Frequently Asked Questions – FHA Approval Recertification LASS Policy

Who is required to submit financial statements using the Lender Assessment Subsystem (LASS)?	HUD-approved Title I and Title II nonsupervisd and supervised lenders and mortgagees (collectively referred to as "lenders"). Small supervised lenders, investing mortgagees that do not hold servicing authority, government lenders, are not required to submit Internal Control and Compliance reports.
When is the submission due?	The electronic submission of the financial statements must be submitted to HUD annually no later than 90 days after the end of the lender's fiscal year.
How are extension requests submitted?	For each reporting period (i.e., annually), lenders are permitted to request one 30-day extension. The request must be received no earlier than 45 days prior to the submission due date and no later than 15 days prior to the submission due date. All extension requests are submitted through LASS. The "Request Extension" link is accessible by logging into LASS via the FHA Connection. (**https://entp.hud.gov/clas/index.cfm**) Per Mortgagee Letter 95-6, a lender's extension request will be granted only for catastrophic events. Lenders are notified through the LASS system whether the extension request was granted or denied.
What happens if the submission is not filed on time?	The lender will receive a Notice of Violation (NOV) via certified mail that they are subject to administrative action. If an acceptable submission and response to the NOV is not received within 30 days of receipt of the letter and/or the submission is deemed deficient by HUD and cannot be cured within the 30 day time period, the lender is subject to withdrawal by the Mortgagee Review Board. Please note that lenders who received a NOV due to late filing of their submission will NOT receive an additional NOV if their submission is deemed deficient or rejected. Lenders should monitor their status by checking their LASS inbox periodically. If the status is "Rejected", "Deficient" or "Insufficient Cure", the lender needs to address the deficiencies identified by HUD. Lenders can review their deficiencies by accessing "Reports" and clicking on "Lender Deficiency Report". If the status is "Audit Accepted", HUD has accepted the reporting package and no further action is required for the financial statement portion of the recertification process. See Question 9 in the FAQs LASS System for a definition of each possible status.
How do I change my fiscal year end (FYE)?	All requests by lenders to change their fiscal year end must be submitted in writing on company letterhead and signed by a corporate officer or principal owner. Change requests must be submitted 90 days prior to the end of a lender's current fiscal year as shown in FHA records in order to be considered. The subsequent audited financial statements that must be submitted as part of the annual renewal of FHA lender approval cannot have an ending date greater than 18 months after the submission to FHA of the preceding fiscal year's

	audited financial statements. FHA reserves the right to deny such requests and will notify the lenders accordingly when such denials occur. All requests should be mailed to the following address: U.S. Department of Housing and Urban Development Attn: Director, Lender Approval and Recertification Division 490 L'Enfant Plaza East, Suite 3214 Washington, DC 20024
Are hardcopy financial statements required to be mailed to HUD in addition to the electronic submission?	No, hardcopy financial statements are NOT required to be mailed and will not be accepted by HUD. All audited financial statements must be submitted electronically through LASS. If a small supervised lender such as a bank or credit union has assets that total $500 million or less, then the financial reporting requirement is met by emailing a hand-signed copy of the year-end call report or regulatory equivalent report to: Small.Supervised.Lenders@HUD.Gov. If a Title II mortgagee is also a Ginnie Mae Issuer, a separate paper copy of the audited financial statements must also be submitted to Ginnie Mae for review. Please contact Ginnie Mae for guidance.
Does LASS require a special format for reporting the electronic submission of the audited financial statements?	Financial data is reported on the Financial Data Template (FDT). The FDT follows the traditional format of basic financial statements. The FDT consists of the Balance Sheet, Statement of Operations and Equity, and the Statement of Cash Flow. In addition to the basic financial statements, LASS also contains a Computation of Adjusted Net Worth and Computation of Liquidity (if applicable). An updated Line Item Definition Guide, which defines each line in LASS, is available at: **http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_12651.pdf**.
How is the financial and compliance data submitted via LASS evaluated?	HUD personnel review the data for compliance in accordance with Title 24 Code of Federal Regulations (CFR) Part 202, the Consolidated Audit Guide 2000.04, Mortgagee Handbooks 4700.1 & 4060.1, Mortgagee Letters and other guidance as established and disseminated by HUD.
What basis of accounting is acceptable for the preparation of the financial statements?	The financial statements must be prepared in accordance with generally accepted accounting principles (GAAP).
What auditing standards are used to conduct the audit?	The audits of all FHA approved lenders must be conducted in accordance with the generally accepted government auditing standards (GAGAS).
How are the financial data and the compliance information etc., reported via LASS?	The submission consists of the Financial Data Template (FDT) and the Data Collection Form (DCF). The FDT collects financial data and consists of the Balance Sheet, Statement of Operations and Equity, and the Statement of Cash Flow. The DCF collects information on the lender, auditor and the audited financial

	statements. The General Information tab of the DCF collects the contact information for both the lender and auditor. The Financial Statement tab of the DCF collects information about the audited financial statements. An updated Line Item Definition Guide, which defines each line in LASS, is available at: **http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_12651.pdf** .
Are any of the auditor's reports required to be electronically submitted via LASS?	Yes. Questions G3000-090, G30000-100, and G3000-110 on the Data Collection Form (DCF) provide detail links where hand signed copies of the Independent Auditor's Report on Financial Statements and Supplemental Information, Independent Auditor's Report on Internal Controls and Independent Auditor's Report on Compliance with Specific Requirements Applicable to Non-Major/Major HUD Programs are to be attached, respectively. The reports must be hand signed, on the auditor's letterhead and saved as PDF files. Acceptable formats of a hand signature: a) scanned copy of original document with hand signature; or, b) image file containing legal hand signature inserted onto document.
Are all lenders required to submit an Independent Auditor's Report on Internal Controls and an Independent Auditor's Report on Compliance with Specific Requirements Applicable to Non-Major/Major HUD Programs?	Yes, all FHA approved lenders are required to submit both the Independent Auditor's Report on Internal Controls and the Independent Auditor's Report on Compliance with Specific Requirements Applicable to Non-Major/Major HUD Programs. Please note, per Mortgagee Approval Handbook 4060.1 **http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/mtgeekit** , major program mortgagees are subject to an audit of their compliance with HUD major programs. Non-major program mortgagees are subject to a review of their compliance with HUD non-major programs. Major program means an individual assistance program or a group of programs in a category of Federal financial assistance, which exceeds $2,000,000 during the applicable year. A project, which has an outstanding HUD-insured or guaranteed loan balance exceeding $300,000 as of the reporting date, shall be considered a major program. A mortgagee, which originates and/or services an aggregate of FHA-insured loans exceeding $2,000,000 during the period under audit, is considered a major program.
Are the footnotes required to be submitted via LASS?	Yes, the footnotes are required to be submitted via LASS. They are attached to the "Footnotes" tab under the "Notes & Findings" header. The footnotes must be saved as a PDF file in order to be uploaded.
Are audit finding(s) and corrective action plan(s) required to be submitted via LASS?	Yes, if applicable, audit findings and corrective action plans are required to be uploaded and submitted via LASS. They are attached, respectively, to the "Audit Finding" and "Action Plan" tabs under the "Notes & Findings" header. The audit findings and corrective action plans must be saved as PDF files in order to be uploaded. If either question G3000-040 or G3000-090 on the Data Collection form was answered "Yes", it is required to upload an attachment to both the audit finding and action plan tabs. And/or: If an attachment is uploaded to the "Audit Finding" tab, an attachment must be uploaded to the "Action Plan"

	tab. The inverse is also true, if an attachment is uploaded to the "Action Plan" tab, an attachment must be uploaded to the "Audit Finding" tab.
What does the SAS 29 Opinion refer to on the Data Collection Form, Financial Statement tab, Question G3000-012?	The SAS 29 Opinion refers to the American Institute of Certified Public Accountants Statement on Auditing Standards Number 29. This SAS addresses the auditor's opinion on required supplementary information (RSI) that is not part of the basic financial statements. Currently, the RSI for both the Title I and Title II programs is the Net Worth Calculation, as stipulated in the Consolidated Audit Guide. Auditors should include the computation of adjusted net worth and the SAS 29 opinion on it in the hardcopy financial statements.
Is the SAS 29 Opinion on the Net Worth Calculation required for non-profit FHA approved lenders subject to an A-133 audit?	No, it is not required at this time under an A-133 audit.
What is the liquidity requirement?	Title 24 Code of Federal Regulations (CFR) Part 202 requires all FHA approved lenders to maintain 20% of their adjusted net worth, calculated for HUD purposes, in liquidity, up to $200,000 until 2013, then up to $500,000 beginning in 2014.
If there is a reportable condition, material weakness or non-compliance issue noted during the audit, does it need to be corrected prior to submitting via LASS?	No, although it may need corrected prior to being recertified. If a reportable condition, material weakness or compliance issue has not been corrected prior to the due date, the lender should still submit. If the LASS team concludes more information on the reportable condition, material weakness or compliance issue is required in order to make a recommendation for recertification, the lender will be required to submit additional information prior to being recertified. If the reportable condition, material weakness or compliance issue has been corrected and guidance is required on what should be submitted, please call the accounting/auditing helpline at (202) 755-7400 ext. 100 or email **LASS@hud.gov**
Is the latest version of the HUD Consolidated Audit Guide available?	The latest version of the Consolidated Audit Guide for Audits of HUD Programs is available at the HUD Office of Inspector General Website. The HUD Consolidated Audit Guide is in the process of being updated to reflect this change.
Where can I find the definitions for each line in the Financial Data Template (FDT) and Data Collection Form (DCF)?	The Line Item Definition Guide defines each line of the Financial Data Template (FDT) and Data Collection Form (DCF). There is also an icon on each LASS page of the FDT and DCF titled "Line Item Definitions" that allows the user to search for line item definitions by line number.
What guidance is available to users of LASS?	For technical guidance, the LASS User Manual provides detailed step-by-step instruction on how to obtain a user ID, how to access the system, how to create a submission, the auditor procedures and how to respond to rejected/deficient submission.

	For accounting guidance, the **Line Item Definition Guide** is available. This guide provides a definition of the type of information that should be entered on each line of the Financial Data Template (FDT) and Data Collection Form (DCF). In addition, the users should understand the accounting principles and transactions applicable to their business case. For accounting principles and information on the proper accounting for certain transactions, users should reference generally accepted accounting principles (GAAP) and/or Financial Accounting Standards Board (FASB) publications. The user should first contact the auditor who performed the audit if they have difficulties in determining the proper data input into LASS. If additional assistance is needed, please call the LASS accounting/auditing helpdesk at (202) 755-7400. Users can also refer to the generally accepted auditing standards (GAAS) or Government Auditing Standards (GAGAS) to aid in the completion or understanding the DCF.
Who do I contact with questions that are not answered by the user guide, FDT Line Item Definition Guide, or my auditor?	Contact the Lender Approval and Recertification Division at (202) 708-3976, for LASS technical assistance; accounting/auditing questions, call (202) 755-7400. You can also email any technical or accounting questions to **LASS@hud.gov**.