



# FHA's Office of Single Family Housing

A Live Webinar:  
***The FHA Single Family Housing Policy  
Handbook In-Depth***

August 20, 2015, 9 AM – 12 PM, Eastern  
August 25, 2015, 2 PM – 5 PM, Eastern





# Materials

You should have access to the following materials during this presentation:

- Session agenda
- FHA SF Handbook Excerpts document

These documents, and a copy of this presentation, are available on the Single Family Handbook Information page on HUD.gov:

1. Go to [www.HUD.gov](http://www.HUD.gov).
2. In the Search box, type "SF Handbook Webinar".
3. Click on the first results link "SFH Handbook Webinars".
4. A link to the materials is on the right side of this page.



# Today's Presentation

- The *Single Family Housing Policy Handbook* (SF Handbook) Overview and Development Process
- SF Handbook Structure and Format
- Doing Business with FHA Section Overview
- Origination through Endorsement Section
- Using Model Documents
- Appraiser and Property Requirements Section
- Quality Control, Oversight, and Compliance-Lenders and Mortgagees
- Answering Your Questions with the FHA Resource Center
- Closing



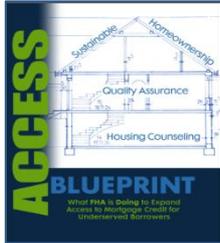
# Overview and Development Process



## SF Handbook Overview

FHA's *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) is a consolidated, consistent, and comprehensive single source for FHA Single Family Housing Policy:

- **Consolidated:** Eventually, all SF Mortgagee Letters, Housing Notices, Handbooks, and other policy documents will be consolidated into a single source.
- **Consistent:** Consistent format and terms throughout the SF Handbook support easier use – a key to FHA's Access to Credit strategy.
- **Comprehensive:** The SF Handbook will cover all Single Family Housing policy.



## Supports Access to Credit

- One piece of *Blueprint for Access* Quality Assurance Framework.
- Mitigates defects and increases origination quality.
- Supports increased originations of FHA mortgages.



# Comprehensive Content

- Offers a single, comprehensive source.
- Eliminates a labor-intensive process to find precise policy information in multiple documents.
- Delivers easier access:
  - Online SF Handbook provides advanced search, compare, and other features.



# Single Family Housing Policy Handbook Development Progress

Key

Published

Posted

Being Developed

As of 8/5/2015

Doing Business with FHA	<b>Title I Lenders and Title II Mortgagees</b> Types of Programs and Mortgagees Supplemental Authorities Annual Recertification		Application and Eligibility Post Approval Operations/Changes Voluntary Withdrawal		<b>Other Participants</b> Appraisers <sup>1</sup> Inspectors	203(k) Consultants DE Underwriters Nonprofits		RE Brokers Closing Agents			
	Origination through Post-Closing/Endorsement	<b>Title II Forward Mortgages</b> Origination/Processing Appraiser Underwriting Closing Post-Closing Endorsement Product Sheets			203(k) 203(k) Consultant		<b>HECM</b> Origination/Processing Underwriting Closing Post-Closing Endorsement		<b>Title I Manufactured Housing</b> Origination/ Processing Underwriting Closing Post-Closing Endorsement Chattel Appraisal Land Appraisal Product Sheets		<b>Title I Property Improvement</b> Origination/ Processing Underwriting Closing Post-Closing Endorsement Product Sheets Performing Loan Servicing Loss Mitigation
Condo Project Approval			Appraiser and Property Requirements for Title II Forward and Reverse Mortgages								
<b>Title II Forward Mortgages</b> Servicing of FHA-Insured Mortgages Default Servicing Loss Mitigation Performance Programs & Products			Performing Loan Servicing Loss Mitigation		Title I Manufactured Housing Servicing Loss Mitigation		Title I Property Improvement Servicing Loss Mitigation				
Claims & Disposition	<b>Claims – Title II Forward Mortgages</b> Submission Claims Supplemental Claims Reconveyance Post-Claims Review				<b>Claims – HECM, Title I</b> Submission Claims Supplemental Claims Reconveyance Post-Claims Review						
	<b>Disposition – Title II Forward Mortgages</b> Management and Marketing Program REO Property Sales				<b>Disposition – HECM, Title I</b> Management and Marketing Program REO Property Sales						
Quality Control, Oversight & Compliance	Quality Control – Institution and Loan level Program Office Sanctions Sanctions Against Individuals			Mortgagee Monitoring Mortgagee Review Board Referrals for Non-Compliance		<b>Other Participants</b> Quality Control Monitoring Actions and Sanctions		203(k) Consultants DE Underwriters Nonprofits		Appraisers RE Brokers Closing Agents Inspectors	





Single Family Housing Policy Handbook (HUD Handbook 4000.1)

- I. Doing Business with FHA**
  - A: Lenders and Mortgagees
  - B: Other Participants in FHA Transactions
- II. Origination through Post-Closing/Endorsement**
  - A: Title II Insured Housing Programs Forward Mortgages
  - B: Appraiser and Property Requirements for Title II Forward and Reverse Mortgages
  - C: Condominium Project Approvals
  - D: Title II Insured Housing Programs Reverse Mortgages
  - E: Title I Insured Housing Programs
- III. Servicing and Loss Mitigation**
  - A: Title II Insured Housing Programs Forward Mortgages
- IV. Claims and Disposition – Title II Forward Mortgages**
  - A: Claims
  - B: Disposition

Continued from previous column

- V. Quality Control, Oversight and Compliance**
  - A: Quality Control of Lenders and Mortgagees
  - B: Quality Control of Other Participants
  - C: Mortgagee Monitoring
  - D: Monitoring of Other Participants
  - E: Enforcement
- Appendix 1.0: Mortgage Insurance Premiums**
- Appendix 2.0: Analyzing IRS Forms**
- Appendix 3.0: Post-Endorsement Fees and Charges by HOC (Servicing Only)**
- Appendix 4.0: HUD Schedule of Standard Attorney Fees (Servicing Only)**
- Appendix 5.0: First Legal Actions to Initiate Foreclosure and Reasonable Diligence Timeframes (Servicing Only)**
- Appendix 6.0: Maximum Property Preservation Allowances (Servicing Only)**
- Glossary**
- Acronyms**

Continued next column

Published as of 8/5/15
  Partially Published as of 8/5/15
  In Progress





## Consolidated Source

- As of June 24, 2015, consolidated **almost 450** existing Handbooks, Mortgagee Letters and other policy documents into one source.
- March 18, and June 24 Transmittals list all of the policy documents to be superseded in whole or in part.



## Extended Effective Date

- Effective dates for sections originally planned for June 15, 2015 were extended to September 14, 2015\*.
- 90-day extension enables mortgagees and others to better manage to competing industry priorities.
- Expectation is that with this additional time, mortgagees and others will be fully compliant on the new effective date.

\* Mortgagees and other stakeholders must not use these policies before they become effective.



# SF Housing Policy Handbook: Sections Still to Come

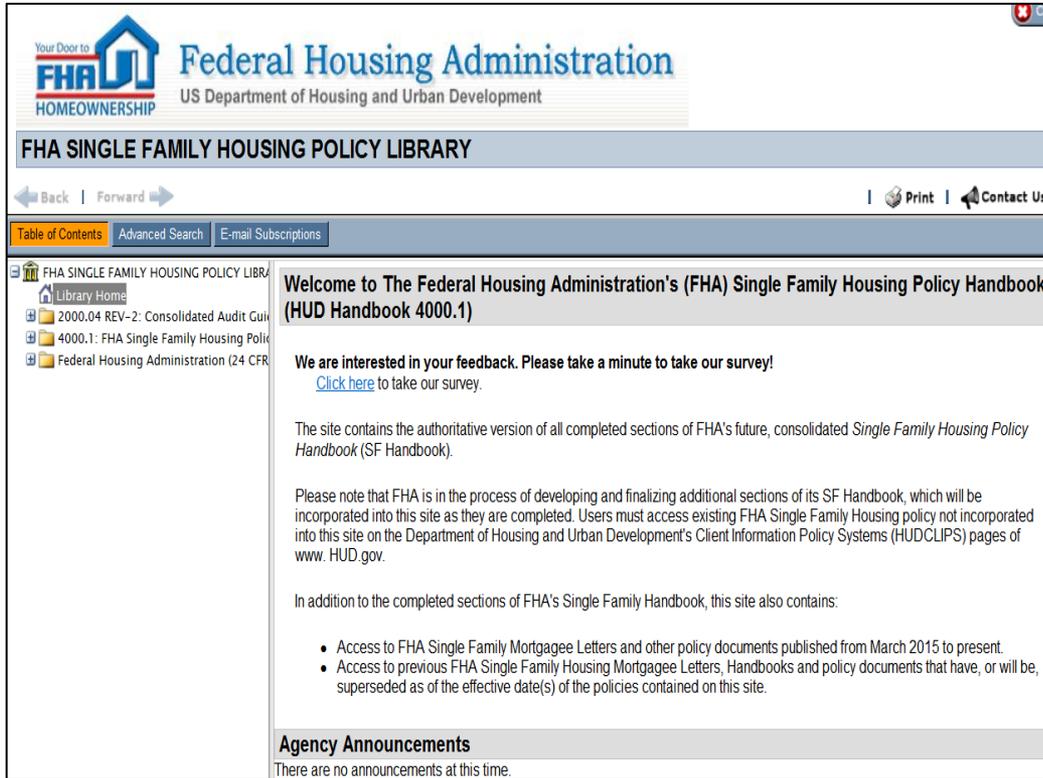
- Doing Business – Other Participants (certain subsections);
- Claims and Disposition;
- Title I;
- Home Equity Conversion Mortgages; and
- Quality Control, Oversight, and Compliance – Other Participants (certain subsections).



# SF Housing Policy Handbook: Subsections Still to Come

- Doing Business – Other Participants:
  - 203(k) Consultants;
  - Nonprofits;
  - DE Underwriters;
  - Inspectors; and
  - Real Estate Brokers.
- Origination through Endorsement:
  - Condominium Project Approvals; and
  - REO Purchasing.
- Quality Control, Oversight. and Compliance – Other Participants:
  - 203(k) Consultants;
  - Nonprofits;
  - DE Underwriters;
  - Inspectors; and
  - Real Estate Brokers.

# Online SF Handbook



The screenshot shows the homepage of the FHA Single Family Housing Policy Library. At the top left is the FHA logo with the tagline "Your Door to HOMEOWNERSHIP" and the text "Federal Housing Administration US Department of Housing and Urban Development". Below this is a navigation bar with "FHA SINGLE FAMILY HOUSING POLICY LIBRARY" and buttons for "Back", "Forward", "Print", and "Contact Us". A secondary navigation bar includes "Table of Contents", "Advanced Search", and "E-mail Subscriptions". The main content area features a sidebar with a tree view of folders: "FHA SINGLE FAMILY HOUSING POLICY LIBRARY", "Library Home", "2000.04 REV-2: Consolidated Audit Guide", "4000.1: FHA Single Family Housing Policy Handbook", and "Federal Housing Administration (24 CFR)". The main text area has a heading "Welcome to The Federal Housing Administration's (FHA) Single Family Housing Policy Handbook (HUD Handbook 4000.1)". Below the heading is a survey invitation: "We are interested in your feedback. Please take a minute to take our survey! Click here to take our survey." This is followed by a paragraph stating the site contains the authoritative version of the consolidated SF Handbook. Another paragraph notes that FHA is developing additional sections and that users should access existing policy not on this site via HUDCLIPS. A final paragraph lists additional content: "In addition to the completed sections of FHA's Single Family Handbook, this site also contains:" followed by a bulleted list: "• Access to FHA Single Family Mortgage Letters and other policy documents published from March 2015 to present." and "• Access to previous FHA Single Family Housing Mortgage Letters, Handbooks and policy documents that have, or will be, superseded as of the effective date(s) of the policies contained on this site." At the bottom, there is an "Agency Announcements" section with the text "There are no announcements at this time."

Access the link on HUDCLIPS at:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administratio n/hudclips/handbooks/hsg h](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administratio n/hudclips/handbooks/hsg h).

- Online version of FHA's SF Handbook
- Resides on AllRegs<sup>®</sup> electronic policy platform
- Fully searchable (keyword, etc.)
- Free access to site via link on HUDCLIPS

# Online SF Handbook (cont.)

You are viewing: 3. Underwriting the Property (09/14/15)  
[Previous](#) | [Next](#) | [View Full Screen](#)

Reference

4000.1: FHA Single Family Housing Policy Handbook  
II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT  
A. TITLE II INSURED HOUSING PROGRAMS FORWARD MORTGAGES (09/14/15)  
3. Underwriting the Property (09/14/15)  
3. Underwriting the Property (09/14/15)

**3. Underwriting the Property (09/14/15)**  
Effective for case numbers assigned on or after September 14, 2015

The Mortgagee must underwrite the completed appraisal report to determine if the Property provides sufficient collateral for the FHA-insured Mortgage. The appraisal and Property must comply with the requirements in [Appraiser and Property Requirements for Title II Forward and Reverse Mortgages](#). The appraisal must be reported in accordance with [Acceptable Appraisal Reporting Forms and Protocols](#).

Reference

4000.1: FHA Single Family Housing Policy Handbook  
V. QUALITY CONTROL, OVERSIGHT AND COMPLIANCE  
A. QUALITY CONTROL OF LENDERS AND MORTGAGEES (09/14/15)  
1. Quality Control Program Overview (09/14/15)  
a. Purpose of Quality Control Program (09/14/15)

**a. Purpose of Quality Control Program (09/14/15)**  
Effective September 14, 2015

Quality Control (QC) Programs must be designed to:

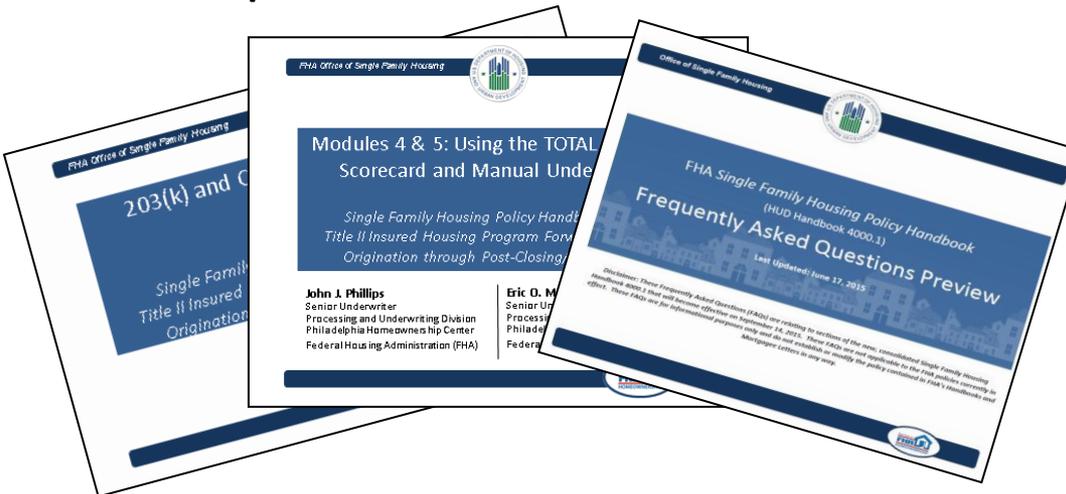
- ensure compliance with FHA and Mortgagee policy and guidelines related to FHA Loan Administration;
- protect FHA and the Mortgagee from unacceptable risk;
- guard against errors, omissions, negligence, and fraud from those involved in the Mortgagee's Loan Administration;
- determine the root cause of any deficiencies and identify potential internal and external control weaknesses;
- alert Mortgagee management to patterns of deficiencies with respect to mortgage process and personnel;
- ensure timely and appropriate corrective action;
- ensure the existence of required documentation (e.g., credit, loan, and appraisal information) that is the basis of underwriting and servicing decisions;
- ensure Mortgages are secured by properties with values sufficient to support the Mortgage; and
- ensure compliance with fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act (ECOA).

Color coding for different effective dates.

Effective date notation on each page.

# Web-based Training and Other Resources

- Self-paced, pre-recorded modules for Origination through Endorsement:
  - Multiple modules provide in-depth detail;
  - Available 24/7 on HUD.gov.
- Over 400 detailed Frequently Asked Question Previews posted online.



Access SF Handbook training and resources from the SF Handbook Information Page on HUD.gov at:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1.](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1)



# Structure and Format

- Consistent Structure:
  - Definition: explains term or policy;
  - Standard: provides required action;
  - Documentation: required documents or documentation of actions.
- Consistent Format:
  - Follows logical flow of activities for mortgagees and other stakeholders.
  - Sections and sub-sections for precise information (up to 5 levels).

# Structure and Format: Examples

## ii. Mortgagee Name

### (A) Definitions **1**

#### (1) Institution Name

The Mortgagee's Institution Name is the legally registered corporate name associated with the Mortgagee's home office.

#### (2) "Doing Business As" Name

The "Doing Business As" (DBA) name is any registered name or alias that the Mortgagee has a legal right to use.

### (B) Standard **2**

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

The Mortgagee's institution name and all DBA names used by a Mortgagee for conducting FHA business must be registered with FHA. The Mortgagee must use only those names that are registered with FHA in [advertising](#) and promotional materials related to FHA programs.

### (C) Required Documentation **3**

A Nonsupervised or Investing Mortgagee must submit its Business Formation Documents. A Supervised Mortgagee must submit a copy of the state license for its home office as verification of its institution name.

The Mortgagee must submit documentation from the state showing it is legally approved to use its institution name or DBA name, if the name differs from that shown on its Business Formation Documents.

## (B) Secondary Residence

### (1) Definition **1**

Secondary Residence refers to a dwelling that a Borrower occupies in addition to their Principal Residence, but less than a majority of the calendar year. A Secondary Residence does not include a Vacation Home.

### (2) Standard **2**

Secondary Residences are only permitted with written approval from the Jurisdictional HOC after a determination that:

- the Borrower has no other Secondary Residence;
- the Secondary Residence will not be a Vacation Home or be otherwise used primarily for recreational purposes;
- the commuting distance to the Borrower's workplace creates an undue hardship on the Borrower and there is no affordable rental housing meeting the Borrower's needs within 100 miles of the Borrower's workplace; and
- the maximum mortgage amount is 85 percent of the lesser of the appraised value or sales price.

### (3) Required Documentation **3**

The Mortgagee must demonstrate the lack of affordable rental housing, and include:

- a satisfactory explanation of the need for a Secondary Residence and the lack of available rental housing; and
- written evidence from local real estate professionals who verify a lack of acceptable housing in the area.



# SF Handbook Style

- Revisions to language and terminology so that requirements are clear and consistent:
  - Language directed to the entity taking responsibility.
- Use of the word “MUST” is careful and deliberate.
- When a word is capitalized in the SF Handbook, it means exactly what it says in the Glossary.



# Section I.A

## Doing Business with FHA – Lenders and Mortgagees



# Doing Business with FHA-Lenders and Mortgagees (Doing Business)

- Covers the requirements for doing business with FHA for:
  - FHA-approved Single Family and Multifamily mortgagees; and
  - FHA-approved Title I lenders.



# Doing Business: Mortgagee Approval/ Eligibility

- Approval and eligibility requirements for mortgagees to be approved by FHA.
- Definitions, Standards, Authorized Activities for:
  - Types of Program Approvals
  - Types of Approved Mortgagees
  - Application and Eligibility Requirements
  - Post Approval Changes



## Doing Business: Key Policy Revisions

- Creditworthiness: requires a clean credit history for seven-year period preceding application:
  - Standards for institution and corporate officers.
- Changes to Dual or Outside Employment requirements:
  - Authorizes dual employment in real estate industry;
  - Prohibits having multiple roles in a single FHA-insured transaction; and
  - Prohibits multiple sources of compensation from a single FHA transaction.



## Doing Business: Key Policy Revisions

- Additional guidance on Branch Offices:
  - Continues to prohibit Net Branching arrangements;
  - Provides guidance for acquisition of branch of existing FHA-approved lender;
  - Requires registration of branches conducting FHA business.
- Further defined Principal Activity requirement for Non-supervised Mortgagees:
  - 50 percent of revenue must be derived from real estate business.



# Doing Business: Key Policy Revisions

- Title II Direct Endorsement (DE) Authority:
  - Must have a DE underwriter on staff;
  - Provisions for granting unconditional DE Authority without test case phase following merger, acquisition, etc.
- Post-Approval changes:
  - Notify FHA of Material Events within 10 business days;
  - Submissions required via FHA's Lender Electronic Assessment Portal (LEAP).



# Section II.A

## Origination through Post-Closing/Endorsement- Title II Forward Mortgages



# Origination through Endorsement

- Published first components on September 30, 2014, and updates and additions on March 18, 2015.
- Essentially complete for Title II Forward Mortgages, except:
  - REO Purchasing in progress; and
  - Condominium Project Approval requires formal rule making.
- Delivers a consolidated source of policy for origination through obtaining an FHA insurance endorsement for essentially all FHA Title II forward mortgage products and programs.



# Using Origination through Endorsement



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# Origination through Endorsement: Structure and Format

- Follows traditional mortgage process.
- Structured first with base requirements for FHA 203(b) purchase money mortgage.
- Product/program sub-sections contain requirements for specific products and programs, for instance:
  - 203(k) Rehabilitation Mortgage Insurance Program;
  - Energy Efficient Mortgages; and
  - Refinances.



# Policies



# Origination through Endorsement: Key Policy Changes

- Revisions to Manual Underwriting and FHA TOTAL Scorecard language.
- Age of Documentation.
- Refinance Structure/Terminology:
  - Cash Out;
  - No Cash Out:
    - Rate and Term;
    - Simple Refinance;
    - Streamline Refinance.



# Origination through Endorsement: Key Policy Changes

- Credit (Manual Underwriting): (“Excerpts” pp. 1-4)
  - Satisfactory Housing Payment;
  - Satisfactory Revolving Credit.
- Liabilities/Projected Obligations: (“Excerpts” pp. 5-7)
  - Student Loans and Other Deferred Loans.
- Employment: (“Excerpts” p. 8)
  - Employment Gap;
  - Re-verification;
  - Self-employed.

Access the “FHA SF Handbook Excerpts” document.



# Origination through Endorsement: Key Policy Changes (cont.)

- Rental Income Calculation/Documentation; (“Excerpts” pp. 9-16)
- Streamline Refinance:
  - Combined Loan-to-Value (CLTV); (“Excerpts” p. 17)
  - Exemptions; (“Excerpts” pp. 18-20)
  - Net Tangible Benefit. (“Excerpts” pp. 21-24)



## 203(k) Program Highlights of Changes

- Product name change: Streamline 203(k) to Limited 203(k).
- New terminology in maximum mortgage calculation:
  - Financeable Repair and Improvement Costs and Fees;
  - Financeable Contingency Reserves;
  - Financeable Mortgage Payment Reserves; and
  - Financeable Mortgage Fees.
- More specificity for combining with other FHA products and programs.



## 203(k) Program Highlights of Changes (cont.)

- As-Is Appraisal requirement for refinance transactions:
  - Less than 12 months seasoning; and
  - Existing debt plus Financeable Repairs and Improvement costs and fees exceeds After Improved Value.
- As-Is Appraisal requirement for purchase transactions – Property Flipping.
- Maximum Mortgage Worksheets – to be automated.
- Mixed Use Properties – 51 percent of Gross Building Area.

### 203(k) Consultant

- Specificity for consultant responsibility vs. mortgagee responsibility.



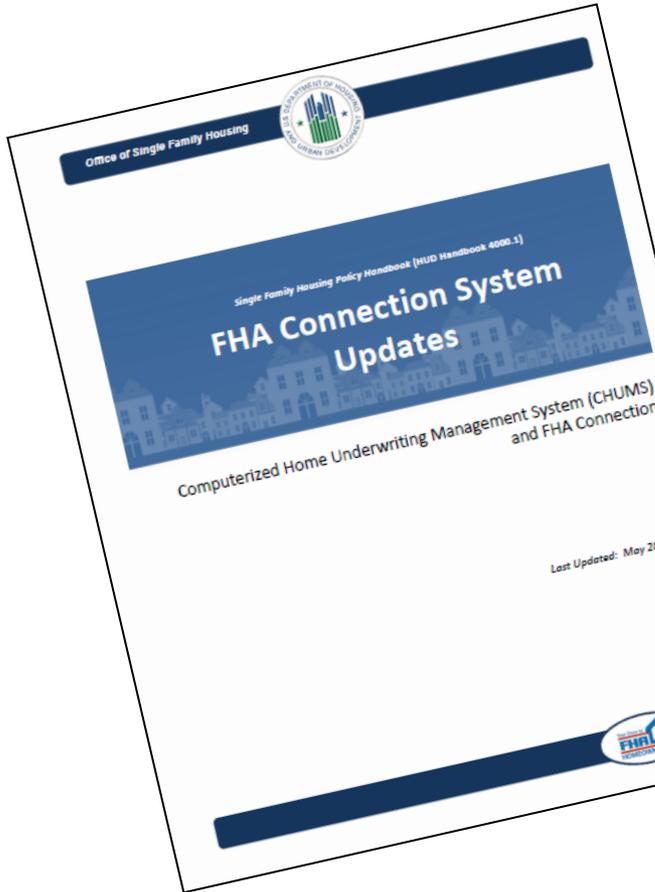
# Enhancements Coming to FHA Connection

- Preview of enhancements to FHA Connection (FHAC) published May 28, 2015.
- Primarily impacts three FHAC Screens:
  - Case Assignment;
  - Appraisal Logging; and
  - Insurance Application.
- Technical specification with data input, field, screen, and calculation changes on the Case Processing Requirements page on HUD.gov.
- FHAC B2G Interface Changes Technical Specification published June 22, 2015.



# FHAC Enhancements Technical Specification

Available at: [http://portal.hud.gov/hudportal/documents/huddoc?id=sf\\_hb\\_fhac\\_sys.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=sf_hb_fhac_sys.pdf).



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# Using Model Documents



# Revised Model Documents

- Model Documents should be tailored to the individual transaction but must remain consistent with FHA's regulations (24 CFR § 203) and requirements (Handbook 4000.1, etc.)
- Instructions posted on Model Documents website to aid in identification of FHA-specific modifications.
- Key regulatory sections governing mortgage provisions:
  - § 203.17 – General Mortgage Provisions;
  - § 203.22 – Insurance and Post-Settlement Interest requirements;
  - 203.23-203.25: Payment requirements;
  - § 203.49 – Adjustable Rate requirements;
  - § 203.608 – Reinstatement requirements.
- Key Updates to Model Documents:
  - Additional language to clarify policy on Third Party beneficiaries and the incorporation of regulations by reference;
  - Insurance Requirements;
  - Settlement Certification.

# Model Documents Web Page

HOME | PRESS ROOM | AUDIENCES | STATE INFO | PROGRAM OFFICES | TOPIC AREAS | ABOUT HUD | RESOURCES | CONTACT US

Housing Home | About Us | Single Family | Healthcare Programs | Multifamily | Housing Counseling | Online Systems | Risk Management

HUD > Program Offices > Housing > Single Family > Model Documents

## Single Family Mortgages Model Documents

[Print Friendly Version](#) [SHARE](#) [Facebook](#) [Twitter](#) [Email](#)

**SF Policy Handbook 4000.1**  
  
 As of May 18, FHA's SF Handbook (HUD Handbook 4000.1) is now in a fully online format.

The documents below are categorized by all programs, forward and reverse mortgages.

**ALL PRODUCTS**

- Informed Consumer Choice (12/14)

FORWARD	REVERSE
<b>Notes, Mortgages, Agreements</b> <ul style="list-style-type: none"> <li>ARM Note (eff. 1/10/15)</li> <li>Mortgage Forward (9/14)</li> <li>Note Forward (eff. 1/2/15)</li> <li>Rehabilitation Loan Agreement (9/14)</li> <li>Instructions for Model Mortgages (5/15)</li> <li>Instructions for Model Notes (5/15)</li> </ul>	<b>Notes, Mortgages, Agreements</b> <ul style="list-style-type: none"> <li>HECM ARM Loan Agreement (2/15)</li> <li>HECM ARM Mortgage (2/15)</li> <li>HECM ARM Mortgage Note (2/15)</li> <li>HECM Fixed Rate Loan Agreement (2/15)</li> <li>HECM Fixed Rate Mortgage (2/15)</li> <li>HECM Fixed Rate Mortgage Note (2/15)</li> <li>HECM ARM Second Mortgage (2/15)</li> <li>HECM ARM Second Note (2/15)</li> </ul>
<b>Riders</b> All Products and Programs <ul style="list-style-type: none"> <li>Condominium Rider (9/14)</li> <li>Construction Rider (9/14)</li> <li>Non-Owner Occupancy Rider (9/14)</li> <li>Planned Unit Development Rider (9/14)</li> <li>Settlement Certification (formerly "Addendum to HUD-1 Settlement Statement")</li> <li>Tax-Exempt Financing Rider</li> <li>Water Purification Equipment Rider (9/14)</li> </ul>	<b>Riders</b> <ul style="list-style-type: none"> <li>HECM ARM Repair Rider (2/15)</li> <li>HECM Fixed Rate Repair Rider (2/15)</li> </ul>
<b>203(k) Rehabilitation Mortgages</b> <ul style="list-style-type: none"> <li>Rehabilitation Loan Rider (9/14)</li> </ul>	<b>Other Documents</b> <ul style="list-style-type: none"> <li>HECM ARM Payment Plan (2/12)</li> <li>HECM Financial Assessment Worksheet (3/27)</li> <li>HECM Fixed Rate Payment Plan (2/12)</li> <li>HECM Scheduled Closing Costs (2/12)</li> </ul>
<b>247 Hawaiian Homelands</b> <ul style="list-style-type: none"> <li>Sec. 247 Loan Rider (9/14)</li> </ul>	
<b>248 Mortgages on Indian Land</b> <ul style="list-style-type: none"> <li>Sec. 248 Loan Rider (9/14)</li> <li>Sec. 248 Residential Lease</li> </ul>	

**Subscribe to FHA INFO Announcements**  
 Subscribe to receive FHA INFO announcements and SF NEWS about Mortgagee Letter issuances, procedure updates, and training & events via email. Research a list of all previous FHA INFO and SF NEWS in the: [FHA INFO ARCHIVE](#)

- Reorganized into categories
- All current model documents available at [http://portal.hud.gov/hudportal/HUD?src=/program\\_office/s/housing/sfh/model\\_documents](http://portal.hud.gov/hudportal/HUD?src=/program_office/s/housing/sfh/model_documents)
- Future updates may follow publication of new sections of 4000.1



## Section II.B

# Appraiser & Property Requirements for Title II Forward and Reverse Mortgages



# Appraiser & Property Requirements

- Covers FHA policies specific to appraiser actions and property eligibility:
  - Requirements for performing an appraisal;
  - Reporting of appraisal results.
- Roster Requirements are located in the Doing Business with FHA section.
- Appraiser QC requirements are found in the Quality Control – Other Participants section.



# Appraisal Report and Data Delivery Guide

- Posted online—works as supplement to the SF Handbook.
- Contains FHA requirements for:
  - Completion of appraisal forms (UCDP and FHA-specific data);
  - Lender delivery of appraisal data and reports to FHA;
  - Format is MISMO 2.6 GSE or Errata 1, depending on form type.
- Mortgagee Letter 2015-08 announced the Electronic Appraisal Delivery (EAD) portal for Federal Housing Administration (FHA) Insured Single Family Mortgages.

# Termite Treatment Exception Areas

FHA's Office of Single Family Housing

**Termite Treatment Exception Areas**

Following is the Termite Treatment Exception Areas list referred to in the Federal Housing Administration (FHA) *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1). This table is referenced in SF Handbook Section II. A. 8.i.iii: Programs and Products, New Construction, Required Documentation for Maximum Financing.

State	Requirement
Alaska	Not required in any county.
Colorado	Not required in Clear Creek, Eagle, Gilpin, Grand, Jackson, Moffat, Routt, and Summit Counties. Required in any other county.
Idaho	Not required in any county.
Maine	Required in York and Cumberland counties. Not required in any other county.
Michigan	Not required in Alcona, Alger, Alpena, Antrim, Arenac, Baraga, Bay, Benzie, Charlevoix, Cheboygan, Chippewa, Clare, Crawford, Delta, Dickinson, Emmet, Gladwin, Gogebic, Grand Traverse, Houghton, Huron, Iosco, Iron, Isabella, Kalkaska, Keweenaw, Leelanau, Luce, Mackinac, Marquette, Menominee, Midland, Missaukee, Montmorency, Ogemaw, Ontonagon, Osceola, Oscoda, Otsego, Presque Island, Roscommon, Saginaw, Sanilac, Schoolcraft, Tuscola, and Wexford. Required in any other county.
Minnesota	Not required in Becker, Beltrami, Clay, Clearwater, Cook, Grant, Hubbard, Itasca, Kittson, Koochiching, Lake, Lake of the Woods, Mahanomen, Marshall, Norman, Otter Tail, Pennington, Polk, Roseau, Stevens, Traverse, Wadena, and Wilkin Counties. Required in any other county.
Montana	Not required in Blaine, Broadwater, Carbon, Cascade, Chouteau, Daniels, Fergus, Gallatin, Glacier, Golden Valley, Hill, Judith Basin, Lewis and Clark, Liberty, Meagher, Musselshell, Park, Petroleum, Phillips, Pondera, Roosevelt, Sheridan, Stillwater, Sweet Grass, Teton, Toole, Valley, Wheatland, and Yellowstone Counties. Required in any other county.
New Hampshire	Not required in Grafton, Carroll, and Coos Counties. Required in any other county.
New York	Not required in Clinton, Essex, Franklin, St Lawrence, Niagara and Orleans. Required in any other county.
North Dakota	Not required in Adams, Barnes, Benson, Bottineau, Bowman, Burke, Burleigh, Cass, Cavalier, Dickey, Divide, Dunn, Eddy, Emmons, Foster, Grand Forks, Grant, Griggs, Hettinger, Kidder, LaMoure, Logan, McHenry, McIntosh, McLean, Mercer, Morton, Mountrail, Nelson, Oliver, Pembina, Pierce, Ramsey, Ransom, Renville, Richland, Rolette, Sargent, Sheridan, Sioux, Stark, Steele, Sutsman, Towner, Traill, Walsh, Ward, and Wells Counties. Required in any other county.
Oregon	Not required in any county.
South Dakota	Not required in Bennett, Brown, Buffalo, Butte, Campbell, Corson, Custer, Day, Dewey, Edmunds, Faulk, Haakon, Hand, Harding, Hughes, Jackson, Jones, Lawrence, Marshall, McPherson, Meade, Mellette, Pennington, Perkins, Potter, Roberts, Shannon, Spink, Stanley, Sully, Walworth, and Ziebach



FHA's Office of Single Family Housing

	Counties. Required in any other county.
Utah	Not required in Daggett, Morgan, Summit, and Wasatch. Required in any other county.
Vermont	Not required in Franklin, Grand Isle, Orleans, Essex, Chittenden, Lamoille, Caledonia, Washington, Addison and Orange. Required in any other county.
Washington	Not required in any county.
Wyoming	Not required in Fremont, Hot Springs, Lincoln, Park, Sublette, Sweetwater, Teton, and Uinta. Required in any other county.
Remainder of States	Required.

*Last Updated: July 9, 2015*

Available at:  
[http://portal.hud.gov/hudportal/documents/huddoc?id=SFH\\_POLI\\_TERMITE.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_POLI_TERMITE.pdf)



# Appraiser & Property Requirements: Key Policy Changes

- Focus of the Appraiser and Property Requirements section: OBSERVE, ANALYZE, and REPORT.
- Appraisers will be provided with a contact name and number by the lender for working through eligibility issues.
- Appraisers must have the full contract and any other pertinent documents prior to starting the appraisal process.



# Appraiser & Property Requirements: Key Policy Changes (cont.)

- Four tests of Highest and Best Use:
  - Legally Permissible;
  - Physically Possible;
  - Financially Feasible; and
  - Maximally Productive.



# Appraiser & Property Requirements: Key Policy Changes (cont.)

- Properties with a Legal Non-Conforming Use: requiring the appraiser to comment if improvements can be rebuilt by right.
- Accessory Dwelling Units: emphasizing Highest and Best Use to determine property type of classification.
- Attic and Crawl Space Inspection Requirements: clarifying that FHA requires an inspection. Head and Shoulders is the alternate to a full inspection.



# Appraiser & Property Requirements: Key Policy Changes (cont.)

- Non-residential Use of Property: ensuring that mixed-use properties comply with zoning.
- Cost and Income Approach for Value: clarifying that ALL appropriate approaches must be utilized when applicable.



## Appraiser & Property Requirements: Key Policy Changes (cont.)

- Energy Efficient Building Components, Solar Systems, etc., requiring that contributory value of building components that enhance efficiency or energy savings must be analyzed and reported.
- FHA requires that the appraiser utilize all appropriate methods of valuation and does not restrict this to only a matched pairs analysis.



# Section V.A

## Quality Control, Oversight, and Compliance – Lenders and Mortgagees



# Quality Control, Oversight, and Compliance – Lenders and Mortgagees

- Applicable to Title I Lenders and Title II Mortgagees:
  - Quality Control Requirements;
  - FHA Monitoring of Mortgagees; and
  - Enforcement Actions.



# Quality Control/Oversight: QC and Monitoring

- Quality Control and Mortgagee Monitoring by Institutional and Loan-level Requirements.
- Definitions, Standards, Documentation for:
  - Quality Control Program;
  - Quality Control Plan;
  - Loan Administration;
  - Material Finding;
  - Mitigated Finding;
  - Loan Sample Risk Assessment.



# Quality Control/Oversight: Institutional

- Eliminated on-site review of lender branch offices.
- Defined “Loan Administration”:
  - All aspects of the FHA mortgage lifecycle for which the lender is responsible that are governed by FHA policies and procedures.
- Updated requirements for participation for certain employees:
  - SAMs Excluded Parties List;
  - LDP;
  - NMLS.



# Quality Control/Oversight: Institutional

- Timeframes for completion of QC and reporting.
- Initial QC findings report drives reporting timeframes:
  - Initial QC findings report: within 30 days to senior management.
  - Final QC findings report: within 60 days to senior management.
  - Unmitigated/unresolved material findings: no later than 90 days to FHA.
  - Fraud/material misrepresentation determination: must be reported to HUD immediately.



# Quality Control/Oversight: Loan Level

- Updated the policy for Quality Control Loan File Selection and Sampling Standards:
  - Detailed breakdown of how to select loans/sample.
  - Pre-closing reviews now mandatory:
    - Mortgages selected must be reviewed after approval by DE underwriter.
    - Must not comprise more than 10 percent of required sample.
    - Exception for nine or fewer loans.



## Quality Control/Oversight: Loan Level (cont.)

- Loan file timeframes and procedures established:
  - Pre-Closing;
  - Post-Closing;
  - EPDs;
  - Servicing.
- Removed “Acceptable” as risk category.



# Quality Control/Oversight: Loan-Level QC Changes

- Definitions for Material and Mitigated Findings:
  - For origination, underwriting, and servicing.
- Updated the Loan-Level Quality Control requirements:
  - Shortened the section into a bulleted list of minimum requirements.
  - Linked the detailed requirements in Origination through Post-Closing/Endorsement section of SF Handbook.
  - Specified which requirements apply to pre- vs. post-closing reviews.



# Answering Your Questions with the FHA Resource Center



# The FHA Resource Center

- Preview Origination through Endorsement FAQs on our SF Handbook Information page:
  - Commonly asked questions/detailed answers;
  - Will be uploaded to the online Knowledge Base on September 14, 2015.
- Phone: Monday-Friday, 8 AM to 8 PM, Eastern  
Toll Free: **(800) CALL-FHA** or (800) 225-5342.
- Email: **answers@hud.gov** .
- [www.hud.gov/answers](http://www.hud.gov/answers) : **1600+ Qs and As** addressing 90 percent of our phone calls **and** announcements of policy changes and training opportunities.
- *Single Family Housing News* (FHA INFO) emails: Frequent email notifications of new policies and training opportunities for anyone who signs up.



# Questions & Answers



# Thank You!

