

5.13 Responding to a Deficient Submission

When HUD finds a submission Deficient - the lender must submit supporting documentation herein referred to as a 'Cure.' A deficiency is equivalent to a condition and a cure is equivalent to satisfying a condition. If a submission is deemed deficient, the lender will receive a certified letter stating the specific deficiencies identified by HUD as well as other important information. The lender has 30 days from the day a submission is deemed deficient to submit a cure to HUD and have the cure accepted.

- The lender must cure a submission in order to be recertified as an FHA-approved lender.
- A cure does not have to be attested to by the auditor (except for Reinstatement Cures, see section 6.0 Responding to a Withdrawn Submission).
- If a lender fails to respond to a Deficient submission in the 30-day timeframe, the lender will be withdrawn from the FHA-approved lending status granted by HUD.

The following steps provide instructions on how to submit a cure to HUD via the cure attachment pages.

Non-supervised Lenders that have both Title I and Title II Status

If your submission is found deficient, it may be split into two separate submissions, each containing the same data. A submission may be split into two separate submissions if the Title I Non-supervised and/or Title II Non-supervised lender does not meet either the Net Worth or Liquidity Program Requirement. In this instance, when you enter your Inbox, there will be 2 submissions marked as Deficient. You must submit a cure for **BOTH** submissions listed as Deficient. Follow the same instructions beginning with **Step 1** listed in this section to submit a cure for both of the Deficient submissions.

Please note that if you satisfy all of the requirements for the Title I submission but not the Title II submission, your Title I submission will be marked with a Status of 'Audit Accepted.' The Title II submission will be marked with a Status of 'Deficient.' In this case you will only need to submit a cure for the deficient submission.

Loan Correspondents that have both Title I and Title II Status

A submission may be split into two separate submissions if the Title I and/or Title II Loan Correspondent does not meet the Liquidity Program Requirement. You must submit a cure for **BOTH** submissions listed as Deficient. Follow the instructions beginning with **Step 1** to submit a cure for both of the Deficient submissions.

Please note that if you satisfy all the requirements for the Title I submission but not the Title II submission, your Title I submission will be marked with a Status of 'Complete.' The Title II submission will be marked with a Status of 'Deficient and will need to be cured.'

Step 1: Login to LASS through FHA Connection using <https://entp.hud.gov/clas/>

Note: For detailed instructions on how to login to LASS, refer to **Section 2.0 - Logging into LASS**

Step 2: Click on the 'Deficient' status link. See below.

STATUS	LENDER NUMBER	LENDER NAME	PROGRAM TYPE	FISCAL YEAR END	LASS ANALYST
Deficient	7715900005	ANY LOAN INC.	Title I and II Loan Correspondent	12/31/2001	Eddie Vedder

Step 3: The following screen will appear allowing the user to create a cure or view the deficient submission in read-only format. A list of deficiency reasons will appear at the top.

Deficiency Reasons:

- Other Income is greater than 50% of Revenue
- Financial Statements use basis other than GAAP
- Type of SAS 29 Opinion on FDT
- Going Concern Indicator
- Explanatory Paragraph other than Going Concern
- Reportable Condition and/or Material Weakness Indicator
- Material Noncompliance Indicator
- Scope - Imposed by Circumstance
- Change in Accounting Principle
- Change in Accounting Estimate
- Change in Accounting Method

Deficiency Reasons ←

As you know, HUD-FHA requires all HUD approved Title I and Title II nonsupervised lenders, mortgagees, and loan correspondents to electronically submit certain financial and compliance data based on audited financial statements within 90 days after the end of their fiscal year. Based on our review of your recent electronic submission, the attached checklist indicates the items that are missing, incomplete or unacceptable and/or financial conditions that do not meet Departmental requirements.

This is to advise you that the Mortgagee Review Board is considering administrative action against your company based on your failure to meet these cited conditions. Your company has the opportunity to 'cure' these deficiencies by providing additional data or information specifically addressing the issues. This information must be submitted electronically within 30 days from the date that you receive this letter. Instructions regarding electronic submission using the Lender Assessment Subsystem are available at <http://www.hud.gov/offices/hsg/sfh/lender/lenders.cfm>.

Failure to complete an acceptable electronic submission demonstrating compliance with all HUD-FHA requirements may result in the withdrawal of your HUD-FHA lender approval. Under the provisions of the Department of Housing and Urban Development Reform Act of 1989, withdrawal must be for a period of at least one year. Your company would be unable to submit a new application to become a HUD-FHA approved lender until the period of withdrawal has expired.

The Department values your participation in its insured mortgage programs. Therefore, your prompt attention to this matter is necessary. Please direct any questions regarding the submission of additional supporting documentation to your analyst at lasc@hud.gov or the Public and Indian Housing Real Estate Assessment Center (PIH-REAC) Technical Assistance Center at 1-888-245-4360.

If you want to Create a Cure to a Deficient submission, click the Create Cure pushbutton. Once you click the pushbutton, Cure screens will appear. If you only want to view the Deficient submission data and enter a cure at a later date, click the Read Only pushbutton.

Do you want to create a cure or view the Deficient submission in read-only format?

Click to create a cure →

← Click to view Read Only submission

Note: If you click the Read Only button, the previous submission will open in read-only format. You cannot make changes to the submission; only view your previously submitted data.

Step 4: Click on the 'Create Cure' button at the bottom of the screen. The following screen will display:

Cure 1		Cure 2	Cure 3	Cure 4	Submit Cure
ELEMENT #	ACCOUNT DESCRIPTION	VALUE		DETAILS	
1701	Cure 1	<input type="text"/>	<input type="button" value="Browse..."/>	No File Uploaded	
Cure Comments:					
<input type="text"/>					
<input type="button" value="Save"/>					

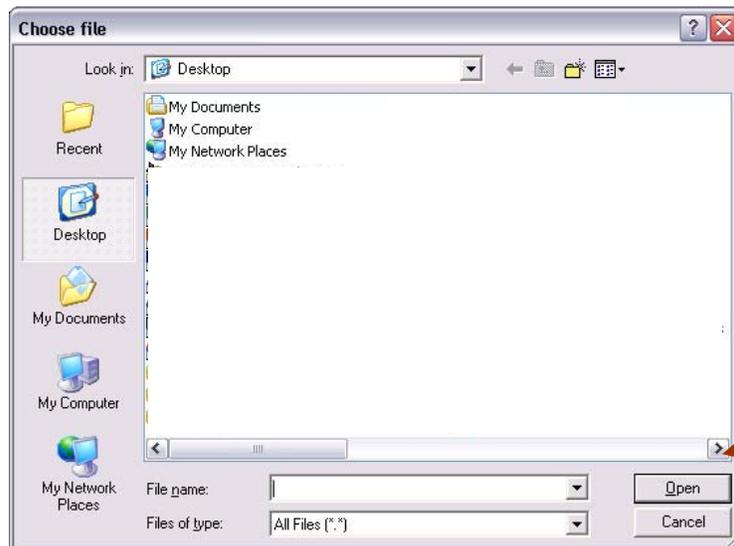
Cure 1 | [Cure 2](#) | [Cure 3](#) | [Cure 4](#) | [Submit Cure](#)

[Inbox](#) | [Lender Info](#) | [Financial Data Template](#) | [Data Collection Form](#) | [Notes & Findings](#) | [Submit](#)

[Reports](#) | [Cure](#)

Step 5: The page defaults to the 'Cure 1' tab. Click on the 'Browse' button to select a file to attach.

Step 6: Pop-up box will appear. Select the file from the appropriate location and click 'Open' on the pop-up box. See below.

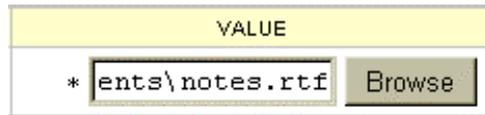


Click here to select a file

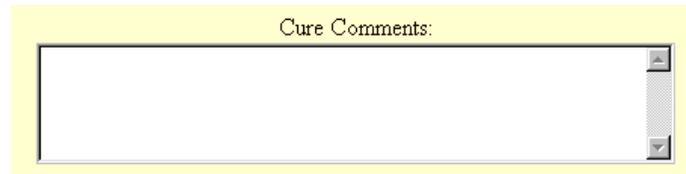
Note 1: Attached file MUST be in Rich Text Format (.rtf), JPG, or GIF or it will not attach.

Note 2: You can cure more than one deficiency identified in the Deficiency Reasons in one attachment.

Step 7: After selecting the file, the file name and path will display in the 'Value' field. See below.



Step 8: Enter any comments related to the attached file in the 'Cure Comments' textbox. See below.



Step 9: Click the 'Save' button under the comments box to attach the file and save comments that were entered.

Step 10: If the file upload is successful, the Open File link appears to the right of the browse button. Proceed to **Step 13**.

Note: To view the file, click on the 'Open File' link

Step 11: If the file upload is *unsuccessful*, the following screen appears:

Invalid File.

The attachment for line item 1701, Cure 1 must be in .rtf, .gif, or .jpg file format.

Use the back button on your browser to return to the previous page and reattach the file.

*To ensure that the filename is correct, use the "Browse" pushbutton to locate the file and attach.

**If you wish to enter Cure Comments, first, attach a file using the "Browse" pushbutton. Then enter your comments into the large textbox. Then click the save pushbutton.

Step 12: Click the 'Back' button on your Internet browser and attach an .rtf, jpg. or .gif file. Repeat Steps 4 - 9 until the file successfully attaches.

Step 13: To attach another file, click on the Cure 2 tab or link at the bottom of the page. You can attach up to 4 cures using the cure tabs. Repeat Steps 4 - 12.

Step 14: Once all cures have been successfully attached, click on the 'Submit Cure' tab. See below.

Cure 1 Cure 2 Cure 3 Cure 4 **Submit Cure**

ELEMENT #	FILE	COMMENTS
1701	Test.rtf	

Submit Cure

Click here to submit the cure to HUD

[Cure 1](#) | [Cure 2](#) | [Cure 3](#) | [Cure 4](#) | [Submit Cure](#)

[Inbox](#) | [Lender Info](#) | [Financial Data Template](#) | [Data Collection Form](#) | [Notes & Findings](#) | [Submit](#)

[Reports](#) | [Cure](#)

[User Guide and System Documentation](#) | [Technical Assistance Center](#)

Step 15: Once the 'Submit Cure' page is displayed, click on the 'Submit Cure' button.



Step 16: The Cure will be submitted to HUD. The following message will appear:

Congratulations!

Your cure has been successfully submitted. Please check your Inbox in a few days to verify that your cure has been accepted by HUD. Your cure has been accepted when the Status in your Inbox changes to Complete.

Note: You should regularly check your Inbox to ensure your cure has been accepted. Once your submission status is Audit Accepted, you do not have to enter your next LASS submission until next year!

Step 17: If your cure is found insufficient, the submission status in your Inbox will read Insufficient Cure. See below.

STATUS	LENDER NUMBER	LENDER NAME	PROGRAM TYPE	FISCAL YEAR END	LASS ANALYST
Insufficient Cure	7781700005	ANY LOAN INC.	Title I and II Loan Correspondent	12/31/2001	DARRALL GRIFFIN

Step 18: If you have an Insufficient Cure status and if *time remains in the 30-day cure period*, you may submit another cure. You will click on the Insufficient Cure link and complete **Steps 1 - 16** of this section.

Note: If your cure is in 'Insufficient Cure' status and your 30-day cure period has expired, you will no longer have the ability to submit a cure. See below.

You no longer may submit to LASS. Your 30-day cure period has expired.

STATUS	LENDER NUMBER	LENDER NAME	PROGRAM TYPE	FISCAL YEAR END	LASS ANALYST
View Submission	7781700005	ANY LOAN INC.	Title I and II Loan Correspondent	12/31/2001	DARRALL GRIFFIN

Step 19: After the cure period expires, HUD will reevaluate your submission and/or cure, if the submission and/or cure is still deemed deficient, your FHA-approved lending status will be withdrawn and the following information will appear in your Inbox:

STATUS	LENDER NUMBER	LENDER NAME	PROGRAM TYPE	FISCAL YEAR END	LASS ANALYST
Withdrawn	7781700005	ANY LOAN INC.	Title I and II Loan Correspondent	12/31/2001	DARRALL GRIFFIN

Note: If your status is *Withdrawn*, you will receive a certified letter explaining what plan of action you may take. See **Section 6.0 - Responding to a Withdrawn Submission** of this manual.