagee must ensure that none of its principal owners are [suspended](#),  
10          [debarred or otherwise excluded from participation](#) in FHA programs.

11          **(3) Required Documentation**

12          A supervised, nonsupervised, or investing mortgagee must identify all principal  
13          owners. The mortgagee must submit this [information](#) in the online application.

14          **(B) Personnel Requirements**

15          **(1) Corporate Officers**

16          **(a) Definition**

17          A Corporate Officer is a natural person, who serves as one of the following  
18          positions for the mortgagee:

- 19          • President;
- 20          • Vice President;
- 21          • Chief Operating Officer (COO);
- 22          • Chief Financial Officer (CFO);
- 23          • Director;
- 24          • Corporate Secretary;
- 25          • Chief Executive Officer (CEO);
- 26          • General Counsel;
- 27          • Chairman of the Board;

- 1                   • General Partner;  
2                   • member of an LLC; or  
3                   • specifically designated staff member(s) of a government mortgagee.

4                   **(b) Standard**

5                   The mortgagee must ensure that no Corporate Officers are [suspended](#),  
6                   [debarred or otherwise excluded from participation](#) in FHA programs.

7                   The mortgagee must ensure its Corporate Officers only represent a single  
8                   mortgagee, unless the following criteria are met:

- 9                   • the Entities represented have some or all of the same Corporate  
10                  Officers or principal owners;  
11                  • there is a clear and effective separation of the Entities, and mortgagors  
12                  know at all times exactly which Entity is being represented and with  
13                  whom they are conducting business; and  
14                  • there is a duly appointed or elected senior officer designated as the  
15                  [Officer in Charge](#), as described below, who conducts only business of  
16                  the mortgagee during normal business hours.

17                  **(c) Required Documentation**

18                  The mortgagee must identify all Corporate Officers who will be directly  
19                  involved in managing, overseeing, or conducting FHA business. The  
20                  mortgagee must submit all of this [information](#) in the online application. A  
21                  nonsupervised, government, or investing mortgagee must submit a current  
22                  resume covering the most recent seven-year period for each of these  
23                  Corporate Officers.

24                  **(2) Officer in Charge**

25                  **(a) Definition**

26                  The Officer in Charge is the [Corporate Officer](#) designated to manage and  
27                  direct the mortgagee's FHA operations.

28                  **(b) Standard**

29                  The mortgagee must designate as Officer in Charge a full-time Corporate  
30                  Officer, who has at least three years of experience in the specific mortgagee  
31                  functions or activities that the mortgagee is approved to perform, including:

- 32                  • originating or servicing single family or multifamily mortgages;  
33                  • investing funds in real estate mortgages; or  
34                  • managing other individuals performing these services.



1 The mortgagee cannot rely on a Corporate Officer's experience in real estate  
2 sales or brokerage as qualifying experience in mortgagee functions or  
3 activities.

4 **(c) Required Documentation**

5 The mortgagee must designate the Officer in Charge and submit a current  
6 resume covering the most recent seven-year period detailing the individual's  
7 relevant experience in the online application.

8 **(3) Employees**

9 **(a) Definition**

10 Employees are individuals under the direct supervision and control of the  
11 mortgagee.

12 **(b) Standard**

13 **(i) Eligibility of employees**

14 The mortgagee must not employ any individual who will participate in  
15 FHA transactions if the individual is [suspended, debarred or otherwise](#)  
16 [excluded from participation](#) in FHA programs.

17 **(ii) Compensation**

18 The mortgagee must compensate employees on one of the following  
19 bases:

- 20 • a salary;  
21 • a salary plus commission; or  
22 • a commission-only.

23 The mortgagee may pay bonuses with any of these three compensation  
24 plans.

25 The mortgagee cannot compensate employees who perform underwriting,  
26 quality control, or mortgage servicing activities on a commission basis.

27 The mortgagee must report all employee compensation on IRS Form W-2.

28 **(iii) SAFE Act Compliance**

29 The mortgagee must ensure that it and its employees comply with the  
30 requirements of the SAFE Act (12 U.S.C. § 1501 *et seq.*), including the  
31 licensing and registration of its employees in the [NMLS](#).

1                                    **(iv) Dual Employment**

2                                    The mortgagee must require its employees to be its employees  
3                                    exclusively, unless the mortgagee has determined that the employee's  
4                                    other outside employment, including any self-employment, does not create  
5                                    a prohibited conflict of interest.

6                                    **(v) Conflict of Interest**

7                                    Employees are prohibited from having multiple roles in a single FHA-  
8                                    insured transaction. Employees are prohibited from having multiple  
9                                    sources of compensation from a single FHA-insured transaction.

10                                  **(vi) Underwriters**

11                                  The mortgagee must ensure that its underwriters are not managed by and  
12                                  do not report to any individual who performs mortgage origination  
13                                  activities.

14                                  The mortgagee must ensure that its underwriter:

- 15                                  • meets basic [eligibility requirements](#); and
- 16                                  • performs the underwriting function in a manner consistent with  
17                                  FHA guidelines.

18                                  **(c) Required Documentation**

19                                  The mortgagee must certify that it meets these requirements in the online  
20                                  application.

21                                  **v. Credit Worthiness**

22                                  **(A) Definition**

23                                  **(1) Institutional Credit Worthiness**

24                                  A credit worthy institution is a mortgagee with a credit background for the seven-  
25                                  year period preceding the FHA mortgagee approval application that:

- 26                                  • reflects no delinquent accounts or collections and no legal actions; or
- 27                                  • reflects legal actions that have been adequately resolved prior to  
28                                  application and/or delinquent accounts or collections with an acceptable  
29                                  explanation.

30                                  **(2) Individual Credit Worthiness**

31                                  A credit worthy individual is a person whose credit background for the seven-year  
32                                  period preceding the FHA mortgagee approval application:

- 33                                  • reflects no delinquent accounts or collections and no legal actions; or

- 1                   • reflects legal actions that have been adequately resolved prior to  
2                   application and/or delinquent accounts or collections with an acceptable  
3                   explanation.

4                   **(B) Standard**

5                   A nonsupervised or investing mortgagee, its principal owners, and its Corporate  
6                   Officers must demonstrate credit worthiness.

7                   **(C) Required Documentation**

8                   The nonsupervised or investing mortgagee must submit the following credit reports.

9                   **(1) Report on Mortgagee**

10                  The mortgagee must submit a commercial credit report not more than 90 Days old  
11                  with its application. The mortgagee must provide written explanations for all  
12                  negative items disclosed on the credit report.

13                  **(2) Reports on Principal Owners**

14                  The mortgagee must submit a personal credit report for each of its principal  
15                  owners. The personal credit report must be a Residential Mortgage Credit Report  
16                  (RMCR) or a Tri-Merged Credit Report (TRMCR) not more than 90 Days old.

17                  The mortgagee must submit a written explanation from the relevant principal  
18                  owner for any negative item disclosed on the credit report.

19                  **(3) Reports on Corporate Officers**

20                  The mortgagee must submit a personal credit report for each of its Corporate  
21                  Officers. A personal credit report must be an RMCR or a TRMCR and not more  
22                  than 90 Days old.

23                  The mortgagee must submit a written explanation from the relevant Corporate  
24                  Officer for any negative item disclosed on the credit report.

25                  **vi. State License or Registration**

26                  Supervised, nonsupervised, and investing mortgagees must meet the following licensing  
27                  requirements.

1                   **(A) Business License or Registration**

2                   **(1) Standard**

3                   The mortgagee must have an active state license, registration, or equivalent  
4                   approval to operate its business in the jurisdiction where the home office is  
5                   located.

6                   The mortgagee must ensure that each branch office has all licenses, registrations,  
7                   or approvals required for the types of mortgagee functions or activities performed  
8                   by such branch office for the jurisdiction in which that office is located.

9                   A mortgagee that has been refused a state license or been sanctioned by any state  
10                  in which it will originate FHA mortgages must disclose the circumstances of the  
11                  refusal or sanction and the resolution to FHA.

12                  **(2) Required Documentation**

13                  The mortgagee must submit a copy of its state license, registration or equivalent  
14                  approval for the state in which the home office is located. If the mortgagee is  
15                  exempt from licensing requirements, the mortgagee must submit documentation  
16                  of the applicable exemption.

17                  The mortgagee, through a Corporate Officer, must certify at application that it has  
18                  not been refused a license or been sanctioned by any state in which it will  
19                  originate FHA mortgages.

20                  If the mortgagee has been subject to an action against its license, it is [unable to](#)  
21                  [certify](#). It must follow the unable to certify procedures and must submit  
22                  documentation concerning the action that shows the nature of the action and  
23                  evidence of an acceptable resolution (for example, a reinstatement or subsequent  
24                  approval of a license, payment of sanctions or fines, or similar documentation).

25                  **(B) Personnel Licenses**

26                  **(1) Standard**

27                  The mortgagee must ensure that its Corporate Officers, employees, and contracted  
28                  third parties have all state and federal licenses and registrations required for the  
29                  mortgagee functions or activities that such individuals will perform.

30                  **(2) Required Documentation**

31                  The mortgagee must certify that it meets this requirement as part of the online  
32                  application.

1           **vii. Financial Requirements**

2                   **(A) Standard**

3           Supervised, nonsupervised, and investing mortgagees must meet the following  
4           adjusted net worth and liquidity requirements at all times.

5                   **(1) Adjusted Net Worth**

6                           **(a) Single Family Programs**

7           The mortgagee must have a minimum adjusted net worth of \$1,000,000 plus 1  
8           percent of the total volume in excess of \$25,000,000 of FHA single family  
9           mortgages originated, underwritten, serviced, and/or purchased during the  
10          prior fiscal year, up to a maximum required adjusted net worth of \$2,500,000.

11                   **(b) Multifamily Programs**

12                           **(i) With Servicing**

13          The mortgagee must have a minimum adjusted net worth of \$1,000,000  
14          plus an additional net worth of 1 percent of the total volume in excess of  
15          \$25,000,000 of FHA multifamily mortgages originated, underwritten,  
16          purchased, and/or serviced during the prior fiscal year, up to a maximum  
17          required net worth of \$2,500,000.

18                           **(ii) Without Servicing**

19          The mortgagee must have a minimum adjusted net worth of \$1,000,000  
20          plus an additional net worth of one-half of 1 percent of the total volume in  
21          excess of \$25,000,000 of FHA multifamily mortgages originated,  
22          underwritten, and/or purchased during the prior fiscal year, up to a  
23          maximum required net worth of \$2,500,000.

24                   **(c) Dual Participation**

25          A mortgagee approved to participate in both single family and multifamily  
26          programs must have a minimum adjusted net worth of \$1,000,000 plus an  
27          additional net worth of 1 percent of the total volume in excess of \$25,000,000  
28          of the aggregate of FHA single family and multifamily mortgages originated,  
29          underwritten, purchased, and/or serviced during the prior fiscal year, up to a  
30          maximum required net worth of \$2,500,000.

31                   **(2) Liquidity**

32          The mortgagee must hold no less than 20 percent of its required adjusted net  
33          worth in eligible liquid assets.

1                   **(B) Required Documentation**

2                   Supervised, nonsupervised, and investing mortgagees must submit the documentation  
3                   described below. Government mortgagees are not required to submit financial  
4                   information.

5                   **(1) Small Supervised Mortgagees**

6                   A Small Supervised Mortgagee must submit a copy of its Unaudited Regulatory  
7                   Report (i.e. report of condition and income, also known as the “call report,” which  
8                   is submitted on the Federal Financial Institutions Examination Council forms 031  
9                   and 041, or a consolidated or fourth quarter NCUA call report, submitted on  
10                  NCUA Form 5300 or 5310) signed by a Corporate Officer, that aligns with its  
11                  fiscal year end.

12                  **(2) Supervised, Nonsupervised, and Investing Mortgagees**

13                  **(a) Audit of Financial Statements**

14                  The mortgagee must submit financial statements reported in accordance with  
15                  the [HUD OIG Handbook 2000.04, Consolidated Audit Guide for Audits of](#)  
16                  [HUD Programs](#).

17                  **(b) Accounting and Auditing Standards**

18                  The mortgagee must have prepared its financial statements in accordance with  
19                  Generally Accepted Accounting Principles (GAAP) and had its audit  
20                  performed in accordance with Generally Accepted Auditing Standards  
21                  (GAAS).

22                  **(c) Audit Period Covered**

23                  A mortgagee’s audited financial statements must cover 12 months of  
24                  operation. For companies operating for fewer than 12 months, the audited  
25                  financial statements must cover all months of operation.

26                  The ending date of the audited financial reports must align with the  
27                  applicant’s fiscal year end, with the following exceptions:

- 28                  • Audited financial reports over six months old—If the ending date for  
29                  the audited financial reports is more than six months old, the  
30                  mortgagee must also submit unaudited financial statements, signed by  
31                  a Corporate Officer, for the most recent interim accounting period  
32                  ending less than three months prior to submission of the application.
- 33                  • New institution—If the mortgagee is a new institution and has had no  
34                  revenues or cash flow, the income statement and cash flow statement  
35                  are not required as part of the audited financial statements.

1 **viii. Principal Activity of Nonsupervised Mortgagees**

2 **(A) Standard**

3 A nonsupervised mortgagee must derive at least 50 percent of its annual gross  
4 revenues from lending, investing, or servicing funds in real estate mortgages,  
5 consumer installment notes, or similar advances of credit, or from the purchase of  
6 consumer installment contracts.

7 **(B) Required Documentation**

8 The nonsupervised mortgagee must submit [audited financial statements](#) that reflect  
9 the sources of its revenue.

10 **ix. Funding Program**

11 **(A) Nonsupervised Mortgagees**

12 **(1) Standard**

13 A nonsupervised mortgagee that originates FHA mortgages must maintain a  
14 warehouse line of credit or other mortgage-funding program acceptable to FHA.

15 The mortgagee must have a minimum \$1,000,000 warehouse line of credit or  
16 funding program, and must ensure the funding program or warehouse line of  
17 credit is sufficient to fund the mortgagee's average 60-day origination operations.

18 **(2) Required Documentation**

19 The mortgagee must submit documentation that it either 1) has a line of credit  
20 issued directly to the mortgagee or 2) has an agreement with a financial  
21 institution.

22 **(B) Investing Mortgagees**

23 **(1) Standard**

24 An investing mortgagee must have available, or have arranged for, funds or a line  
25 of credit sufficient to support a projected investment in FHA-insured mortgages  
26 of at least \$1,000,000.

27 **(2) Required Documentation**

28 The mortgagee must submit documentation that it either 1) has a line of credit  
29 issued directly to the mortgagee or 2) has an agreement to support the projected  
30 investment.

1           **x. Fidelity Bond**

2                   **(A) Standard**

3           A mortgagee must have fidelity bond coverage that meets the [minimum coverage](#)  
4           [amount](#) set by FHA. The mortgagee must ensure that its fidelity bond coverage is in a  
5           form generally acceptable to secondary market agencies.

6           A government mortgagee will meet this requirement if it maintains alternative  
7           insurance coverage that is approved by FHA and that assures the faithful performance  
8           of the mortgagee's responsibilities.

9                   **(B) Required Documentation**

10          The mortgagee must submit documentation evidencing that it has acceptable fidelity  
11          bond coverage.

12          **xi. Errors and Omissions Insurance**

13                   **(A) Standard**

14          A mortgagee must have errors and omissions insurance that meets the [minimum](#)  
15          [coverage amount](#) set by FHA. The mortgagee must have errors and omissions  
16          insurance that is generally acceptable to the secondary market agencies.

17          A government mortgagee will meet this requirement if it maintains alternative  
18          insurance coverage that is approved by FHA and that assures the faithful performance  
19          of the mortgagee's responsibilities.

20                   **(B) Required Documentation**

21          The mortgagee must submit documentation evidencing that it has acceptable errors  
22          and omissions insurance.

23          **xii. Quality Control Plan**

24                   **(A) Standard**

25          A mortgagee that originates, underwrites, endorses, closes, or services FHA-insured  
26          mortgages must have a [Quality Control \(QC\) Plan](#) that meets FHA's requirements.

27                   **(B) Required Documentation**

28          The mortgagee must submit a copy of its QC Plan.



1 **d. Processing of Applications for Approval**

2 FHA will review all completed applications for approval to determine whether the mortgagee  
3 complies with all eligibility requirements. If FHA requires additional documentation or  
4 clarifying information, FHA may request such additional information and provide the  
5 mortgagee with a deadline for response. If the mortgagee does not submit a completed  
6 application or provide the additional information requested by the specified deadline, FHA  
7 may deny approval on this basis.

8 **e. Approval of Application**

9 If FHA approves the mortgagee's application, FHA will provide notice via email and U.S.  
10 mail. This notice will include the mortgagee's assigned FHA Lender Identification Number  
11 FHA Lender ID, which must be used by the mortgagee in all FHA computer systems and  
12 official correspondence with FHA.

13 **f. Application Denial**

14 If FHA denies the mortgagee approval, FHA will provide written notice to the mortgagee  
15 that includes an explanation of the reasons for the denial.

16 **i. Appeal of Denial**

17 The mortgagee may submit an appeal of the denial decision through the [online](#)  
18 [application](#) within 30 Days of the date of the denial.

19 If the denial is sustained, the mortgagee may submit a second appeal through the online  
20 application within 30 Days of the date the denial is sustained. If the denial of approval is  
21 sustained a second time, the mortgagee will be ineligible to apply for FHA approval for a  
22 period of 12 months.

23 **ii. Reapplication**

24 A mortgagee whose approval was denied may reapply after a period of 12 months. The  
25 mortgagee will be required to pay an application fee at the time it submits its second  
26 application for approval.

27 **4. Branch Offices**

28 **a. Registration**

29 The mortgagee must register all [branch offices](#) in which it conducts FHA business. The  
30 mortgagee must register each branch office and pay [branch office registration](#) fees through  
31 the Lender Electronic Assessment Portal ([LEAP](#)) which is accessed through [FHAC](#). A 10-  
32 digit FHA Lender ID will be assigned to each registered branch office.

1 The mortgagee cannot register a new branch office within a HUD Field Office jurisdiction in  
2 which it has withdrawn a branch office in the last six months. The mortgagee must instead  
3 reverse the withdrawal of the former branch office and reassign the former office's FHA  
4 Lender ID to the new branch.

5 **b. Single Family Lending Area**

6 **i. Definition**

7 An "Area Approved for Business" (AAFB) is the geographic area in which a mortgagee's  
8 home or branch office is permitted to originate or underwrite FHA mortgages. The AAFB  
9 is subdivided into HUD Field Office jurisdictions and a branch office may be stripped of  
10 its approval to operate in certain jurisdictions subsequent to a [Credit Watch Termination](#)  
11 action.

12 The jurisdiction of each HUD Field Office can be verified on [www.hud.gov/lenders](http://www.hud.gov/lenders)  
13 under the Mortgage Origination tab through the link titled "[HUD office jurisdictions.](#)"

14 **ii. Standard**

15 All branch offices registered by a mortgagee will initially be granted a nationwide AAFB.  
16 The branch may only exercise its authority to originate or underwrite FHA mortgages in  
17 those states where the mortgagee fully complies with state origination and/or  
18 underwriting licensing and approval requirements.

19 **c. Managers**

20 **i. Definition**

21 **(A) Branch Manager**

22 A branch manager is an onsite manager for a branch office who manages one branch  
23 office.

24 **(B) Regional Manager**

25 A regional manager is a manager who oversees the operation of multiple branch  
26 offices.

27 **ii. Standard**

28 The mortgagee must have a separate branch manager or regional manager to oversee each  
29 of its branch offices. A regional manager cannot be designated as a branch manager.

30 The mortgagee must not have a manager who has delinquent Federal Debt.

1           **iii. Compensation**

2           The mortgagee may provide a branch manager with a commission derived from the  
3           branch’s “net” profit after the mortgagee has paid all expenses of the branch office.

4           **iv. Required Documentation**

5           The mortgagee must document that none of its managers has delinquent Federal Debt and  
6           may utilize the [Credit Alert Verification Reporting System \(CAIVRS\)](#) to obtain  
7           information on delinquent Federal Debt.

8           **d. Net Branching Prohibition**

9           The mortgagee must not engage an existing, legally-separate mortgage company, Series  
10          LLC, or broker to function as the mortgagee’s branch office or DBA name or to conduct  
11          FHA lending activities using the mortgagee’s FHA approval.

12          **5. Supplemental Mortgagee Authorities**

13          After a mortgagee is approved, the mortgagee can apply for additional supplemental mortgagee  
14          authorities in accordance with the following requirements.

15               **a. Title II Direct Endorsement Authority**

16                   **i. Scope of Authority**

17                   Approval to participate in FHA’s Direct Endorsement (DE) Program permits a mortgagee  
18                   to underwrite Title II single family mortgages without FHA’s prior review and submit  
19                   them directly for FHA insurance endorsement. The mortgagee must obtain separate DE  
20                   approval for forward and Home Equity Conversion Mortgages (HECM) mortgage  
21                   programs.

22                   **(A) Definitions**

23                               **(1) Conditional Authority**

24                               Conditional authority is the authority of a mortgagee that has applied for and  
25                               received basic FHA mortgagee approval as a supervised, nonsupervised, or  
26                               government mortgagee and has not entered the Test Case Phase.

27                               **(2) Test Case Phase**

28                               The Test Case Phase is when a mortgagee with Conditional authority is approved  
29                               by an FHA Homeownership Center (HOC) to submit a case for FHA underwriting  
30                               review.

1                   **(3) Unconditional DE Authority**

2                   Unconditional DE authority permits a mortgagee to underwrite and close Title II  
3                   single family mortgages prior to submitting them to FHA for FHA insurance  
4                   endorsement.

5                   **(B) Standard**

6                   To obtain Unconditional DE approval, the mortgagee must complete the Test Case  
7                   Phase, which permits FHA to evaluate the mortgagee's qualifications, experience,  
8                   and expertise to underwrite mortgages that satisfy FHA requirements.

9                   **ii. Eligibility Requirements**

10                  A mortgagee must meet the following requirements in order to apply for and participate  
11                  in FHA's DE Program.

12                  **(A) FHA Mortgagee Approval**

13                  A mortgagee must have [FHA approval](#) as a Title II supervised, nonsupervised, or  
14                  government mortgagee to be eligible to participate in the DE Program.

15                  Mortgagees approved as investing mortgagees are not eligible to participate in the DE  
16                  Program.

17                  **(B) Experience**

18                  The mortgagee must have:

- 19                   • at least five years of experience in the origination of single family mortgages;
- 20                   or
- 21                   • a Corporate Officer with at least five years of managerial experience in the  
22                   origination of single family mortgages.

23                  **(C) Personnel Requirements**

24                  The mortgagee must have on staff a full-time employee to serve as [underwriter](#).

25                  **iii. Application and Approval**

26                  **(A) Application**

27                   **(1) Request to Enter into the Test Case Phase**

28                   The mortgagee must submit a written application for Unconditional DE authority  
29                   to the HOC with jurisdiction over the state where the mortgagee's home office is  
30                   located.

1                   **(2) Required Documentation**

2                   The mortgagee's DE application must contain the following:

- 3                   • a letter signed by a Corporate Officer requesting entry into the Test Case  
4                   Phase that contains all DE underwriters' names and the four-character,  
5                   FHA-assigned identification numbers issued to these underwriters; and  
6                   • a copy of the mortgagee's FHA approval letter granting the mortgagee  
7                   FHA approval as a Title II supervised, nonsupervised, or government  
8                   mortgagee.

9                   **(B) Notification and Entrance Conference**

10                  If the mortgagee meets the requirements for Conditional authority and submits the  
11                  required documentation, the mortgagee will receive a Test Case Phase approval letter  
12                  from the HOC. The HOC will also provide reference materials and a list of the  
13                  specific requirements that must be met for the mortgagee to obtain Unconditional DE  
14                  authority.

15                  The mortgagee must participate in an in-person or telephone entrance conference with  
16                  the HOC before it will be eligible to submit Test Cases.

17                  **(C) Test Case Phase**

18                  The mortgagee must submit a number of mortgage application "Test Cases" to FHA  
19                  for review during the Test Case Phase. FHA will review these cases for compliance  
20                  with FHA's origination and underwriting requirements.

21                  **(1) Case Binder Submission**

22                  The mortgagee must submit all Test Case files to the Jurisdictional HOC  
23                  associated with the mortgagee's home office.

24                  **(a) Pre-closing Submission**

25                  If the mortgagee submitted the case binder before closing, the HOC will either  
26                  issue a Firm Commitment (approval) or Firm Reject (denial). The mortgagee  
27                  may close and submit for insurance endorsement any mortgage that has  
28                  received a Firm Commitment.

29                  **(b) Post-closing Submission**

30                  If the mortgagee first submitted the case binder to FHA after closing, the HOC  
31                  will perform a Test Case review for compliance with FHA underwriting  
32                  guidelines. The HOC will either insure the mortgage or reject the mortgage  
33                  and return it to the mortgagee for correction. The mortgagee must make any  
34                  necessary corrections and provide any required documents to the HOC before  
35                  the loan can be insured.

1 If the mortgagee did not comply with FHA requirements and has not corrected  
2 all errors, the HOC will reject the mortgagee's request for insurance.

3 **(2) Test Case Underwriting Report**

4 The mortgagee, or its underwriter, must review the Underwriting Report  
5 completed by the HOC available through [FHAC](#) on all Test Cases. Mortgagees  
6 may request a change in an unacceptable rating for a mortgage by submitting a  
7 request to the Test Case processing HOC. The mortgagee must include all  
8 relevant documentation to support its request.

9 **(3) Test Case Closing Package**

10 The mortgagee must ensure that all required certifications are executed and  
11 included with a complete case binder that is submitted to the HOC for  
12 endorsement processing.

13 **(D) Approval Decision**

14 **(1) Approval of Unconditional DE Authority**

15 The mortgagee must receive a minimum of 15 Firm Commitments for forward  
16 mortgage authority or five Firm Commitments for HECM mortgage authority  
17 within a period of 12 consecutive months following the date of the entrance  
18 conference in order to be granted Unconditional DE authority.

19 **(2) Denial of Unconditional DE Authority**

20 The mortgagee will be denied approval for Unconditional DE authority if, at any  
21 time during the Test Case Phase, FHA determines that the mortgagee's  
22 submissions demonstrate a lack of knowledge of FHA requirements, or if FHA  
23 identifies unacceptable practices.

24 **(a) Denial Decision**

25 FHA will provide the mortgagee with written notice of a denial of  
26 Unconditional DE authority that specifies the reason for the denial.

27 **(b) Denial Appeal**

28 The mortgagee may appeal this denial by requesting an informal conference.  
29 The mortgagee must submit its appeal in writing to the Test Case processing  
30 HOC, which must receive the appeal within 30 Days of the date of the notice  
31 of denial.

1                   (c) **Informal Conference**

2                   FHA will conduct an informal conference with the mortgagee, and its counsel  
3                   if any, no later than 60 Days from the date of the denial.

4                   (i) **Determination**

5                   FHA will issue a determination in writing following the informal  
6                   conference stating whether Unconditional DE authority is approved or  
7                   denied.

8                   (d) **Appeal Following Informal Conference**

9                   The mortgagee may appeal a denial following the informal conference to the  
10                  Deputy Assistant Secretary (DAS) for Single Family Housing or his or her  
11                  designee within 30 Days of the date of the denial determination.

12                  The mortgagee is not entitled to any meeting or informal conference with the  
13                  DAS or designee. The mortgagee will be notified in writing of the decision of  
14                  the DAS or designee. The decision of the DAS or his or her designee  
15                  constitutes final agency action.

16                  (3) **Reapplication Following Denial**

17                  Any mortgagee who is denied Unconditional DE authority will not be permitted  
18                  to reapply until it has:

- 19                  • demonstrated appropriate remedial education or action;
- 20                  • supplied evidence to support such action; and
- 21                  • waited a minimum of 180 Days.

22                  iv. **Unconditional DE Approval**

23                  After the mortgagee successfully completes the required Test Cases, FHA will grant the  
24                  mortgagee Unconditional DE approval.

25                  The mortgagee will receive an approval letter and may begin submitting mortgages to  
26                  FHA for endorsement without prior review by FHA.

27                  v. **Principal/Authorized Agent Relationship**

28                  (A) **Definition**

29                  A principal/authorized agent relationship is one in which a mortgagee with  
30                  Unconditional DE authority permits another DE-approved mortgagee to underwrite  
31                  mortgages on its behalf.

1           **(B) Standard**

2           A mortgagee with Unconditional DE authority (acting as the “principal”) can  
3           designate another DE-approved mortgagee to act as its “authorized agent” for the  
4           purpose of underwriting mortgages. A Third-Party Originator (TPO) may not act as a  
5           principal or authorized agent.

6           **(1) Required Authorities**

7           The authorized agent must have Unconditional DE authority to underwrite the  
8           type of mortgage that is being underwritten. The mortgagees must be approved as  
9           follows.

10          To originate forward mortgages:

- 11           • the principal may have either Unconditional DE authority for forward or
- 12           HECM mortgages; and
- 13           • the authorized agent *must* have Unconditional DE authority for forward
- 14           mortgages.

15          To originate HECM mortgages:

- 16           • the principal may have either Unconditional DE authority for forward or
- 17           HECM mortgages; and
- 18           • the authorized agent *must* have Unconditional DE authority for HECM
- 19           mortgages.

20          **(2) Process**

21          The principal must originate the mortgage and the authorized agent must  
22          underwrite the mortgage. The mortgage may close in either mortgagee’s name,  
23          and either may submit the mortgage for insurance endorsement.

24          **(C) Required Documentation**

25          The relationship must be documented in [FHAC](#) by the authorized agent, and the  
26          principal’s FHA Lender ID must be entered in the “Originator” field on the FHA case  
27          file and in FHAC.

28          **b. Title II Single Family Mortgagee Lender Insurance**

29           **i. Scope of Authority**

30           Approval to participate in FHA’s [Title II Single Family Mortgagee Lender Insurance \(LI\)](#)  
31           Program permits a mortgagee to endorse mortgages for insurance with no prior review by  
32           FHA.



1                   **(A) Definitions**

2                   **(1) LI Mortgagee**

3                   An LI mortgagee is a mortgagee with Title II Unconditional DE authority that has  
4                   been granted approval to endorse mortgages for insurance without prior review by  
5                   FHA.

6                   **(2) LI Compare Ratio**

7                   The LI Compare Ratio is the percentage of mortgages underwritten by the  
8                   mortgagee that are in claim or default status compared with the percentage of  
9                   mortgages in claim or default status for all mortgagees operating in the same  
10                  state(s) over the preceding two-year period.

11                  **(B) Standard**

12                  To obtain Title II Single Family Mortgagee Lender Insurance authority, the  
13                  mortgagee must meet the eligibility requirements as stated below and complete the  
14                  application and approval processes.

15                  **ii. Eligibility Requirements**

16                  **(A) Standard**

17                  To obtain LI approval, the mortgagee must:

- 18
  - 19                  • be an FHA-approved mortgagee with Unconditional DE approval; and
  - 20                  • have an LI Compare Ratio that is below 150 percent.

21                  **(1) Exception for New Mortgagees Created by Merger, Acquisition, or  
                    Reorganization Resulting in New FHA Lender Identification Number**

22                  If the mortgagee lacks an LI Compare Ratio because it was recently created by a  
23                  merger, acquisition, or reorganization that resulted in the issuance of a new FHA  
24                  Lender ID, it must:

- 25
  - 26                  • have Unconditional DE approval;
  - 27                  • have had one or more LI-approved mortgagees participating in the merger,  
28                  acquisition, or reorganization at the time of the merger, acquisition or  
29                  reorganization;
  - 30                  • have had an acceptable LI Compare Ratio for all LI-approved mortgagees  
31                  participating in the merger, acquisition, or reorganization at the time of the  
                    merger, acquisition or reorganization;

- have an LI Compare Ratio that is derived from aggregating the claims and defaults of all formerly FHA-approved mortgagees participating in the merger, acquisition, or reorganization that is not more than 150 percent; and
- ensure that the management and staff who were involved with LI processing for the FHA-approved mortgagee prior to the merger will continue to exercise those responsibilities for the new mortgagee.

### iii. Application and Approval

#### (A) First-Time Applicants

##### (1) Standard

The mortgagee must apply for LI approval through [FHAC](#). Before application the mortgagee must make a written determination that it will participate in the LI program.

##### (2) Required Documentation

The mortgagee's written determination to participate in the LI program must be signed by a principal owner or Corporate Officer. The mortgagee must retain a copy of such written determination and make it available to HUD upon request.

##### (3) Approval

[FHAC](#) will automatically approve or deny the mortgagee's LI authority based on the mortgagee's DE approval status and LI Compare Ratio.

#### (B) Application from Mortgagee Created by Merger, Acquisition, or Reorganization Resulting in New FHA Lender Identification Number

##### (1) Standard

Mortgagees created through mergers, acquisitions or reorganizations that are issued a new FHA Lender ID will not be able to apply through the automated process. Such mortgagees must submit a written application request to FHA containing the following:

- a copy of the "Acknowledgment of Terms and Conditions for LI" screen in [FHAC](#), printed and signed by a Corporate Officer;
- the name and contact information of the LI contact person and, at the discretion of the mortgagee, the name and contact information for the back-up LI contact person;
- the name and the FHA Lender ID of the new mortgagee;

- the names and FHA Lender IDs of the mortgagees participating in the merger, acquisition, or reorganization; and
- information identifying the management and staff experienced with LI processing employed by the new mortgagee or transferring from a mortgagee that previously held LI approval, and describing how the management and staff will continue to exercise LI responsibilities for the new mortgagee.

## (2) Required Documentation

The mortgagee's written application request must be submitted to FHA to the appropriate address listed below.

### (a) Application Submitted via U.S. Mail

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

### (b) Application Submitted via Courier

U.S. Department of Housing and Urban Development  
Lender Approval and Recertification Division  
490 L'Enfant Plaza East, SW, Suite 3214  
Washington, DC 20024

## c. Title I Manufactured Home Loan Direct Endorsement Authority

**THIS SECTION PENDING – UNDER CONSTRUCTION**

## d. Title II Multifamily Accelerated Processing Authority

Title II Multifamily Accelerated Processing (MAP) authority permits mortgagees to underwrite and close multifamily mortgages for FHA insurance without FHA's review prior to closing. The Office of Multifamily Housing grants this authority. Details on this authority are in the [Multifamily Accelerated Processing \(MAP\) Guide 4430.G](#), which is available in HUD's Client Information and Policy System ([HUDCLIPS](#)).

## 6. Post-Approval Operations

### a. Operating Requirements and Restrictions

A mortgagee must comply with the following operating requirements and restrictions for its FHA business operations in addition to continuing to operate in full compliance with the eligibility requirements outlined in the *SF Handbook*.

1       **b. Compliance with Law**

2       A mortgagee must ensure that its operations are compliant with all applicable federal, state,  
3       and local laws.

4       **c. Servicing of FHA Insured Mortgages**

5       The servicing of FHA-insured loans must be performed by FHA-approved  
6       mortgagees. FHA approved mortgagees that use a sub-servicer to service its FHA insured  
7       mortgages must ensure the sub-servicer is also approved by FHA to service FHA-insured  
8       mortgages. The servicing mortgagee is responsible for the actions of their sub-  
9       servicers. The costs associated with subservicing may not be imposed on the FHA borrower  
10      or passed along to HUD in a claim for mortgage insurance benefits.

11      **d. Employee Compensation**

12      A mortgagee must ensure its employees continue to be compensated in accordance with the  
13      requirements for FHA approval.

14      The mortgagee may not compensate an employee for participation in an FHA-insured  
15      transaction if the employee will receive other compensation related to the transaction.

16      **e. Conflicts of Interest**

17      A mortgagee may not permit an employee to have multiple roles in a single FHA-insured  
18      transaction.

19      **f. Payment of Operating Expenses**

20           **i. Definition**

21           Operating expenses are the costs associated with equipment, furniture, office rent,  
22           overhead, employee compensation, etc.

23           **ii. Standard**

24           A mortgagee must pay all of its own operating expenses, including the expenses of its  
25           home office and any branch offices where it conducts FHA business.

26           The mortgagee must maintain all accounts for operating expenses in its name.

27      **g. Prohibited Payments**

28      A mortgagee may not pay any fee, kickback, compensation or thing of value to any person or  
29      Entity in connection with an FHA-insured mortgage transaction, except for services actually  
30      performed and permitted by the Department. FHA mortgagees shall not pay a referral fee to  
31      any person or Entity. A mortgagee is not permitted to:

- 1 • advance funds to a real estate agent, real estate broker, mortgage broker, or packager  
2 as an advance of anticipated commissions on sales to be financed with an FHA-  
3 insured mortgage to be provided by the mortgagee;
- 4 • make low interest or no interest mortgages to a real estate broker, real estate agent,  
5 mortgage broker, packager, builder or any other party from whom the mortgagee  
6 accepts proposals involving FHA-insured mortgages; or
- 7 • pay a gratuity or make a gift valued above items that are customarily distributed in  
8 the normal course of advertising, public relations, or as a general promotion device, to  
9 any person or Entity involved in the mortgagee's FHA-insured mortgage transactions.

#### 10 **h. Staffing**

11 A mortgagee must employ sufficient, experienced staff or engage, as permitted, the contract  
12 support necessary to carry out the mortgagee's FHA business.

13 The mortgagee must ensure each registered branch office has at least one full-time employee.  
14 The mortgagee may not rely on a shared receptionist to satisfy this full-time employee  
15 requirement.

#### 16 **i. Control and Supervision of Staff**

##### 17 **(A) General Supervision and Control**

18 A mortgagee is responsible for the actions of its staff that participates in FHA  
19 transactions. The mortgagee must ensure that its Corporate Officers exercise control  
20 over the management and supervision of such staff, which must include regular and  
21 ongoing reviews of staff performance and of the work performed.

22 The mortgagee is responsible for ensuring compliance with the licensing and  
23 registration requirements applicable to individual mortgage originators under the  
24 SAFE Act.

##### 25 **(B) Use of Contractors**

###### 26 **(1) Permissible Use**

27 Provided the mortgagee ensures that the contracting out of certain functions does  
28 not and will not materially affect underwriting or servicing decisions or otherwise  
29 increase financial risk to FHA, a mortgagee may use contract support for  
30 administrative and clerical functions that include:

- 31 • clerical assistance;
- 32 • mortgage processing (typing of mortgage documents, mailing and  
33 collecting verification forms, ordering credit reports, and/or preparing for  
34 endorsement and shipping mortgages to purchasing mortgagee);
- 35 • ministerial tasks in mortgage servicing (processing of a foreclosure action,  
36 preservation and protection, and/or tax services);

- 1                   • legal functions; and
- 2                   • [quality control](#).

3                   The mortgagee remains responsible for the quality of its FHA-insured mortgages  
4                   and must ensure that its contractors fully comply with all applicable laws and  
5                   FHA requirements.

6                   The mortgagee and its quality control contractor must have a valid contractual  
7                   agreement in place that specifies the roles and responsibilities of each party.

## 8                   **(2) Impermissible Use**

9                   The mortgagee may not contract with any Entities or person that is suspended,  
10                  debarred, under a relevant [LDP](#), or who is otherwise excluded from participation  
11                  in FHA transactions.

12                  A mortgagee cannot contract out management or underwriting functions.

### 13                  **i. Affiliates**

#### 14                   **i. Definition**

15                  Affiliates are contractors, agents, vendors, subservicers, and sponsored TPOs that  
16                  participate in FHA programs on behalf of an FHA-approved mortgagee.

#### 17                   **ii. Standard**

18                  The mortgagee must ensure that its Affiliates are eligible and properly trained to  
19                  participate in FHA programs and that the Affiliates operate in compliance with FHA  
20                  requirements.

### 21                  **j. Branch Office Requirements**

22                  All branch offices must meet FHA's [staffing](#), [office facilities](#), and operating requirements,  
23                  and all applicable [licensing requirements](#). All branch offices must have an onsite [branch](#)  
24                  [manager](#) who manages only that branch.

### 25                  **k. Fair Housing Notice**

26                  A mortgagee must prominently display a fair housing poster at each office that participates in  
27                  activities related to Residential Real Estate-Related Transactions so as to be readily apparent  
28                  to all persons seeking services related to residential real estate or brokerage services.

1       **I. Advertising**

2           **i. Definition**

3               **(A) Advertising**

4           Advertising is any communication made to an outside Entity or individual that  
5           describes or calls attention to a mortgagee's FHA products or services.

6               **(B) Advertising Device**

7           An Advertising Device is a channel or instrument used to solicit, promote, or  
8           advertise FHA products or programs.

9           **ii. Standard**

10               **(A) Advertising**

11           A mortgagee is solely responsible for the content of its advertising. This includes  
12           advertising abuses by employees of the approved mortgagee, and any violations  
13           committed by employees of Affiliates or companies that advertise or generate FHA  
14           mortgage leads or other FHA business on behalf of the FHA-approved mortgagee.  
15           The mortgagee must ensure that all of its advertising communications and  
16           Advertising Devices, and the communications and Advertising Devices of its  
17           Affiliates, comply with all applicable state licensing and regulatory requirements.

18               **(B) Advertising Device**

19           A mortgagee must not create the false impression that any of its Advertising Devices  
20           are official government forms, notices, or documents or that otherwise convey the  
21           false impression that an Advertising Device is authored, approved, or endorsed by  
22           HUD or FHA.

23           The Advertising Device must be written, formatted, and structured in a manner that  
24           clearly identifies the mortgagee as the sole author and originator of the Advertising  
25           Device. The Advertising Device must reflect the mortgagee's name, location, and  
26           appropriate contact information.

27               **(1) HUD and FHA Names and Acronyms**

28           A mortgagee must not use the terms "Federal Housing Administration,"  
29           "Department of Housing and Urban Development," "Government National  
30           Mortgage Association," "Ginnie Mae," the acronyms "HUD," "FHA," or  
31           "GNMA" without prior written approval from HUD.

1                   **(2) HUD and FHA Logos**

2                   Other than permissible use of the official FHA-Approved Lending Institution logo  
3                   and the Equal Housing Opportunity logo, a mortgagee must not use the FHA or  
4                   HUD logos or seals, any other official seal or logo of the Department of Housing  
5                   and Urban Development, or any other insignia that imitates an official federal  
6                   seal. No person, party, company, or firm, including FHA-approved mortgagees,  
7                   may use these logos or seals on any Advertising Device.

8                   **(3) FHA-Approved Lending Institution Logo**

9                   **(a) User Restrictions**

10                  Only an FHA-approved mortgagee may display the official FHA-Approved  
11                  Lending Institution logo on an Advertising Device for the purpose of  
12                  illustrating to the public the fact that the mortgagee originates FHA-insured  
13                  mortgage products.

14                  The mortgagee must not permit its sponsored TPOs to use the official FHA-  
15                  Approved Lending Institution logo on any Advertising Device.

16                  **(b) Content Restrictions**

17                  The FHA-Approved Lending Institution logo must be displayed in a discreet  
18                  manner. The Advertising Device, when taken as a whole, must emphasize the  
19                  institution or DBA name of the mortgagee, and not the federal government.

20                  When using the FHA-Approved Lending Institution logo on an Advertising  
21                  Device, the mortgagee must include a conspicuous disclaimer that clearly  
22                  informs the public that the mortgagee displaying the Advertising Device is not  
23                  acting on behalf of or at the direction of HUD, FHA, or the federal  
24                  government. The disclaimer must be prominently displayed in a location  
25                  proximate to where the FHA-Approved Lending Institution logo is displayed  
26                  on each Advertising Device.

27                  The mortgagee may not alter or modify the FHA-Approved Lending  
28                  Institution logo in any way.

29                  **iii. Required Documentation**

30                  The mortgagee must retain copies of any Advertising Device it produces that is related to  
31                  FHA programs for a period of two years from the date that the Advertising Device is  
32                  circulated or used for advertisement, educational, or promotional purposes. Copies of  
33                  Advertising Devices related to FHA programs may be kept in either electronic or print  
34                  format and are to be provided to HUD upon request.



1 **7. Post-Approval Changes**

2 A mortgagee has an ongoing requirement to notify FHA of any changes to the information  
3 outlined in its application for FHA approval or in FHA's eligibility requirements.

4 **a. Requirements for All Information Updates, Notices, and Requests**

5 **i. Definitions**

6 **(A) Information Update**

7 An information update is any change to a mortgagee's basic institution or branch  
8 information in the FHA systems that can be directly managed by the mortgagee.

9 **(B) Notice of Material Event**

10 A notice of material event is the method of submitting a required notice to FHA of a  
11 change to the information provided by the mortgagee at application as evidence of  
12 approval eligibility or a change that affects the mortgagee's standing as an FHA-  
13 approved mortgagee.

14 **(C) Request**

15 A request is the method of submitting an information update or business change that  
16 requires FHA review and approval before acceptance. Any update or change that  
17 cannot be made by the mortgagee directly is submitted as a request.

18 **ii. Standard**

19 A mortgagee must maintain accurate, up-to-date information in [LEAP](#). The mortgagee  
20 must provide notice or submit a request to FHA on any business change that affects its  
21 standing as an FHA-approved mortgagee and submit any required documentation related  
22 to the change.

23 Any change not specifically described in this *SF Handbook* that affects a mortgagee's  
24 approval status or conduct of business with the Department must be reported to FHA with  
25 a detailed explanation and supporting documentation.

26 Failure to make a required update, notice, or request by the prescribed deadline is  
27 grounds for administrative action.

28 **iii. Required Documentation**

29 The mortgagee must:

- 30
  - submit all information updates and business change notices and requests through

31 [LEAP](#);

- 1 • update information within 10 business days of an information change (unless
- 2 otherwise specified);
- 3 • submit requests and notices to FHA on all business changes within 10 business
- 4 days of the change (unless otherwise specified);
- 5 • include a cover letter signed by a Corporate Officer summarizing the business
- 6 change(s); and
- 7 • submit any required documents as specified in [Application and Eligibility](#)
- 8 [Requirements for Approval](#) or as described in this section below.

9 **b. Contact Information**

10 **i. Addresses**

11 **(A) Standard**

12 The mortgagee must identify and update the addresses for its offices as follows:

- 13 • Mailing—address of home office;
- 14 • Geographic—street address(es) where its home and branch offices are
- 15 physically located;
- 16 • Administrative—street address to which HUD administrative notices from the
- 17 HOC Quality Assurance and Processing and Underwriting Divisions, Office
- 18 of Lender Activities and Program Compliance, MRB, Office of General
- 19 Counsel, and Office of Inspector General (OIG) is sent;
- 20 • Premium—address to which FHA insurance premium correspondence is sent;
- 21 • Payee—address to which FHA claim correspondence is sent;
- 22 • Servicing—street address for each servicing office. Mortgagees must indicate
- 23 which servicing functions (general, escrow administration, delinquency/loss
- 24 mitigation, foreclosure and quality control) are performed at each location;
- 25 • Computerized Homes Underwriting Management System ([CHUMS](#))-address
- 26 to which FHA originating, underwriting, endorsing, and closing
- 27 correspondence is sent; and
- 28 • Endorsement—address to which all FHA mortgage endorsement
- 29 correspondence is sent, including the Mortgage Insurance Certificate (MIC).

30 **(B) Required Documentation**

31 The mortgagee must provide this information in LEAP, which is accessed through

32 [FHAC](#).

33 **(C) Relocation to a Different State**

34 **(1) Home Office**

35 If the mortgagee is changing the geographic address of its home office to a

36 different state, the mortgagee must submit a [request](#) to FHA.

1 A nonsupervised mortgagee must include a copy of the state license, registration,  
2 or equivalent documents evidencing their approval to operate a business in the  
3 new state that has been signed by a Corporate Officer.

4 **(2) Branch Office**

5 If the mortgagee is changing the geographic address of a branch office to a  
6 different state, the mortgagee must terminate the branch FHA Lender ID for the  
7 original office and [register](#) the new location as a new branch office. The branch  
8 FHA Lender ID for the original branch office will remain active for  
9 approximately 45 Days to allow for the completion of processing of mortgages in  
10 process under that identification number.

11 **ii. All Other Contact Information**

12 Mortgagees must submit and maintain accurate, up-to-date required contact and  
13 identification information, including phone, fax, email, and NMLS identification  
14 numbers.

15 **c. Business Changes**

16 **i. Liquid Assets or Net Worth Deficiency**

17 If at any time a mortgagee's adjusted net worth or liquidity falls below the required  
18 minimum, the mortgagee must [notify](#) FHA within 30 business days of the deficiency. The  
19 mortgagee must submit a Corrective Action Plan that outlines the steps taken to mitigate  
20 the deficiency and includes relevant information, such as contributions and efforts made  
21 to obtain additional capital.

22 **ii. Operating Loss**

23 If a mortgagee experiences an operating loss of 20 percent or greater of its adjusted net  
24 worth, the mortgagee must [notify](#) FHA within 30 business days of the loss. The 20  
25 percent threshold applies to losses in any quarter during the fiscal year or losses that  
26 exceed 20 percent on the financial statements submitted at recertification.

27 Following the initial notification, the mortgagee must submit [financial statements](#) every  
28 quarter until it shows an operating profit for two consecutive quarters, or until it submits  
29 its financial reports as part of its recertification.

30 **iii. Fidelity Bond**

31 A mortgagee must [notify](#) FHA of any significant change(s) to its fidelity bond coverage.  
32 If a mortgagee loses its fidelity bond coverage it must obtain a new policy within 30  
33 Days.

1           **iv. Errors and Omission Insurance**

2           A mortgagee must [notify](#) FHA of any significant change(s) to its errors and omission  
3           insurance. If a mortgagee loses its errors and omission insurance it must obtain a new  
4           policy within 30 Days.

5           **v. Principal Activity Change of Nonsupervised Mortgagee**

6           If a nonsupervised mortgagee's activities change such that it no longer meets the  
7           principal activity requirement, it must [notify](#) FHA and submit a Corrective Action Plan  
8           detailing the steps it will take to meet the principal activity requirement to maintain its  
9           eligibility.

10          **vi. Servicing for Investing Mortgagees**

11          An investing mortgagee must submit a [request](#) after it has received FHA mortgagee  
12          approval in order to service FHA mortgagees. With its request, the mortgagee must:  
13          

- 14           • designate an [Officer in Charge](#) who meets the experience requirements for the
- 15           mortgagee's servicing function;
- 16           • provide a [resume](#) for the Officer in Charge;
- 17           • provide a [credit report](#) for the Officer in Charge; and
- 18           • provide an updated [QC plan](#) that includes servicing.

18          FHA evaluates these requests on a case-by-case basis and reserves the right to request  
19          additional documents necessary to determine the mortgagee's servicing capabilities.

20          **vii. Fiscal Year End Date**

21          A mortgagee must submit a [request](#) to FHA to change its fiscal year end date.

22          Before approving the change, FHA may require the mortgagee to submit interim financial  
23          reports to ensure the mortgagee's next annual renewal financial reports cover no more  
24          than 18 months. Change requests must be submitted at least 90 Days before the end of the  
25          mortgagee's current fiscal year, as reported to FHA.

26          **viii. Supervision Change**

27          If changing its supervising or regulatory agency, supervised mortgagees must [notify](#) FHA  
28          and provide documentation of the change and the effective date.

29          **ix. Business Form**

30          A mortgagee must [notify](#) FHA if it reincorporates, changes its charter, changes the state  
31          where it is incorporated, organized or chartered, or completes any other equivalent  
32          business change.

1                   **(A) Change Resulting in New Federal Taxpayer Identification Number**

2                   If a mortgagee receives a different federal TIN as a result of a business change, the  
3                   mortgagee must submit a new [application](#) for FHA mortgagee approval.

4                   FHA will issue a new FHA Lender ID to the mortgagee upon approval. When the  
5                   new FHA Lender ID is issued, the old FHA Lender ID will remain active for  
6                   approximately 45 Days to allow for completion of processing of mortgages in process  
7                   under that identification number.

8                   **(B) Change Not Resulting in New Federal Taxpayer Identification Number**

9                   If the mortgagee does not receive a new federal TIN as a result of a business change,  
10                  then the mortgagee must submit the following documents to FHA:

- 11                  • a business change [notice](#) in the form of a letter signed by a Corporate Officer  
12                  containing provisions with the following:
  - 13                  ○ providing a complete description of the business change;
  - 14                  ○ confirming that there has been no change in the federal TIN or depositor  
15                  insurance (in the case of a supervised mortgagee);
  - 16                  ○ stipulating that the institution will continue to comply with all FHA  
17                  approval requirements; and
  - 18                  ○ stipulating that the newly chartered Entity will continue to be responsible  
19                  for the assets and liabilities of the former Entity, including any problems  
20                  found subsequently by the Department in the origination or servicing of  
21                  any mortgages originated or serviced by the Entity prior to the business  
22                  change; and
- 23                  • a copy of the Business Formation Documents.

24                  **x. Bankruptcy**

25                  **(A) Business**

26                  A mortgagee that files a Chapter 11 bankruptcy petition must [notify](#) FHA and submit  
27                  with its notice, and quarterly thereafter, an internally prepared balance sheet and a  
28                  statement of adjusted net worth for as long as the petition is active. A mortgagee that  
29                  files a Chapter 7 bankruptcy petition must submit a business change notice to FHA.

30                  The mortgagee must notify FHA of each change of status in the bankruptcy and FHA  
31                  reserves the right to require the mortgagee to submit additional information in order  
32                  to determine whether the mortgagee is eligible to maintain its FHA approval.

33                  **(B) Personal**

34                  A mortgagee must [notify](#) FHA if any Corporate Officer or principal owner  
35                  commences voluntary or involuntary bankruptcy. A current credit report for that  
36                  Corporate Officer or principal owner must be submitted with the business change

1 notification. FHA must be notified of each change of status in the bankruptcy  
2 proceedings.

3 **xi. Lending License(s)**

4 A mortgagee must [notify](#) FHA of any changes to its license(s). In the event of a lending  
5 license surrender or revocation, the mortgagee must notify FHA which license(s) have  
6 been surrendered and provide an explanation of each action.

7 **xii. Mergers, Acquisitions, and Reorganizations**

8 **(A) Merger or Consolidation**

9 FHA's treatment of an FHA-approved mortgagee for approval purposes following a  
10 merger will depend on the prior approval status of the surviving Entity.

11 **(1) Duties of a Non-Surviving FHA-Approved Mortgagee**

12 A non-surviving FHA-approved mortgagee is required to do the following for any  
13 case in which they are merged or consolidated into another Entity.

14 **(a) Standard**

15 A non-surviving FHA-approved mortgagee that holds a portfolio of FHA-  
16 insured mortgages must transfer the mortgages within 45 Days to a mortgagee  
17 approved by FHA to service FHA mortgages.

18 If a surviving FHA-approved mortgagee acquires all of the non-surviving  
19 FHA-approved mortgagee's outstanding FHA mortgages, all of these  
20 mortgages will be transferred in FHA systems to the surviving Entity when  
21 the merger is processed.

22 A non-surviving mortgagee remains responsible for the payment of insurance  
23 premiums and compliance with all other obligations associated with the FHA  
24 mortgages until the mortgages are transferred and the mortgage record  
25 changes are reported accurately to HUD through [FHAC](#).

26 Once the non-surviving mortgagee ceases to exist or their approval is  
27 terminated, whichever comes first, the non-surviving mortgagee must not:

- 28
- 29 • accept any applications for new FHA mortgages;
  - 30 • hold FHA mortgages;
  - 31 • service FHA mortgages; and
  - submit claims to the Department.

1                                   **(b) Required Documentation**

2                                   A non-surviving mortgagee is required to submit a business change [request](#) to  
3                                   FHA containing the following:

- 4                                   • a letter, signed by a Corporate Officer, that informs FHA of the  
5                                   merger. The letter must include information that:
  - 6                                   ○ indicates which Entity will survive;
  - 7                                   ○ provides the FHA Lender IDs for each FHA-approved mortgagee  
8                                   involved;
  - 9                                   ○ provides the date the merger occurred or will occur; and
  - 10                                  ○ requests the withdrawal of the non-surviving mortgagee's FHA  
11                                  approval in accordance with FHA's [voluntary withdrawal](#)  
12                                  procedures;
- 13                                  • a copy of the legal document evidencing the merger;
- 14                                  • if a supervised mortgagee, a copy of the letter from the Federal  
15                                  Banking Agency that approved the merger; and
- 16                                  • if applicable, a letter describing how the non-surviving mortgagee will  
17                                  dispose of the FHA-insured mortgages that it held or serviced, and  
18                                  which have not been acquired by a surviving FHA-approved  
19                                  mortgagee, within 45 Days.

20                                  **(2) Duties of a Surviving Entity**

21                                  **(a) FHA-Approved Mortgagee That Survives a Merger with a Non-**  
22                                  **Approved Entity**

23                                  An FHA-approved mortgagee that is the surviving Entity in a merger with a  
24                                  non-approved Entity must submit a business change [request](#) to FHA  
25                                  containing the following:

- 26                                  • a letter describing the merger;
- 27                                  • a copy of the legal document evidencing the merger; and
- 28                                  • if a supervised mortgagee, a copy of the letter from the Federal  
29                                  Banking Agency or other supervisory authority that approved the  
30                                  merger.

31                                  The surviving FHA-approved mortgagee must [register](#) each of the non-  
32                                  surviving Entity's branch offices that will remain open under the auspices of  
33                                  the surviving mortgagee and pay the [branch office registration fee\(s\)](#).

34                                  **(b) Two or More FHA-Approved Mortgagees Merge**

35                                  An FHA-approved mortgagee that is the surviving Entity in a merger with  
36                                  another FHA-approved mortgagee must submit a business change [request](#) to  
37                                  FHA containing the following:



- a copy of the legal document evidencing the merger; and
- if a supervised mortgagee, a copy of the letter from the Federal Banking Agency or other supervisory authority that approved the merger.

The surviving mortgagee must [register](#) each of the non-surviving mortgagee's branch offices that will remain open under the auspices of the surviving mortgagee and pay the [branch office registration fee\(s\)](#).

If a surviving mortgagee acquires all of a non-surviving mortgagee's outstanding FHA mortgages, FHA will reflect the transfer in FHA systems of all mortgages to the surviving Entity when the merger is processed.

**(c) Non-Approved Entity That Survives a Merger with an FHA-Approved Mortgagee**

A non-approved surviving Entity must become an FHA-approved mortgagee in order to originate, underwrite, close, endorse, service, purchase, hold, or sell FHA-insured mortgages, or to submit claims on mortgages to FHA, including those previously held by the non-surviving mortgagee. To become approved, the surviving Entity must follow the [application and approval procedures](#) of this *SF Handbook*.

The surviving Entity must include with its application a letter, signed by a Corporate Officer, describing the merger and, if applicable, its intentions regarding the non-surviving mortgagee's outstanding FHA-insured mortgages and indemnifications.

Immediately after being approved, the mortgagee must [register](#) each of the non-surviving Entity's branch offices that will remain open under the auspices of the surviving Entity and pay the branch registration fee(s).

The FHA Lender IDs of the non-surviving Entity's branch offices will remain active for up to 45 Days to allow for the completion of processing of mortgages in process under these identification numbers. When new FHA Lender IDs for these branch offices are issued, the mortgagee must cease originating cases under the old numbers.

**(B) Sale, Acquisition, or Disassociation**

The sale or acquisition of an FHA-approved mortgagee may be through the acquisition of stock, assets, operations, or some combination of these forms. FHA's treatment of the situation depends on whether the FHA-approved mortgagee dissolves, continues as a subsidiary or corporate affiliation of the acquiring Entity, or becomes an independent Entity.



1                   **(1) An FHA-Approved Mortgagee Is Acquired by Another Entity**

2                   **(a) Dissolution of Acquired FHA-Approved Mortgagee**

3                   **(i) Duties of Acquired FHA-Approved Mortgagee**

4                   **i-1. Standard**

5                   If an FHA-approved mortgagee being acquired will be dissolved into  
6                   another Entity, it must [voluntarily withdraw](#) its FHA approval. The  
7                   acquired mortgagee must transfer any FHA-insured mortgages in its  
8                   portfolio to a mortgagee approved to service FHA-insured mortgages.

9                   The dissolving mortgagee must continue to pay insurance premiums  
10                  due and meet all other obligations associated with the FHA mortgages  
11                  until the mortgages are transferred and the mortgage record changes  
12                  are reported accurately to HUD in [FHAC](#).

13                  **i-2. Required Documentation**

14                  The FHA-approved mortgagee being acquired must submit a [request](#)  
15                  to FHA in the form of a letter, signed by a Corporate Officer, that  
16                  informs FHA of the details regarding the acquisition and requests the  
17                  [withdrawal](#) of its FHA approval.

18                  The mortgagee must submit a copy of the articles of dissolution, a  
19                  letter describing the acquisition, and, if applicable, how it will or has  
20                  disposed of FHA mortgages that it held or serviced.

21                  **(ii) Duties of Acquiring Entity**

22                  An FHA-approved mortgagee that acquires and dissolves another FHA-  
23                  approved mortgagee is required to submit a business change notification to  
24                  FHA through [LEAP](#).

25                  If a non-approved Entity is acquiring and dissolving an FHA-approved  
26                  mortgagee, the non-approved Entity must become an FHA-approved  
27                  mortgagee to originate, underwrite, close, endorse, service, purchase, hold,  
28                  or sell FHA-insured mortgages, or to submit claims on FHA mortgages,  
29                  including those previously held by the dissolved mortgagee.

30                  If the acquired mortgagee will not be continuing as a subsidiary or  
31                  corporate affiliation, the acquiring Entity must submit a letter describing  
32                  the acquisition with its application, and, if applicable, its intentions  
33                  regarding the dissolved mortgagee's outstanding portfolio of FHA  
34                  mortgages. Immediately after becoming approved, the mortgagee must

1 register each of the dissolved mortgagee's branch offices that will remain  
2 open under the auspices of the acquiring Entity.

3 **(b) Continuation as Subsidiary or Corporate Affiliation**

4 **(i) Acquisition by an FHA-Approved Mortgagee**

5 **i-1. Standard**

6 If the FHA-approved mortgagee being acquired will continue to  
7 operate as a subsidiary or corporate affiliation of the acquiring FHA-  
8 approved mortgagee, the acquired mortgagee may continue to operate  
9 under its existing FHA Lender ID as a separately approved mortgagee.

10 **i-2. Required Documentation**

11 Acquired FHA-Approved Mortgagee—The acquired mortgagee must  
12 submit a business change [request](#) to FHA in the form of a letter, signed  
13 by a Corporate Officer, informing FHA that it has been acquired and  
14 will continue to operate as a subsidiary or corporate affiliation of the  
15 acquiring FHA-approved mortgagee.

16 Acquiring FHA-Approved Mortgagee—The acquiring FHA-approved  
17 mortgagee must submit a business change [request](#) to FHA in the form  
18 of a letter, signed by a Corporate Officer that:

- 19 • describes the transaction;
- 20 • lists the names of all parties;
- 21 • lists the FHA Lender IDs of all parties;
- 22 • states the date of the acquisition; and
- 23 • stipulates that the acquired mortgagee will continue as a  
24 subsidiary or corporate affiliation of the acquiring FHA-  
25 approved mortgagee.

26 **(ii) Acquisition by a Non-Approved Entity**

27 **ii-1. Standard**

28 If the acquired FHA-approved mortgagee will continue to operate as a  
29 subsidiary or corporate affiliation of the acquiring Entity, it may  
30 continue to operate as an FHA-approved mortgagee under its own  
31 name, whether or not the acquiring Entity becomes FHA-approved.

32 **ii-2. Required Documentation**

33 The mortgagee must submit a business change [request](#) to FHA in the  
34 form of a letter describing the acquisition and its future operating  
35 status.

1                   **(2) An FHA-Approved Mortgagee Acquires a Non-Approved Entity**

2                   If an FHA-approved mortgagee acquires a non-approved Entity, and the Entity is  
3                   dissolved, the mortgagee is required to submit a business change [request](#) to FHA  
4                   describing the acquisition.

5                   If an FHA-approved mortgagee acquires a non-approved Entity and the acquired  
6                   Entity will operate as a subsidiary or corporate affiliation of the mortgagee, the  
7                   non-approved Entity must apply for separate approval to originate, underwrite,  
8                   close, endorse, service, purchase, hold, or sell FHA-insured mortgages.

9                   **(3) An FHA-Approved Mortgagee Becomes Independent**

10                  When an FHA-approved mortgagee that has been a subsidiary or part of a larger  
11                  Entity becomes independent, it must submit a business change [request](#) to FHA  
12                  and provide details of the change. FHA may require the mortgagee to submit  
13                  additional information following the initial notification. For changes in [Corporate](#)  
14                  [Officers](#) or [principal owners](#), the mortgagee must submit the proper business  
15                  change notifications as described in this *SF Handbook*.

16                  **xiii. Conservatorship, Receivership, or Transfer of Control**

17                  A mortgagee must submit a business change [request](#) to FHA if it goes into  
18                  conservatorship, receivership, or is subject to a transfer of control to a federal or state  
19                  supervisory agency.

20                  A mortgagee must submit a business change [request](#) to FHA of a change of status in any  
21                  of these situations and FHA reserves the right to require the mortgagee to submit  
22                  additional information in order to determine whether the mortgagee is eligible to maintain  
23                  its FHA mortgagee approval.

24                  **xiv. Unresolved Findings or Sanctions**

25                  A mortgagee must [notify](#) FHA and provide relevant documentation if it or any officer,  
26                  partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan  
27                  originator employed or retained by the mortgagee is subject to any sanctions or  
28                  unresolved findings contained in a governmental audit, investigation, or review  
29                  (including those conducted by the HUD OIG). A mortgagee must submit a business  
30                  change [request](#) to FHA of a change of status in any unresolved finding or sanction  
31                  previously reported.

1 **8. Annual Recertification**

2 **a. General Requirements**

3 **i. Standard**

4 **(A) Recertification Process**

5 To retain its FHA approval, a mortgagee must, unless otherwise noted, complete  
6 FHA's recertification process on an annual basis. The mortgagee must submit the  
7 following to recertify its FHA approval:

- 8 • online certification
- 9 • recertification fee
- 10 • financial data

11 **(B) Filing Deadline**

12 Each mortgagee must submit its recertification package within 90 Days after the  
13 mortgagee's fiscal year end.

14 **(C) Exception for Recently Approved Mortgagees**

15 Mortgagees approved using financial statements that covered a time period ending  
16 within the six months before approval, are not required to submit a recertification  
17 package after the close of that fiscal year. Instead, at the close of the first, full fiscal  
18 year following receipt of FHA approval, the mortgagee must submit audited financial  
19 statements covering the period from the ending date of the financial statements used  
20 to obtain initial approval, and ending at the close of the mortgagee's most recent  
21 fiscal year. Mortgagees may not submit financial statements that cover a period of  
22 more than 18 months.

23 **ii. Required Documentation**

24 The mortgagee must submit its FHA's recertification package through [LEAP](#).

25 A mortgagee that does not wish to retain its FHA approval must submit a request for  
26 voluntary withdrawal of FHA approval.

27 **b. Online Certification**

28 **i. Standard**

29 The mortgagee, through a Corporate Officer, must make the following certifications at  
30 each annual recertification.

- 1                   **(A) Supervised and Nonsupervised Mortgagees**
- 2                   1. I certify that I am a Corporate Officer of the above-mentioned Mortgagee
- 3                   (hereinafter referred to as “the Mortgagee”); that I am duly authorized to execute
- 4                   this certification on behalf of the Mortgagee; and that throughout the Certification
- 5                   Period I have known, or been in the position to know, whether the operations of
- 6                   the Mortgagee conformed to all applicable HUD-FHA regulations, handbooks,
- 7                   Mortgagee Letters, Title I Letters, and policies.
- 8                   2. I certify that the Mortgagee is fully responsible for all actions of its officers,
- 9                   partners, directors, principals, managers, supervisors, loan processors, loan
- 10                  underwriters, loan originators, and for the actions of its employees and contractors
- 11                  conducting FHA business for the Mortgagee.
- 12                  3. I certify that during the Certification Period, the Mortgagee was not, and did not
- 13                  employ or retain any officer, partner, director, principal, manager, supervisor,
- 14                  loan processor, loan underwriter, or loan originator who was subject to a current
- 15                  suspension, debarment, limited denial of participation or other restriction imposed
- 16                  under Part 24 of Title 24 of the Code of Federal Regulations, Part 180 of Title 2
- 17                  of the Code of Federal Regulations as implemented by Part 2424 of Title 2, or any
- 18                  successor regulations to such parts, or under similar provisions of any other
- 19                  Federal agency.
- 20                  4. I certify that during the Certification Period, the Mortgagee was not, and did not
- 21                  employ or retain any officer, partner, director, principal, manager, supervisor,
- 22                  loan processor, loan underwriter, or loan originator who was under indictment for,
- 23                  or had been convicted of, an offense that reflects adversely upon the Mortgagee’s
- 24                  integrity, competence or fitness to meet the responsibilities of an FHA-approved
- 25                  Mortgagee; who had pled guilty or nolo contendere to a felony related to
- 26                  participation in the real estate or mortgage loan industry during the seven-year
- 27                  period preceding the first day of the Certification Period; and/or who had ever
- 28                  pled guilty or nolo contendere to a felony related to participation in the real estate
- 29                  or mortgage loan industry that involved an act of fraud, dishonesty, a breach of
- 30                  trust, or money laundering.
- 31                  5. I certify that during the Certification Period, the Mortgagee was not sanctioned by
- 32                  any federal, state, or local government agency or by any other regulatory or
- 33                  oversight entity with jurisdiction over the Mortgagee, except for those sanctions,
- 34                  if any, the Mortgagee timely reported to HUD during the Certification Period and
- 35                  for which the Mortgagee received explicit clearance from HUD to continue with
- 36                  the certification process.
- 37                  6. I certify that during the Certification Period, the Mortgagee was not subject to any
- 38                  unresolved findings, except for those unresolved findings, if any, the Mortgagee
- 39                  timely reported to HUD during the Certification Period and for which the
- 40                  Mortgagee received explicit clearance from HUD to continue with the
- 41                  certification process.
- 42                  7. I certify that during the Certification Period, no officer, partner, director,
- 43                  principal, manager, supervisor, loan processor, loan underwriter, or loan
- 44                  originator employed or retained by the Mortgagee was subject to any sanctions or
- 45                  unresolved findings, except for those sanctions or unresolved findings, if any, that

1 the Mortgagee timely reported to HUD during the Certification Period and for  
2 which the Mortgagee received explicit clearance from HUD to continue with the  
3 certification process.

- 4 8. I certify that during the Certification Period, the Mortgagee was not refused any  
5 license necessary to conduct its normal operations in the real estate or mortgage  
6 loan industry. I further certify that throughout the Certification Period, the  
7 Mortgagee maintained compliance with all applicable provisions of the Secure  
8 and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) (12  
9 U.S.C. § 5101 et seq.) or its equivalent under state law, including all Nationwide  
10 Mortgage Licensing System and Registry requirements.
- 11 9. I certify that to the best of my knowledge, and after having conducted a  
12 reasonable investigation, that the Mortgagee does now, and did at all times  
13 throughout the Certification Period, comply with all HUD-FHA regulations and  
14 requirements applicable to the Mortgagee's continued approval and operations,  
15 including those contained in HUD handbooks, Mortgagee Letters, Title I Letters,  
16 policies, and any agreements entered into between the Mortgagee and HUD.
- 17 10. Each of my certifications is true and accurate to the best of my knowledge and  
18 belief. I understand that if I knowingly have made any false, fictitious, or  
19 fraudulent statement(s), representation(s), or certification(s) on this form, I may  
20 be subject to administrative, civil and/or criminal penalties, including debarment,  
21 fines, and imprisonment under applicable federal law.

22 **(B) Investing and Government Mortgagees**

- 23 1. I certify that I am a Corporate Officer of the above-mentioned Mortgagee  
24 (hereinafter referred to as "the Mortgagee"); that I am duly authorized to execute  
25 this certification on behalf of the Mortgagee; and that throughout the Certification  
26 Period I have known, or been in the position to know, whether the operations of  
27 the Mortgagee conformed to all applicable HUD-FHA regulations, handbooks,  
28 Mortgagee Letters, Title I Letters, and policies.
- 29 2. I certify that to the best of my knowledge, and after having conducted a  
30 reasonable investigation, that the Mortgagee does now, and did at all times  
31 throughout the Certification Period, comply with all HUD-FHA regulations and  
32 requirements applicable to the Mortgagee's continued approval and operations,  
33 including those contained in HUD handbooks, Mortgagee Letters, Title I Letters,  
34 policies, and any agreements entered into between the Mortgagee and HUD.
- 35 3. Each of my certifications is true and accurate to the best of my knowledge and  
36 belief. I understand that if I knowingly have made any false, fictitious, or  
37 fraudulent statement(s), representation(s), or certification(s) on this form, I may  
38 be subject to administrative, civil and/or criminal penalties, including debarment,  
39 fines, and imprisonment under applicable federal law.

40 **ii. Required Documentation**

41 The certification must be completed through [LEAP](#) by a Corporate Officer of the  
42 mortgagee who has been granted the Certifying Official authorization in [FHAC](#).

1           **iii. Unable to Certify**

2                   **(A) Standard**

3           If a mortgagee is unable to truthfully certify to all of the statements set forth in the  
4           online certification, the mortgagee must not make the certification. Instead, the  
5           mortgagee must submit an explanation for each certification that it is unable to  
6           complete.

7           If additional information is required as a result of the mortgagee's explanation, FHA  
8           will advise what additional information or documentation is required and provide a  
9           due date for the submission of the requested information or documentation.

10                   **(B) FHA Review**

11           FHA will review the mortgagee's explanation and any additional information or  
12           documentation requested by FHA within 15 Days and will render a final decision  
13           regarding the mortgagee's ability to complete the annual recertification process.

14           **iv. Repercussion of False Certification**

15           A mortgagee that submits a false certification to FHA and its certifying Corporate Officer  
16           will be referred for criminal, civil, or administrative actions, as appropriate.

17           **c. Annual Recertification Fee**

18                   **i. Standard**

19           The mortgagee must pay an [annual recertification fee](#) after its online certification has  
20           been submitted and accepted. All fee payments must be made electronically. This  
21           recertification fee is non-refundable and will not be prorated.

22                   **ii. Calculation of Fee Amount**

23           The mortgagee will be assessed a fee for the mortgagee's home office and for each  
24           branch office registered with FHA. Fees are calculated based on the mortgagee's [program](#)  
25           [approval\(s\)](#), mortgagee type, and the number of FHA-approved branch offices as of the  
26           last business day of the mortgagee's annual reporting period.

27           A mortgagee that is terminating a branch office must do so on or before the last business  
28           day of the annual reporting period in order to avoid paying the recertification fee for that  
29           branch office for the next annual period. Mortgagees attempting to terminate a branch  
30           office after the last day of their annual reporting period will not be permitted to do so  
31           until the [annual recertification fees](#) have been paid in full.



1           **iii. Exception for Government Mortgagees**

2           Government mortgagees are not required to pay a recertification fee.

3           **d. Financial Data Submission**

4           Supervised, nonsupervised, and investing mortgagees must submit the financial data  
5           described below. Government mortgagees are not required to submit financial information.

6           **i. Small Supervised Mortgagees**

7           A Small Supervised Mortgagee must submit a copy of its Unaudited Regulatory Report,  
8           signed by a Corporate Officer, that aligns with its fiscal year end.

9           **ii. Supervised, Nonsupervised, and Investing Mortgagees**

10           **(A) Audit of Financial Statements**

11           The mortgagee must comply with the appropriate financial reporting procedures and  
12           requirements set forth in the [HUD OIG Handbook 2000.04, Consolidated Audit](#)  
13           [Guide for Audits of HUD Programs](#).

14           **(B) Accounting and Auditing Standards**

15           The mortgagee must have prepared its financial statements in accordance with GAAP  
16           and had its audit performed in accordance with the most currently effective  
17           Government Accountability Office Generally Accepted Government Auditing  
18           Standards (GAGAS), also referred to as the “Yellow Book,” and GAAS.

19           **e. Failure to Recertify**

20           A mortgagee may be referred to the MRB for failing to timely and satisfactorily complete the  
21           annual recertification process.

22           **9. Voluntary Withdrawal of FHA Mortgage Approval**

23           A mortgagee that does not wish to retain, or that is ineligible to retain, its FHA approval must  
24           submit a [request](#) for voluntary withdrawal of FHA approval.

25           **a. Standard**

26           The mortgagee must satisfy all outstanding payable indemnification debts and mortgage  
27           insurance premiums, and transfer the servicing and ownership of any FHA-insured  
28           mortgages in its portfolio to an FHA-approved mortgagee prior to its request being approved,  
29           and the mortgagee will remain obligated on any outstanding indemnification agreements.



1 FHA will not honor a mortgagee's request to withdraw while there is a pending  
2 administrative action or MRB action, or while the mortgagee has unpaid indemnification  
3 claims or unsatisfied settlement agreement obligations owed to the Department.

4 **b. Required Documentation**

5 The mortgagee must submit a [request](#) for voluntary withdrawal in the form of a letter, signed  
6 by a Corporate Officer, and submitted through [LEAP](#). If applicable, the request must be  
7 submitted within 10 business days of the change in the mortgagee's eligibility status.

8 **c. Reapproval**

9 A mortgagee whose approval is voluntarily withdrawn may reapply for FHA approval any  
10 time after its withdrawal.

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1 **B. OTHER PARTICIPANTS**

2 **1. Appraisers**

3 **THIS SECTION PENDING – UNDER CONSTRUCTION**

4 **2. Brokers**

5 **THIS SECTION PENDING – UNDER CONSTRUCTION**

6 **3. Consultants 203(k)**

7 **THIS SECTION PENDING – UNDER CONSTRUCTION**

8 **4. Direct Endorsement Underwriters**

9 **THIS SECTION PENDING – UNDER CONSTRUCTION**

10 **5. Housing Finance Agencies**

11 **THIS SECTION PENDING – UNDER CONSTRUCTION**

12 **6. Instrumentalities of Government**

13 **THIS SECTION PENDING – UNDER CONSTRUCTION**

14 **7. Title I Manufactured Housing Dealers**

15 **THIS SECTION PENDING – UNDER CONSTRUCTION**

16 **8. Nonprofits**

17 **THIS SECTION PENDING – UNDER CONSTRUCTION**

18 **9. Third-Party Originators**

19 **THIS SECTION PENDING – UNDER CONSTRUCTION**

20

# FHA Single Family Housing Policy Handbook

## GLOSSARY

### Advertising Device

An Advertising Device is a channel or instrument used to solicit, promote or advertise FHA products or programs. Advertising Devices are present in the entire range of electronic and print media utilized by FHA-approved mortgagees, including, but not limited to, websites, website addresses, business names, aliases, DBA names, domain names, email addresses, direct mail advertisements, solicitations, promotional materials and correspondence.

### Affiliate

An Affiliate is a contractor, agent, vendor, subservicer, or sponsored Third-Party Originator that participates in FHA programs on behalf of an FHA-approved mortgagee.

### Articles of Organization

Articles of Organization refers to articles of incorporation, charter, articles of association, constitution, trust instrument, or any other written instrument by which an organization is created.

### Business Formation Documents

Business Formation Documents are an Entity's articles of incorporation, bylaws, organization charter, operating agreement, partnership agreement, and similar documentation.

### Corporate Officer

Corporate Officer refers to a natural person who is an Owner, President, Vice President, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, Chairman of the Board, or Member or Manager of a limited liability company.

### Days

Days refers to calendar days.

### Entity

Entity refers to a business Entity such as a corporation, trust, partnership, or sole proprietorship.

### Federal Banking Agencies

The Federal Banking Agencies are the Federal Reserve System (FRS), Federal Deposit Insurance Corporation (FDIC), and the Credit Union Administration (NCUA).

### Federal Debt

Federal Debt refers to tax debt owed to the federal government for which regular payments are required.

### Finding

Finding refers to a final determination of defect by the mortgagee.

1 **Governmental Entity**

2 Governmental Entity refers to any federal, state, or local government agency or instrumentality.

3  
4 **Investor**

5 Investor refers to a Borrower(s) that will not occupy the home as a Principal or Secondary  
6 Residence (non-owner occupant).

7  
8 **Jurisdictional HOC**

9 Jurisdictional HOC refers to the homeownership center (HOC) whose jurisdiction includes the  
10 state in which the property is located.

11  
12 **Lender Electronic Assessment Portal (LEAP)**

13 The Lender Electronic Assessment Portal (LEAP) is an FHA system created to facilitate  
14 automated lender approval application.

15  
16 **Manufactured Housing**

17 Manufactured Housing refers to Structures that are transportable in one or more sections. They  
18 are designed to be used as a dwelling when connected to the required utilities, which includes the  
19 plumbing, heating, air-conditioning and electrical systems contained therein.

20  
21 **Residential Mortgage Credit Report (RMCR)**

22 RMCR refers to a credit report that provides details on items that have been flagged in a merged  
23 report as a result of combining reports from the three credit repositories (Equifax, Trans Union,  
24 and Experian).

25  
26 **Residential Real Estate-Related Transactions**

27 Residential Real Estate-Related Transactions are transactions related to the making or purchasing  
28 of mortgages or providing other financial assistance to a mortgagor for purchasing, constructing,  
29 improving, repairing, or maintaining a dwelling or securing residential real estate, and similar  
30 transactions.

31  
32 **Small Supervised Mortgagee**

33 A Supervised Mortgagee has consolidated assets below the threshold for audited financial  
34 reporting established by the federal banking agency with oversight of the mortgagee. Thresholds  
35 are codified at [12 CFR §§ 363.1\(a\), 562.4\(b\)\(2\), and 715.4\(c\)](#) and are subject to change.

36  
37 **Test Case**

38 Test Case refers to a mortgage loan used by a mortgagee when requesting an unconditional  
39 Direct Endorsement (DE) approval. These loans must be processed per the Direct Endorsement  
40 eligibility requirements and approved by HUD for endorsement.

41  
42 **Third-Party Originator (TPO)**

43 A Third-Party Originator (TPO) is an Entity that originates FHA mortgages for an FHA-  
44 approved mortgagee. A TPO may be an FHA-approved Entity or a non-FHA-approved Entity.

1 **Tri-Merged Credit Report (TRMCR)**

2 TRMCR refers to a credit report that contains the data from all three credit repositories into one  
3 report.

4

5 **Unaudited Regulatory Report**

6 An Unaudited Regulatory Report refers to a report of condition and income, also known as the  
7 “call report,” which is submitted on the Federal Financial Institutions Examination Council  
8 forms 031 and 041, or a consolidated or fourth quarter NCUA call report, submitted on NCUA  
9 Form 5300 or 5310.

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## ACRONYMS

- 1
- 2 **AAFB** - Area Approved for Business
- 3 **CAIVRS** - Credit Alert Verification Reporting System
- 4 **CEO** - Chief Executive Officer
- 5 **CFO** - Chief Financial Officer
- 6 **CHUMS** - Computerized Homes Underwriting Management System
- 7 **COO** - Chief Operating Officer
- 8 **DAS** - Deputy Assistant Secretary
- 9 **DBA** - Doing Business As
- 10 **DE** - Direct Endorsement
- 11 **FDIC** - Federal Deposit Insurance Corporation
- 12 **FHA** - Federal Housing Administration
- 13 **FHA Lender ID** - FHA Lender Identification Number
- 14 **FHAC** - FHA Connection
- 15 **FRS** - Federal Reserve System
- 16 **GAAP** - Generally Accepted Accounting Principles
- 17 **GAAS** - Generally Accepted Auditing Standards
- 18 **GAGAS** - Generally Accepted Government Auditing Standards
- 19 **HECM** - Home Equity Conversion Mortgages
- 20 **HOC** - Homeownership Center
- 21 **HUD** - U.S. Department of Housing and Urban Development
- 22 **HUDCLIPS** - HUD's Client Information and Policy System
- 23 **IRC** - Internal Revenue Code
- 24 **IRS** - Internal Revenue Service
- 25 **LDP** - Limited Denial of Participation
- 26 **LEAP** - Lender Electronic Assessment Portal
- 27 **LI** - Lender Insurance
- 28 **LLC** - Limited Liability Company
- 29 **MAP** - Multifamily Accelerated Processing
- 30 **MIC** - Mortgage Insurance Certificate
- 31 **MRB** - Mortgagee Review Board
- 32 **NCUA** - National Credit Union Administration
- 33 **NMLS** - Nationwide Mortgage Licensing System and Registry
- 34 **OIG** - Office of Inspector General
- 35 **QC** - Quality Control
- 36 **RMCR** - Residential Mortgage Credit Report
- 37 **SAFE Act** - Secure and Fair Enforcement for Mortgage Licensing Act of 2008
- 38 **Series LLC** - Series Limited Liability Company
- 39 **SSN** - Social Security Number
- 40 **TIN** - Taxpayer Identification Number
- 41 **TPO** - Third-Party Originators
- 42 **TRMCR** - Tri-Merged Credit Report