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Information from FHA's Office of Lender Activities and Program Compliance

LENDER INSIGHT

Issue No. 13* September 2016

The Office of Lender Activities and Program Compliance has demonstrated its commitment to reducing the initial unacceptable rate through stakeholder collaboration, webinars and data sharing.

Fiscal Year 2016

In Fiscal Year 2016 (FY), the Quality Assurance Division hosted a series of meetings with FHA-Approved lenders and prepared performance reports for the Top 75 Lenders by volume. In addition to sending the reports, Lender Insight featured quarterly loan level finding data. **Lender Insight Volume 12** highlighted a **flat initial material defect rate** and provided a graphical aid; demonstrating initial and final unacceptable rates for the top 5 mitigated findings.

Fiscal Year 2017

In Fiscal Year 2017, FHA will evaluate how lenders address high initial unacceptable ratings, as well as the progress towards implementing solutions.

New Certification Requirements

On March 15, 2016, FHA announced revisions to HUD/VA Addendum to the Uniform Residential Loan Application (Form 92900-A), the form lenders must file when submitting a mortgage loan for FHA-insurance.

The certifications now make lenders aware that they will be held accountable for those mistakes that would have altered the decision to approve the loan and assure them that minor mistakes will not cause them to lose their FHA insurance. Effective August 1, 2016, lenders are required to use the revised form located at [Required HUD Forms](#).

On August 1, 2016, FHA implemented revised annual certification statements. The changes applied to lenders with a July 2016 fiscal year end. The revised certification statements are located in the Annual Recertification Section of the Single Family Housing website at www.hud.gov/lenders.

RECERTIFICATION QUESTIONS & ANSWERS

Lender Question	FHA Answers
If our fiscal year end (FYE) is December 31, what is our deadline to file?	If your FYE is December, your audit is due March 31.
I am a newly approved lender and received a recertification notice? Do I have to recertify?	Yes, however audited financial statements are not required. If additional information is required you will receive notification from LEAP.
Will FHA grant recertification extensions?	Extensions are only granted in the case of a catastrophic event (hurricane, tornado, earthquake flood, etc.)

QUARTERLY LOAN REVIEW UPDATE

Post Endorsement Technical Reviews

The Quarter 3 Sample Characteristics chart provides information on Single Family Post Endorsement Technical Reviews conducted between April and June, 2016.

The **Top 5 Mitigated Findings** chart below reflects the number of initial unacceptable findings and the number of findings mitigated for loans reviewed between April 1, 2016 and June 30, 2016.

FHA has conducted 47,213 post-endorsement technical reviews between July 2014 and June 2016 covering 1,308 lenders.

The initial material defect rate increased from 47% in Quarter 2 to 50% for Quarter 3.

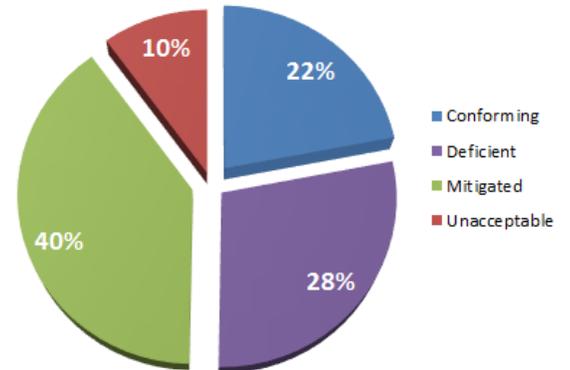
Quarter 3 Sample Characteristics Total Loans Reviewed= 6,312

Type	#	% of Total
Purchase	4,487	71.09%
Streamline	850	13.47%
Rate & Term	543	8.60%
HECM	432	6.84%
Total	6,312	100%

Performing	1338	21%
EPDs	3597	57%
Random	1377	22%
Total	6,312	100%

LOAN REVIEW RATINGS AS OF SEPTEMBER 2016

Performance Type	Outcome
Conforming	1,389
Deficient	1,784
Mitigated	2,502
Unacceptable	637
Total	6,312



TOP 5 MITIGATED FINDINGS

Description	Category	Code	# Initial	# Mitigated after	Mitigation rate
Unacceptable, unsupported or insufficient source of funds	Borrower Assets	FD10	681	514	75%
Form HUD-92900A not properly completed or missing	Documentation	DC11	557	456	82%
Concerns related to assets derived from gift(s)	Borrower Assets	FD20	457	349	76%
Obligations of borrower(s) omitted, inaccurate, not supported, not disclosed and/or illegible	Borrower Credit	LA04	436	312	72%
Uniform Residential Loan Application not properly completed or missing	Documentation	DC10	435	350	80%

QUESTIONS?

Visit our FHA Lender page at:
www.hud.gov/lenders
and our online FAQ site at:
www.hud.gov/answers

Email:
answers@hud.gov

Phone:
1-800-CALL-FHA (225-5342) or TTY:
1-800-877-8339