

CHAPTER 1

INTRODUCTION

1-1 **PURPOSE.** This handbook describes general policies and procedures required of lenders participating in the Federal Housing Administration's (FHA) single-family mortgage insurance programs under Title II of the National Housing Act.

1-2 **MORTGAGE INSURANCE PROGRAMS.** Under these programs, FHA insures approved lenders against losses on mortgage loans. The acronyms HUD (U.S. Department of Housing and Urban Development) and FHA are often used interchangeably. For ease of reading, we have chosen to use "lender" in lieu of "mortgagee" throughout this handbook. However, lender is to be interpreted as a FHA-approved mortgagee as described in 24 CFR § 202.10.

FHA-insured mortgages may be used to purchase homes, to improve homes, and to refinance existing debts. The programs differ from one another primarily in terms of what types of properties and financing are eligible. The single-family programs are generally limited to dwellings with one- to four-family units.

All of FHA's single-family programs are authorized by the enabling legislation of the National Housing Act, and each program is generally referred to by its particular section of that Act. For example, Section 203(b) (the basic program), Section 251 (Adjustable Rate Mortgages (ARMs)), Section 234(c) (condominiums), etc. The regulations implementing the individual programs are contained in the Code of Federal Regulations (CFR), Title 24 (24 CFR). The CFR codifies the general and permanent rules of the Department, and is updated by publishing changes to regulations in the Federal Register.

HUD Handbooks and Mortgagee Letters provide detailed processing instructions, and they advise the mortgage industry of major changes to FHA programs and procedures. In addition to the section of the Act that authorizes each single-family mortgage insurance program, various characteristics of each program will reflect the particular insurance fund under which it is insured. There are three mortgage insurance funds:

- A. **Mutual Mortgage Insurance (MMI) Fund.** The MMI fund covers most programs, including most of the programs authorized under Section 203(b).
- B. **General Insurance (GI) Fund.** The GI fund covers, among other programs, Section 203(k) and condominiums under Section 234(c).

- C. **Special Risk Insurance (SRI) Fund.** The SRI fund covers Section 223(e) and several others.

1-3 GENERAL PROCESSING STEPS. All single-family mortgage insurance programs (except streamline refinances) involve three steps: (1) property evaluation and underwriting, (2) mortgage credit analysis, and (3) insurance endorsement. Except as noted below, all processing and underwriting must be performed by approved lenders under the Direct Endorsement (DE) program.

A. **Direct Endorsement.** Under the DE program, approved lenders underwrite and close mortgage loans without prior FHA review or approval. This includes all aspects of the mortgage loan application, the property analysis, and borrower underwriting. All FHA mortgage insurance programs described in this handbook are eligible for DE processing except for Section 203(n) (Cooperative Units) and Section 233 (Experimental Housing). HUD Handbook 4000.4 provides detailed information on the DE program.

B. **FHA Processing.** An exception to the DE program is made for HUD employees. Lenders process the loan and submit a complete loan package underwritten up to the point of approval to FHA. FHA reviews the loan package and approves or rejects loans requested by HUD employees. However, for streamline refinances only, any HUD employee or member of their household (spouse, parent, child) may have their streamline refinance processed by a DE lender.

1-4 LENDER APPROVAL. The procedures for obtaining approval to participate in FHA mortgage insurance programs are contained in 24 CFR 202.10 *et seq.* Handbook 4060.1, *Mortgage Approval*, provides additional guidance for these regulations with specific procedures for obtaining approval. Program details are available on HUD's Web site at www.hud.gov or from the Office of Lender Activities and Program Compliance.

1-5 THE CONTRACT OF MORTGAGE INSURANCE. If a mortgage loan meets all applicable regulations and instructions, FHA will endorse the mortgage for insurance. FHA's endorsement of the mortgage and issuance of an electronic Mortgage Insurance Certificate (MIC) creates a contract of mortgage insurance subject to the regulations in effect at that time. Before insuring a mortgage under the DE program, FHA may determine if there is any information indicating that any certification or required document is false, misleading, or constitutes fraud or misrepresentation on the part of any party or that the mortgage fails to meet a

statutory or regulatory requirement. If the mortgage is determined to be eligible following this review, FHA will endorse the mortgage for insurance. If FHA determines that any information, document, or certification is false, misleading, or constitutes fraud or misrepresentation, it may reject the mortgage for insurance.

1-6 INELIGIBLE BORROWERS.

A. Mandatory Rejection. A borrower must be rejected if the following conditions apply:

1. **HUD Limited Denial of Participation (LDP) and Federal Lists.**

A borrower suspended, debarred, or otherwise excluded from participation in the Department's programs is not eligible for a FHA-insured mortgage. The lender must examine HUD's LDP list and the government-wide General Services Administration's (GSA's) "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" and document this review on the HUD-92900-WS/92900-PUR. If the name of any party to the transaction appears on either list, the application is not eligible for mortgage insurance. A lender may check HUD's LDP list by going to www.hud.gov and the Federal government's list of excluded parties by going to <https://epls.arnet.gov>. (An exception may be made when a seller appears on the LDP list and the property being sold is the seller's principal residence.)

B. 2. Delinquent Federal Debts. If the borrower is presently delinquent on any Federal debt (e.g., Veterans Affairs (VA)-guaranteed mortgage, Title I loan, Federal student loan, Small Business Administration loan, delinquent Federal taxes, etc.) or has a lien, including taxes, placed against his or her property for a debt owed to the U.S., the borrower is not eligible until the delinquent account is brought current, paid, otherwise satisfied, or a satisfactory repayment plan is made between the borrower and the Federal agency owed. This plan must be verified in writing. Tax liens may remain unpaid provided the lien holder subordinates the tax lien to the FHA-insured mortgage. If any regular payments are to be made, they must be included in the qualifying ratios. Tax liens may be eligible for inclusion in a refinance in some cases. See HUD Handbook 4155.1 Chapter 1 for additional information.

B. Past Delinquencies and Defaults on FHA-Insured Loans.

The three-year waiting period to regain eligibility for another FHA insured mortgage begins when FHA pays the initial claim to the lender; this includes deeds-in-lieu of foreclosure, as well as judicial and other forms of foreclosures. Information regarding

the date the claim was paid, date of initial default, etc., may be obtained through the appropriate Home Ownership Center (HOC), i.e., the HOC having jurisdiction where the property subject to the default is located.

Although eligibility for an FHA-insured mortgage may be established by performing the actions described above, the overall analysis of the creditworthiness must include consideration of a borrower's previous failure to make payments to the Federal agency in the agreed-to manner.

C. Source of Information. Lenders must screen all borrowers using HUD's Credit Alert Interactive Voice Response System (CAIVRS) (except on streamline refinances). If CAIVRS indicates the borrower is presently delinquent or has had a claim paid within the previous three years on a loan made or insured by FHA on his or her behalf, the borrower is not eligible. When lenders apply for FHA insurance via FHA Connection, CAIVRS is automatically checked to ensure that there are no Federal delinquencies or debts. Lenders also may check CAIVRS by accessing FHA Connection at <https://entp.hud.gov/clas/> or by calling 301-344-4000 on a touch-tone telephone, entering their FHA-assigned lender identification number, and entering all borrowers' social security numbers (SSNs). Lenders must write the CAIVRS authorization code for each borrower on the HUD-92900-WS/92900-PUR.

If the lender has reason to believe the CAIVRS message is erroneous or must establish the date of claim payment, the lender must contact the appropriate HOC for instructions or documentation to support the borrower's eligibility. The appropriate HOC can provide information regarding if the three-year waiting period has passed or the SSN in CAIVRS is erroneous. The appropriate HOC also can provide instructions to lenders regarding processing requirements for other HUD-related defaults and claims (e.g., Title I loans).

FHA cannot alter or delete CAIVRS information reported from other Federal agencies, such as the Department of Education, VA, etc. The borrower and/or the lender must contact those agencies to correct or to remove erroneous or outdated information. We do not require a "clear" CAIVRS access number as a condition for mortgage endorsement, but the lender must document and justify its approval based on the exceptions described above. See HUD Handbook 4155.1 for additional information about CAIVRS procedures.

1-7 **PROHIBITION ON PROPERTY FLIPPING.** Property flipping is a practice whereby recently acquired property is resold for a considerable profit with an artificially inflated value, often abetted by a lenders' collusion with the appraiser.

- A. Sale by Owner of Record.** To be eligible for a mortgage insured by FHA, the property must be purchased from the owner of record and the transaction may not involve any sale or assignment of the sales contract. This requirement applies to all FHA purchase money mortgages regardless of the time between re-sales. The mortgage lender must obtain documentation verifying that the seller is the owner of record and submit this to HUD as part of the insurance endorsement binder. This documentation may include but is not limited to, a property sales history report, a copy of the recorded deed from the seller, or other documentation such as a copy of a property tax bill, title commitment or binder, demonstrating the seller's ownership of the property and the date it was acquired.
- B. Appraiser Determines Date of Property Acquisition.** To be in compliance with updated Standard Rule 1-5 of the Uniform Standards of Professional Appraisal Practice (USPAP), appraisers are required to analyze any prior sales of the subject property in the previous three years for one-to-four family residential properties. Mortgage lenders may rely on the information provided by the appraiser in the Uniform Residential Appraisal Report (URAR) describing the Date, Price and Data for Prior Sales for the subject property within the last three years.
- C. Re-sales Occurring 90 Days or Less Following Acquisition.** A property acquired by the seller is not eligible for a mortgage to be insured by FHA for the buyer unless the seller has owned that property for at least 90 days. If a property is re-sold 90 days or fewer following the date of acquisition by the seller, the property is not eligible for a mortgage insured by FHA. FHA defines the seller's date of acquisition as the date of settlement on the seller's purchase of that property. The re-sale date is the date of execution of the sales contract by a buyer intending to finance the property with an FHA-insured loan.
- D. Re-sales Occurring Between 91 and 180 Days Following Acquisition.** If the re-sale date is between 91 and 180 days following acquisition by the seller, the lender is required to obtain a second appraisal made by another appraiser

if the resale price is 100 percent or more over the price paid by the seller when the property was acquired. The cost of the second appraisal may not be charged to the homebuyer. FHA reserves the right to revise the re-sale percentage level at which this second appraisal is required by publishing a notice in the Federal Register.

As an example, if a property is re-sold for \$80,000 within six months of the seller's acquisition of that property for \$40,000, the mortgage lender must obtain a second independent appraisal supporting the \$80,000 sales price. The mortgage lender may also provide documentation showing the costs and extent of rehabilitation that went into the property resulting in the increased value but must still obtain the second appraisal.

E. Exceptions to the 90-Day Restriction. The HOCs do not have the authority to waive these requirements. The following are the only exceptions to the 90-day restriction permitted:

1. Properties acquired by an employer or relocation agency in connection with the relocation of an employee.
2. Re-sales by HUD under its Real Estate Owned (REO) program are not subject to the time restriction. However, any subsequent re-sale of such a property must meet the 90-day threshold in order for the mortgage to be eligible as security for FHA insurance.

1-8 MAXIMUM LOAN LIMITS AND MORTGAGE AMOUNTS. Under most programs, the maximum insurable mortgage is the lesser of: (1) the statutory loan limit for the area or (2) a percentage of the lesser of the appraised value or sales price.

A. Loan Limits. The statutory provisions of the National Housing Act establish the maximum loan limits and mortgage amounts for all programs. The maximum loan limits will vary depending upon the specific program under which the loan will be insured, the number of units within the dwelling (one to four units) and the geographic location of the

property. The specific loan limits for each county in the United States, Guam and the Virgin Islands are listed on HUD's Web site at www.hud.gov. See HUD Handbook 4155.1 for detailed instructions on calculating the maximum mortgage amounts and maximum loan-to-value (LTV) ratios.

1. **Basic Nationwide Loan Limits.** FHA's single-family mortgage limits are set by county and are tied to increases in the loan limits established by the Federal Home Loan Mortgage Corporation (Freddie Mac) in accordance with Section 203(b)(2)(A) of the National Housing Act, as amended (12 U.S.C 1709).

The National Housing Act specifies the maximum mortgage amount for each program. Under Section 203(b), the nationwide basic mortgage limits ("the floor") may not be less than 48% of the dollar amount limitation of the Federal Home Loan Mortgage Corporation Act.

2. **Loan Limits for High Cost Areas.** Section 203(b)(2)(A) of the National Housing Act also states that mortgage limits in high cost areas ("the ceiling") may increase to 87% of the dollar amount limitation as determined under Section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act for a residence of applicable size. In these high cost areas, the loan limit will be equal to the lesser of 95% of the area median house price or the statutory ceiling for the high cost areas. Section 214 of the National Housing Act provides that mortgage limits for Alaska, Hawaii, Guam, and the Virgin Islands may be adjusted up to 150% of the new FHA ceilings.

3. **Appeals for Higher Loan Limits.** Anyone may appeal for a higher loan limit for a county within a Metropolitan Statistical Area (MSA) or a non-metro county not part of an MSA. FHA will not consider appeals for areas smaller than a county. It should be noted that legislation enacted in 1998 provided that the county with the highest median house price in an MSA will determine the mortgage limits of all counties in that MSA. Any request for an increase must be accompanied by sufficient housing sales price data to justify higher limits. The sales price data submitted to support an increase must be a listing of all one-family properties sold in the area for a period of time that will vary depending on the

volume of sales. Contact the local Homeownership Center (HOC) for additional information on appeals to FHA mortgage limits.

- B. **Maximum LTV Ratios.** The mortgage cannot exceed a certain percentage of value. The maximum LTV ratios vary by type of borrower, type of transaction (purchase or refinance); and stage of construction. Detailed loan-to-value instructions are contained in HUD Handbook 4155.1.
- 1-9 INTEREST RATE.** Under all currently active single-family mortgage insurance programs, the interest rate and any discount points are negotiated between the borrower and the lender.
- A. **Lock-Ins or Rate Locks.** Lenders are permitted to charge a commitment fee to guarantee, in writing, the interest rate and discount points for a specific period of time or to limit the extent they may change. The minimum time for lock-ins or rate locks is 15 days. The loan may close in less than 15 days at the convenience of the borrower, and the lock-in fees may still be earned. Lenders are expected to honor all such commitments.
 - B. **Disclosure.** The lender must give a HUD Interest Rate Disclosure Statement, Form HUD-92900-B, to the borrower(s) explaining that the loan terms are negotiable.
 - C. **Reprocessing.** Any increase in the discount points or in the interest rate triggers the requirement that the borrower(s) be requalified.
- 1-10 MORTGAGE TERM.** The term may not exceed 30 years from the date amortization begins and, in the case of adjustable rate mortgages, must be for 30 years. Some programs require a shorter term, including certain streamline refinances made without appraisals. Handbook 4155.1 provides details. FHA does *not* require that loan terms be in five year multiples.
- 1-11 MORTGAGE INSURANCE PREMIUM (MIP).** In most of the FHA mortgage insurance programs, HUD collects an UFMIP and an annual premium (collected on a monthly basis). The UFMIP fee is currently 1.50% of the base loan amount (loan amount excluding UFMIP).
- A. **UFMIP.** The UFMIP must be paid to HUD in a lump sum within the number of days prescribed by FHA after the loan is closed for mortgages subject to a UFMIP. A late charge (and interest charges, if received 30 or

more days after closing) will be assessed. See Charts 2A and 2B below for additional information.

The mortgage amount may be rounded down to a multiple of \$1, regardless of whether the UFMIP is financed. If financed in the mortgage, the UFMIP is subject to neither the statutory loan amount limits nor the LTV limits. In these cases, the UFMIP may be added to the mortgage amount, regardless of the maximum mortgage limitation. See HUD Handbook 4155.1 for additional information.

Refund of UFMIP. Borrowers may be entitled to a refund of a portion of the UFMIP. Borrowers with loans closed on or after January 1, 2001, paying off (or refinancing) their FHA loans within five years from the date of closing, are entitled to a partial refund of the UFMIP paid at closing. Borrowers with loans closed on or after January 1, 1994, but before January 1, 2001, paying off (or refinancing) their FHA loans within seven years from the date of closing, are entitled to a partial refund of the UFMIP paid at closing. See Charts 1A and 1B below for specific factors.

Chart 1A: The following is a five-year refund schedule:

FHA MMI FUND UPFRONT PREMIUM EARNING FACTORS FOR ALL MORTGAGE TERMINATIONS AND REFINANCES CLOSED ON OR AFTER JANUARY 1, 2001												
Year	Month of Year											
	1	2	3	4	5	6	7	8	9	10	11	12
1	0.9750	0.9500	0.9250	0.9000	0.8750	0.8500	0.8333	0.8167	0.8000	0.7833	0.7667	0.7500
2	0.7333	0.7167	0.7000	0.6833	0.6667	0.6500	0.6333	0.6167	0.6000	0.5833	0.5667	0.5500
3	0.5333	0.5167	0.5000	0.4833	0.4667	0.4500	0.4333	0.4167	0.4000	0.3833	0.3667	0.3500
4	0.3333	0.3167	0.3000	0.2833	0.2667	0.2500	0.2375	0.2250	0.2125	0.2000	0.1875	0.1750
5	0.1625	0.1500	0.1375	0.1250	0.1125	0.1000	0.0833	0.0667	0.0500	0.0333	0.0167	0.0000

Chart 1B: The following is a seven-year refund schedule:

FHA MMI FUND UPFRONT PREMIUM EARNING FACTORS FOR ALL MORTGAGE TERMINATIONS AND REFINANCES CLOSED ON OR AFTER JANUARY 1, 1994 TO DECEMBER 31, 2000												
Year	Month of Year											
	1	2	3	4	5	6	7	8	9	10	11	12
1	0.9917	0.9833	0.9750	0.9667	0.9583	0.9500	0.9417	0.9333	0.9250	0.9167	0.9083	0.9000
2	0.8917	0.8833	0.8750	0.8687	0.8583	0.8500	0.8417	0.8333	0.8250	0.8167	0.8083	0.8000
3	0.7835	0.7870	0.7505	0.7340	0.7175	0.7010	0.6845	0.6680	0.6515	0.6350	0.6185	0.6020
4	0.5840	0.5660	0.5480	0.5300	0.5120	0.4940	0.4760	0.4580	0.4400	0.4220	0.4040	0.3860
5	0.3720	0.3580	0.3440	0.3300	0.3160	0.3020	0.2880	0.2740	0.2600	0.2450	0.2320	0.2188
6	0.2068	0.1967	0.1845	0.1733	0.1622	0.1510	0.1398	0.1287	0.1175	0.1083	0.0952	0.0840
7	0.0770	0.0700	0.0630	0.0560	0.0490	0.0420	0.0350	0.0280	0.0210	0.0140	0.0070	0.0000

- B. Annual MIP.** In addition to the UFMIP, certain mortgages require the payment of an annual premium. The percentage amount of the annual premium is based upon the LTV and the term of the mortgage. For programs that require a monthly MIP, HUD must receive payment by the 10th of the month. A late charge (and interest charges, if received 30 or more days after closing) will be assessed. See Charts 2A and 2B below for additional information on UFMIP and annual MIP amounts.
- C. Cancellation of Annual MIP.** For loans closed on or after January 1, 2001, FHA's annual MIP will be automatically canceled under the following conditions:
1. For mortgages with terms more than 15 years, the annual MIP will be canceled when the LTV ratio reaches 78%, provided the borrower has paid the annual MIP for at least five years.
 2. For mortgages with terms 15 years and less and with LTV ratios 90% and greater, the annual MIP will be canceled when the LTV ratio reaches 78%, irrespective of the length of time the borrower has paid the annual MIP.
 3. Mortgages with terms 15 years and less and with LTV ratios of 89.99% and less will not be charged an annual MIP.

Although the annual MIP will be canceled as described, the contract of insurance will remain in force for the loan's full term. This MIP cancellation provision only applies to loans with an UFMIP.

FHA will determine when a borrower has reached the 78% LTV ratio based on the lesser of the sales price or appraised value at origination. New appraised values will not be considered. For example, if the lesser of the sales price or the appraised value at origination was \$100,000, when the loan amount reaches \$78,000, HUD will no longer collect annual MIP on the loan. Cancellation of the annual MIP will normally be based on the scheduled amortization of the loan. However, in cases where the loan payments have been accelerated or modified, cancellation can be based on

the actual amortization of the loan as provided to FHA by the servicing lender.

Chart 2A

REFERENCE CHART FOR UPFRONT AND ANNUAL MIP FOR MORTGAGES WITH TERMS MORE THAN 15 YEARS			
Upfront	LTV Ratio	Premium	Years
1.50%	All LTVs	.50%	*
*Years will be determined when the loan balance equals 78%, provided the borrower has paid the annual MIP for at least 5 years (scheduled or actual).			

Chart 2B

REFERENCE CHART FOR UPFRONT AND ANNUAL MIP FOR MORTGAGES WITH TERMS 15 YEARS AND LESS			
Upfront	LTV Ratio	Premium	Years
1.50%	89.99 and under	None	N/A
1.50%	90.00 and over	.25%	**
** Years will be determined when the loan balance equals 78% (scheduled or actual).			

D. Monthly MIP. For mortgages insured under other sections of the National Housing Act that do not require UFMIP, the premium is collected in monthly installments. The monthly premium varies by program and outstanding principal balance.

1-12 MORTGAGE NOTE AND SECURITY INSTRUMENT. The note and security instrument (mortgage, deed of trust, or security deed) must meet the requirements of FHA. FHA may prescribe complete mortgage instruments. For each case in which FHA does not prescribe the complete mortgage instrument, FHA may require the use of FHA-approved uniform language. See HUD Handbook 4165.1 for additional information.

1-13 PREPAYMENT PRIVILEGE. The borrower may prepay the mortgage in whole or in part on the first of any month. If the mortgage was insured before August 2, 1985, the borrower must give 30 days written notice to the lender or be charged one extra month's interest; the payment must also reach the lender by the first of the month. For mortgages insured on or after August 2, 1985, there is no

advance notice requirement. If payment is received after the first of the month, the lender may, at its option, collect the remainder of the month's interest.

Neither prepayment penalties nor due-on-sale clauses are permitted, except for cases in which FHA approves a due-on-sale clause in connection with tax exempt bond financing by State or local governments or to implement statutory restrictions on assumptions.

Mortgage insurance may be terminated via payment-in-full, conveyance for insurance benefits, and voluntary termination upon agreement between the borrower and lender.

1-14 SECONDARY FINANCING. The information listed below is an overview of permitted secondary financing arrangements. See HUD Handbook 4155.1 for additional information.

A. By Government Agencies. FHA will insure a first mortgage loan on a property that has a second mortgage or lien held by a Federal, State, or local government agency. The monthly payments under the insured mortgage and second lien, plus other housing expenses and other recurring charges, cannot exceed the borrowers' ability to pay.

B. By Nonprofit Organizations. With advance approval, FHA will insure a first mortgage loan on a property that has a second mortgage held by an approved nonprofit agency. The monthly payments under the insured mortgage and second lien, plus other housing expenses and other recurring charges cannot exceed the borrowers' ability to pay.

a. C. By Private Individuals or Other Organizations. With advance approval, FHA will insure a first mortgage loan on a property that has a second mortgage or lien held by an individual or company, provided: (1) the required minimum cash investment was not financed; (2) the first and second mortgage together do not exceed FHA mortgage limits; (3) the borrower can afford the total amount of the payments; (4) any periodic payments are level and monthly; (5) there is no balloon payment during the first ten years; and (6) there is no prepayment penalty. The secondary financing must be disclosed at the time of application.

D. Borrowers 60 Years of Age or Older. With advance approval, borrowers 60 and older may borrow the required cash investment for purchasing a principal residence under certain circumstances.

E. By Family Members. FHA permits family member lending on a secured or unsecured basis, up to 100% of the homebuyer's required cash investment. This lending may include the downpayment, closing costs, prepaid expenses and discount points. If the money lent by the family member is secured against the subject property, whether borrowed from an acceptable source or from the family member's own savings, only the family member provider(s) may be the note holder. FHA will not approve any form of securitization of the note that results in any entity other than the family member being the note holder, whether at loan settlement or at any time during the mortgage life cycle.

1-15 ASSUMPTIONS. FHA-insured mortgages originated before December 1, 1986 generally contain no restrictions on assumability. For mortgages originated after

that date, the loan may be assumable under certain conditions. See HUD Handbook 4155.1 for additional information.

This requirement applies whenever there is a transfer of a borrower's interest, other than by devise, descent, or operation of law. Failure to satisfy FHA's conditions may be grounds for acceleration of the mortgage, subject to FHA approval.

1-16 HUD HANDBOOKS, MORTGAGEE LETTERS, AND OTHER FORMS.

- A. **HUD Headquarters.** HUD Handbooks, Mortgagee Letters, and sample HUD forms are available on HUD's Web site at www.hudclips.org.

- B. **HOCs.** The HOCs issue Circular Letters, conduct seminars, lead industry meetings, and distribute other program information. HOC-specific information can be accessed on HUD's Web site at www.hud.gov.

1-17 ORGANIZATION OF HUD.

- A. **HUD Headquarters.**
 - 1. The Assistant Secretary for Housing-Federal Housing Commissioner administers all housing programs, both single-family and multifamily, for the Department.
 - a. The Deputy Assistant Secretary for Single-Family Housing administers all single-family housing programs.
 - (1) The Office of Program Development is responsible for the programs, policies, and procedures relating to the origination, underwriting, and insuring of single-family mortgages.

- (2) The Office of Asset Management is responsible for the programs, policies and procedures relating to the servicing of single-family mortgages and the sale of foreclosed properties [Real Estate Owned (REO)].
- (3) The Office of Lender Activities and Program Compliance is responsible for the approval and recertification of lenders and lender monitoring.

B. HUD Field Operations – HOCs.

1. There are four HOCs located across the country in Philadelphia, PA; Atlanta, GA; Denver, CO; and Santa Ana, CA. These HOCs are responsible for administering all single-family activities in their respective jurisdictions. See Appendix I for a list of the states within each HOC jurisdiction.
2. The Single-Family Servicing Center is located in Oklahoma City, OK, and is responsible for administering the FHA Loss Mitigation and Loan-Servicing Programs.

1-18 CIVIL RIGHTS AND FAIR HOUSING. The following statutes and regulations on civil rights and fair housing apply to single-family mortgage insurance programs:

- A. Title VIII of the Civil Rights Act of 1968, as amended (Public Law 90-284).
- B. Executive Order 11063, as amended by Executive Order 12259.
- C. Section 527 of the National Housing Act prohibits denial of a federal-related mortgage loan on the basis of sex.
- D. The Equal Credit Opportunity Act (15 U.S.C. 1601 et. seq.) and Regulation B of the Board of Governors of the Federal Reserve System.
- E. The Fair Housing Amendments Act of 1988 (see 24 CFR Part 14). This act prohibits discrimination in residential real estate-related transactions by individuals or entities whose business includes engaging in the making of loans or in the provision of other financial assistance, or in the selling, brokering, or appraising of residential real estate.

These prohibitions include:

1. **Discrimination in the Making of Loans and in the Provision of other Financial Assistance.** Prohibited practices include, but are not limited to, failing or refusing to provide information regarding

the availability of loans or other financial assistance, application requirements, procedures or standards for the review and approval of loans or financial assistance, or providing information which is inaccurate or different from that provided others, because of race, color, religion, sex, handicap, familial status, or national origin.

2. **Discrimination in the Terms and Conditions for Making Available Loans or other Financial Assistance.** Unlawful conduct includes:
 - a. Using different policies, practices, or procedures in evaluating or in determining creditworthiness of any person in connection with the provision of any loan or other financial assistance secured by residential real estate.

OR

 - b. Determining the type of loan or other financial assistance to be provided, or fixing the amount, interest rate, duration or other terms for a loan or other financial assistance, because of race, color, religion, sex, handicap, familial status, or national origin.

3. **Unlawful Practices in the Selling, Brokering, or Appraising of Residential Real Property.**
 - a. It is unlawful for any person or entity whose business includes engaging in the selling, brokering, or appraising of residential real property to discriminate in making available such services, or in the performance of such services, because of race, color, religion, sex, handicap, familial status, or national origin.

 - b. Additional unlawful practices include, but are not limited to, using an appraisal on residential real property in connection with the financing of any dwelling where the person knows or reasonably should know that the appraisal improperly takes into consideration race, color, religion, sex, handicap, familial status, or national origin.

1-19 FAIR HOUSING MARKETING. FHA's regulations on Affirmative Fair Housing Marketing (24 CFR Part 200, Subpart M) apply to single-family mortgage insurance programs. Homebuilders building five or more units per year must comply with the following:

- A. **Hiring Policy.** Applicants must maintain a non-discriminatory policy in hiring sales staff and instruct all employees on the laws and philosophy of fair housing. Applicant must submit an Equal Employment Opportunity (EEO) Certification to FHA.

- B. **Logo.** Applicants must display the Equal Housing Opportunity statement, logotype, and slogan on all advertising, brochures, site signs, and other materials.

- C. **Affirmative Fair Housing Marketing Plan.** Single-family homebuilders are required to provide information to the Department on their affirmative fair housing marketing activities. These activities, among other things, are intended to inform everyone of the availability of housing opportunities regardless of race, color, religion, sex, handicap, familial status or national origin.

1-20 REPORTING FRAUD AND ABUSE. Any violation of law or regulation, or any false statements or program abuses detected by a lender or any of its employees, should be reported immediately to HUD. A report may be submitted in one of four ways:

- A. **Email.** On the Internet via an email form at www.hud.gov.

- B. **Phone.**
 - 1. Call toll-free: 1-800-347-3735
 - 2. TDD: 202-708-2451

- C. **Fax.** 202-708-4829

- D. **U.S. Mail.**
US Department of Housing & Urban Development
Office of Inspector General Hotline
Assistant Inspector General for Investigations
451 7th Street, S.W., Room 8270
Washington, DC 20410