



# *Lender Insurance Guide*

*Updated July 19, 2007*



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## 1. Introduction

### 1.1. *Purpose of this Guide*

On January 1, 2006, the Department of Housing and Urban Development (HUD), Federal Housing Administration's (FHA's) Office of Single Family Program Development implemented Lender Insurance (LI), a new way of insuring loans for forward mortgages that is available to approved lenders. On June 4, 2007, HUD implemented a pilot for insuring HECM or reverse mortgages. Because LI significantly changes the method of applying for and approving insurance applications, FHA Single has provided this guide to assist Lenders, Homeownership Center (HOC) staff, and contractors who participate in the pre-insurance review, post endorsement technical review, and appraisal review processes.

### 1.2. *Guide Organization*

Lenders, HOC staff and contractors all participate in the LI function, and each of them have different roles and responsibilities. This Guide is organized first by participant group (Lenders and HOC staff or contractors) then by major process area. This way, lenders can easily refer to the Chapter that pertains to their process activities, and HOC staff and contractors can refer to the Chapter that addresses their responsibilities. Chapters are organized into sections addressing each process.

Because the implementation of LI is supported by changes to **FHA Connection (FHAC)**, the **Underwriting Report System (URS)** and the **Appraisal Review Report (ARR)** System, descriptions of these systems and instructions for their use are also included in this Guide. In connection with FHA systems, the following narrative conventions are used:

- ✓ System Names will be in **Bold (FHAC, URS, ARP)**
- ✓ System screens will be referred to in *Italics* as *Pages* and will be identified by their *Page* title
- ✓ Fields are identified in "quotations"
- ✓ When the user is required to enter data into a "field" the data to be entered is enclosed in [brackets]. The option a user selects from a drop-down list also will be enclosed in [brackets].



- ✓ Links to non-FHAC system pages are identified in Arial font

### 1.3. *Additional LI Resources*

Because the LI function is new, FHA-SF managers and the LI Project team established a variety of resources to assist new participants with the required processes. The following documents and information are available on HUD's Web site:

- ✓ Mortgagee Letter (ML) 2005-36 "Lender Insurance Program" ([www.hudclips.org](http://www.hudclips.org), under 2005 Mortgagee Letters)
- ✓ *LI Developer's Guide* (for those lenders submitting electronic case binders (eCBs) (<http://www.hud.gov/pub/chums/electronicCaseBinder.pdf>).
- ✓ "CHUMS Processing Instructions" (available to HUD staff and HUD contractors only) (<http://hudatwork.hud.gov/po/h/hs/sys/chums/chumsf17.cfm>)
- ✓ **Neighborhood Watch** (<https://entp.hud.gov/sfnw/nw/>).
- ✓ A new Lender Insurance Home Page (<http://www.hud.gov/offices/hsg/sfh/lender/lendins.cfm>) This resource provides a description of the LI Program and has links to the references listed above.

### 1.4. *FHA-SF HOC Contact List*

FHA-SF's four HOCs administer the LI function and provide technical assistance to participants. To obtain information about LI, interested lenders should contact the FHA Resource Center by phone at 1-800-225-5342 or by e:mail at [hud@custhelp.com](mailto:hud@custhelp.com).



## The Lender Insurance Program

### 1.5. *Program Overview*

The primary purpose of the LI program is to streamline and simplify FHA's insurance process. LI permits high-performing lenders to insure FHA loans without a Homeownership Center's (HOC) pre-insurance review. Instead, the lender performs its own pre-insurance review using personnel that neither originated nor underwrote the mortgage.<sup>1</sup> The lender then submits loan-level data to FHA via **FHAC** or **B2G**. **FHAC/B2G** performs an automated verification process to check the data for accuracy and completeness. Loans passing the edits are insured automatically.

Lenders will be required to submit the first five cases it insures under the LI program to the appropriate HOC. Following the review of the first five cases, LI lenders must submit a case binder (CB) to a HOC prior to obtaining FHA mortgage insurance if the automated verification process results in a "Severe Case Warning" indicating risk to FHA. Since the HOCs review the CBs prior to insurance only on an exception basis, the Notice of Return (NOR) process with its accompanying CB resubmission requirements is dramatically reduced.

FHA still selects a sample of loans for post-endorsement technical review (PETR) and appraisal review. Lenders must submit either paper or electronic CBs in response to FHA's request for review within ten calendar days. CBs requested by FHA for pre-insurance exception processing due to Severe Case Warnings, post-endorsement review, or appraiser review continue to fall under the jurisdiction of the appropriate HOCs.

Once a lender begins participating in LI, it must process all loans it originates or underwrites using LI. All pipeline loans must be reviewed and insured by the lender using the LI insurance process. Lenders may submit requested CBs in paper or electronic format. However, once a lender is approved to submit case binders in an electronic format (eCB), all loans must be submitted to HUD in an electronic format. This new process makes it easier for lenders to do business with FHA and is more cost-effective for all participants.

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<sup>1</sup> Mortgagee Letter 2005-36 lists the requirements for the pre-insurance review. Appendix A is a checklist LI lenders can use during this process.



The regulations governing Lender Insurance are pursuant to Section 256 of the National Housing Act and were published in the Code of Federal Regulations at 24 CFR §§203.4, 203.6, and 203.255(f) on June 2, 1997. On September 23, 2005, FHA issued Mortgagee Letter 2005-36 “Lender Insurance Program,” which provides detailed program requirements (Appendix C).

### 1.6. *Eligible Lenders*

Lenders meeting the following criteria are eligible to participate in the LI Program for Forward Mortgages:

- ✓ FHA approved Mortgagee
- ✓ Origination Mortgagee approval
- ✓ 2 years' current default/claim rate at or below 150% of:
  - the *national* average rate for all insured mortgages for national lenders or
  - the *state* average rate for insured mortgages for lenders operating in a single state.

The current default/claim rate is derived at the corporate level of the lender. The rate is calculated based on the lender underwriting the loan. If there is more than one lender on the loan (for example, an originator plus a sponsor or agent), the rate of the sponsor or agent is used. For DE mortgagees that underwrite as sponsors for FHA-approved loan correspondents, the default and claim rate is the aggregate of both retail originations and mortgages underwritten for their loan correspondents. Since lenders are approved at the corporate level, any lending branch within an approved corporation can participate.

Lenders meeting the following criteria will be eligible to participate in the LI Program for HECM or Reverse Mortgages (when implemented):

- ✓ FHA approved Mortgagee
- ✓ 2 years unconditional HECM approval
- ✓ Qualify for forward LI approval if underwrite forward mortgages

*Lenders with a pre-closing status or newly released pre-closing status are not eligible for the LI Program.*



Approval for the LI Program is effective for one year. The lender's claim/default rate will be re-evaluated each year if approved to insure forward mortgages on their LI Authorization anniversary date against performance information displayed in **Neighborhood Watch**. If the lender continues to meet LI Program eligibility requirements, its LI status is renewed for another year automatically. If the lender's performance falls below that required for LI, a letter informing the lender that their LI approval is withdrawn will be automatically generated. (In the future, the *Insurance Application Page* will display the following message: LI status is withdrawn because the lender no longer meets eligibility requirements) Lenders who may no longer participate in LI will not see the option "Insure Yes/No" on the *Insurance Application Page*.

Additionally, a lender's eligibility to participate in LI may be terminated<sup>2</sup> at any time if the lender fails to:

- ✓ Adopt and employ a pre-insurance review process.
- ✓ Maintain DE approval at the lender and branch level.
- ✓ Maintain eligibility criteria.
- ✓ Submit requested case binders on time.

Requested CBs must be submitted to the appropriate HOC within ten calendar days of the request date. The LI lender may submit either a paper CB via mail or an electronic CB (see section 2.7). If the lender fails to submit five or more requested case binders within the established timeframe - at one time, the HOC Processing and Underwriting Division (PUD) Director may determine that the lender must be suspended from the LI Program until all CBs have been received by the requesting HOCs. If the lender continues to exhibit a pattern of noncompliance, Processing and Underwriting staff will suspend its LI approval until all five binders are received. Information to lenders on how to apply for the LI Program is presented in Section 3.2 and to HOC staff administering LI lenders in Section 4.9.

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<sup>2</sup> Termination provisions for individual lenders are at 24 CFR § 203.4(d).



### 1.6.1. Check Eligibility Using Neighborhood Watch

To determine if they are eligible for LI for insuring forward mortgages, lenders can access the **Neighborhood Watch/Early Warning System** at

<https://entp.hud.gov/sfnw/nw/> and follow the steps below:

- Step 1. From the Menu select [Early Warnings] then select [Single Lender] to display the *Early Warnings—Single Lender Page* (Figure 1).
- Step 2. Enter the first few letters of the lender name or the five-digit lender ID into the “Direct Endorsement Lender” field.
- Step 3. Moving from left to right across the Page, select [Direct Endorsement Lender] from the “Mortgagee Selection” box.
- Step 4. Select [Current Defaults] from the “Default Choices” box.
- Step 5. Select the most recent date from the “Performance Period” box.
- Step 6. Drop down to near the bottom of the Page and select [Nationwide Totals] from the “Show Data For” box. (Lenders doing business in just one state should select [State] from the drop down box.

The screenshot shows the Neighborhood Watch Early Warning System interface. The main heading is "EARLY WARNINGS -- SINGLE LENDER". Below this, the "Direct Endorsement Lender" is set to "MORTGAGE COMPANY - 98765" and the "Area" is "UNITED STATES". There are three main sections: "Mortgagee Selections" with a dropdown for "Direct Endorsement Lender", "Originator by Institution", and "Originator by Branch"; "Default Choices" with "Current Defaults" selected, showing "Defaults within the first year" and "Defaults within the first two years"; and "Performance Period" with "Data as of 03/31/2005" selected, along with "Data as of All Quarter End Dates" and "Data as of 06/30/2005". There are checkboxes for "Compare Lenders to Area:" (checked) and "View Credit Watch data:". Below these are "Output Options" with "Show:" set to "All Loans" and three rows of "Show only records between" with values 1, 0, and 0, and corresponding dropdowns for "total loans underwritten", "total defaults and claims", and "compare ratio". The "Show Data For:" dropdown is set to "Nationwide Totals". At the bottom, "Report Options" include radio buttons for "Detail and Totals", "Detail Only" (selected), and "Totals Only", and a "Sort By:" dropdown set to "Percent of Defaults and Claims" with a "Descending" dropdown.

Figure 1. Checking Lender Eligibility in Neighborhood Watch.

- Step 7. View the “Total Compare Ratio” (Figure 2). The Compare Ratio for all DE loans—both retail and sponsored—must be  $\leq 150\%$ .



**Single Lender - Direct Endorsement Lender**  
**MORTGAGE COMPANY - 98765**  
**Loans Underwritten in the United States**  
Default Choice - Current Defaults  
Performance Period - 11/30/2005  
Sort Order by Percent of Defaults and Claims in Descending Order  
*Data shown includes all insured single family loans with beginning amortization date between December 01, 2003 and November 30, 2005*

Rank	United States	Compare Ratio	Loans Underwritten	Defaults & Claims	% Defaults & Claims	Branches	% Loans	Area Loans Underwritten	Area Defaults & Claims	Area % Defaults & Claims
		Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Retail Sponsored	Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored	Total Retail Sponsored
		118%	69,799	2,775	3.98			1,199,587	40,539	3.38
		129%	58,733	2,328	3.96	409	84.15	814,142	25,183	3.09
1		102%	11,066	447	4.04	1,440	15.85	385,445	15,356	3.98

Displaying records 1 to 1 out of a total number of 1 records  
[Download this report to an Excel file \[Help\]](#)

Figure 2. Determining LI Eligibility Using Neighborhood Watch.

### 1.7. Eligible Loan Products

All FHA-insured forward mortgages are eligible for LI processing and the electronic case binder (eCB) option described in Section 2.7. These include loans under FHA's basic mortgage insurance programs:

- ✓ 203(b): Standard FHA mortgages for detached dwellings
- ✓ 203(h): Mortgages for disaster victims
- ✓ 203(k): Rehabilitation mortgages
- ✓ 234(c): Condominium mortgages
- ✓ 247: Hawaiian Homelands mortgages
- ✓ 248: Mortgages on Indian Reservations and other restricted lands
- ✓ 251: Adjustable rate mortgages, and
- ✓ EEM: Energy Efficient Mortgages
- ✓ 255: HECM or Reverse Mortgages (coming soon)

When HECM LI is implemented, lenders will certify on behalf of HUD on the Revised Notice to Borrower (HECM Handbook Appendix 16), HECM Loan Agreement (Appendix 8), and on the Repair Rider for the Loan Agreement (HECM Handbook Appendix 7). These three documents along with the Original Second Note and Recorded Security Instrument must be sent directly to Morris Griffin-First Madison in a



brown file folder w/ FHA case number on it to 4111 S. Darlington, Ste 300, Tulsa, OK 74135.

Currently, with the exception of lenders participating in the HECM LI pilot, there is no change to the insurance processing for HECM loans, lenders must submit the original paper CBs to the HOCs just as they do today. That is, **HECMs cannot be endorsed by LI lenders and paper CBs are always required until the HECM LI program is implemented.**

### 1.8. *Endorsing from Data*

Under LI, lenders submit loan-level data to FHA just as they do today—via **FHAC**, **B2G**, or other means. Once FHA's system receives sufficient data to satisfy it of the legitimacy of the mortgage insurance request, it acknowledges receipt of the lender's data electronically. The submitted loan-level dataset then undergoes a series of FHA Program risk-mitigation edits (for example, loan amount and social security number validation, etc.). If the data passes all of these edits, the lender is not required to provide a CB to FHA to obtain insurance. Instead, the system electronically generates a mortgage insurance certificate (eMIC) to serve as evidence that the loan is insured. Lenders who are qualified for and wish to participate in LI must use the LI process for all of their FHA-insured mortgages (with the exception of HECMs).

### 1.9. *Requirements for Submitting Case Binders*

#### 1.9.1. Prior to Obtaining FHA Insurance

Since the loans are being insured based upon the data, lenders do not submit CBs to the HOC for pre-insurance processing unless loan-level edit results require them to do so. These results take the form of Severe Case Warnings and occur under the following three conditions:

1. A borrower failed or is pending SSN validation,
2. A borrower has a record in the **Credit Alert Interactive Voice Response System (CAIVRS)**—indicating a credit sanction), or
3. An LI deficiency exists causing risk to FHA. The requesting HOC will add text to the case warning message screen identifying the reason(s)



requiring submission of the case binder to the HOC for a pre-endorsement review.

Lenders must submit CBs with Severe Case Warnings to the HOC so FHA staff can conduct a pre-insurance review. These mortgage insurance applications will not be approved until FHA has reviewed the case binder and determined insurance eligibility.

#### 1.9.2. After Obtaining FHA Insurance

The lender's first five requests for insurance under LI will result in a reply from FHA requesting the case binder so that it can be reviewed. Thereafter, after the loan is insured, lenders submit the CB to the HOC only if the loan is selected for a post-endorsement technical review (PETR), appraiser review (ARR), or review/audits. CBs can be requested for review/audit at any time after insurance in support of the following:

- ✓ Congressional requests
- ✓ Freedom of Information Act (FOIA) requests
- ✓ Hotline referrals
- ✓ Program complaints
- ✓ FHA's Quality Assurance Division requests
- ✓ Inspector General (IG) or Government Accountability Office (GAO) requests

FHA requests the CB from the lender by entering the case number on the *Insurance Application Page*. Lenders also may check to see if FHA has requested any CBs by accessing a new **FHAC Page, Binder Selection**. Additionally, the *Case Query Page* now provides information on the status of single LI cases.

#### 1.10. *Responding to CB Requests*

Requested CBs must be submitted to the appropriate HOC within ten calendar days of the request date. The LI lender may submit either a paper CB via mail or an electronic CB (see section 2.7).



### 1.10.1. Tracking Requested CBs

LI lenders and HUD personnel can track the status of requested CBs. In **FHAC**, the *Case Query* Page has been modified to display the status of a single case and the *Binder Selection* Page has been added to show the status of multiple CB requests.

### 1.11. *Recap: Four LI Insurance Scenarios*

Under LI, once the lender submits the loan data, one of four potential outcomes will occur:

- ✓ LI Eligible/No CB Request: Mortgage is insured and an eMIC is generated. Case is not selected for PETR or Appraisal Review, so there is no CB request.
- ✓ LI Eligible/CB Request: Mortgage is insured and an eMIC is generated. The case is selected for PETR so a CB request is made of the lender via the inclusion of the case number on the *Insurance Application*, *Binder Selection*, or *Case Query* Pages. These Pages also indicate when the CB is received and its processing status.
- ✓ LI Deficient/Lender Can Resolve: Mortgage is not insured because system edits rejected the case (for example, the mortgage amount exceeds the statutory limit). In these cases, warnings display informing the lender of the issues that it must resolve prior to re-submitting the mortgage for insurance. In this situation, the lender must submit the CB to FHA for a pre-insurance review only if it is unable to cure the deficiency and successfully resubmit the insurance data. If upon that second submission, FHA's system accepts the case, the eMIC will be generated. If the lender still cannot cure the reason for the denial, insurance will be withheld until such time as the stated deficiencies are corrected; this may result in the request for the CB for HOC pre-insurance review.
- ✓ LI Deficient/ Lender Unable to Resolve or Severe Case Warning: Mortgage is not insured because a severe case warning was triggered (for example, a CAIVRS exception). The lender must submit the CB to the appropriate HOC for pre-insurance review. The lender is required to submit the case binder for pre-endorsement review to the applicable HOC even if the lender determines the loan is ineligible for insurance endorsement.

### 1.12. *Electronic Case Binder Option*

Participating LI lenders may choose to submit requested CBs in electronic format. LI approval is a pre-requisite for the electronic CB option. An electronic—or *digitized*--CB is referred to as an “eCB” or “eBinder.” The standards for the eCB, as well as the



test site for transmittals, can be found in the *Electronic Case Binder Developer's Guide* at <http://www.hud.gov/pub/chums/electronicCaseBinder.pdf>.

In order to submit an eCB, the lender must have electronic copies of the closing package documentation and produce an extensible Markup Language (XML) file based on the Mortgage Bankers' Association's (MBA)(Mortgage Industry Standards Maintenance Organization's (MISMO) ePackage SMARTDoc standard.

MISMO was established by the Mortgage Bankers Association (MBA) to coordinate the development and maintenance of Internet-based Extensible Markup Language (XML)<sup>3</sup> real estate finance specifications. It developed the SMARTDoc, short for **Securable, Manageable, Archivable, Retrievable, and Transferable Document**]. A SMARTDoc integrates the data, presentation, business rules, and optionally, the digital signatures to guarantee the authenticity of the document. That is, SMARTDocs combine data only understandable by computers with presentation functionality to display documents as they actually appear in hard copy format. SMARTDocs can be saved and stored by users as if they were any other file.

FHA's preferred imaging standard is a single page TIFF file. TIFF (Tagged Image File Format) is one of the most widely supported industry standard file formats developed for the purpose of storing high-resolution bit-mapped, gray-scale, and color images on computers. TIFF files often end with the extension ".tif." FHA will also accept other standard imaging formats including multi-page TIFF and PDF<sup>4</sup> files.

Lenders must create an automated process to encapsulate each image file into the MISMO Category 4 SMARTDoc, and then combine each SMARTDoc into a single file using the MISMO ePackage Version 1.0 Standard. The details for creating MISMO Smart Documents and a MISMO ePackage can be found at the eMortgage section of the MISMO Web site (<http://www.mismo.org/>).

The list of documents that are to be included in the eCB and the order in which they must be indexed are included in the *Developer's Guide* located at

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<sup>3</sup> XML was designed especially for Web documents, enabling the definition, transmission, validation, and interpretation of data between applications and between organizations.

<sup>4</sup> PDF is the acronym for *Portable Document Format*, a file format developed by Adobe Systems. PDF captures formatting information from a variety of desktop publishing applications, making it possible to send formatted documents and have them appear on the recipient's monitor or printer as they were intended.



<http://www.hud.gov/pub/chums/electronicCaseBinder.pdf>. The list is identical to the documents required for the paper CB.

*Once LI lenders decide to submit electronic case binders, they must use electronic case binders for all loans.*

After the lender decides to participate in LI with the eCB option, it will undergo a testing phase intended to ensure that it can correctly format and transmit the eCB in the required standard format. The purpose of this quality control measure is to allow FHA staff to make certain that the mortgagee is able to transmit an acceptable digitized case binder for its review. FHA intends to make the submission of eCBs an LI Program requirement once it has had sufficient time to examine the process and determine if any amendments or changes are necessary. High-volume lenders are encouraged to develop an electronic submission capability as soon as possible to take advantage of the substantial time and cost savings associated with paperless LI.

### 1.13. *Record Keeping Requirements*

Record keeping requirements do not change. LI lenders (originators and sponsors) must maintain the CB in either hard copy or electronic format for two years from the date the loan was insured. Lenders who choose to send eCBs are not required to maintain the eCB files provided they keep hard copy files. However, they must *submit* eCBs when requested to do so by FHA.

Servicing lenders must maintain the complete case binder for a period of three years beyond the life of the loan.<sup>5</sup> It is imperative that servicing lenders use due diligence to obtain a complete origination binder for each and every FHA loan they service.

### 1.14. *LI Termination*

If a lender that has been approved by HUD for the Lender Insurance program violates the requirements and procedures, HUD may immediately terminate the mortgagee's

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<sup>5</sup> Events signifying the end of the "life of the loan" include loan maturity, repayment, refinancing, or foreclosure.



approval to participate in the Lender Insurance program. Mortgagees that are terminated from the Lender Insurance program must submit every case binder to HUD for a pre-insurance review and insurance endorsement. Lender Insurance approval may be terminated for any of the following:

- Failure to submit requested binders to HUD within the new timeframe of ten (10) business days
- Three occurrences of binders being late by ten days or more within a 90-day period
- Failure to pass the annual Lender Insurance eligibility review with a default and claim rate of 150% or less of the national or state rate. This review is automatically performed one year from Lender Insurance approval date
- Termination of FHA approval
- FHA Merge status

Lenders will receive an e-mail notification warning them that 5 binders are late by 10 business days or more, that their LI approval was terminated for late submission of case binders, or for a pattern of late binder submission. Processing and Underwriting staff in the Home Ownership Centers will notify lenders by letter that their LI approval was terminated when they fail the annual LI eligibility review, fail to submit requested binders to HUD within 10 business days, or for three occurrences of binders being late by ten days or more within a 90-day period. Lenders may appeal the termination of LI by requesting an informal conference with HUD staff.



## 2. LI Lender Processing Requirements

### 2.1. Overview

From a lender's perspective, the LI function can be broken down into the following major processes:

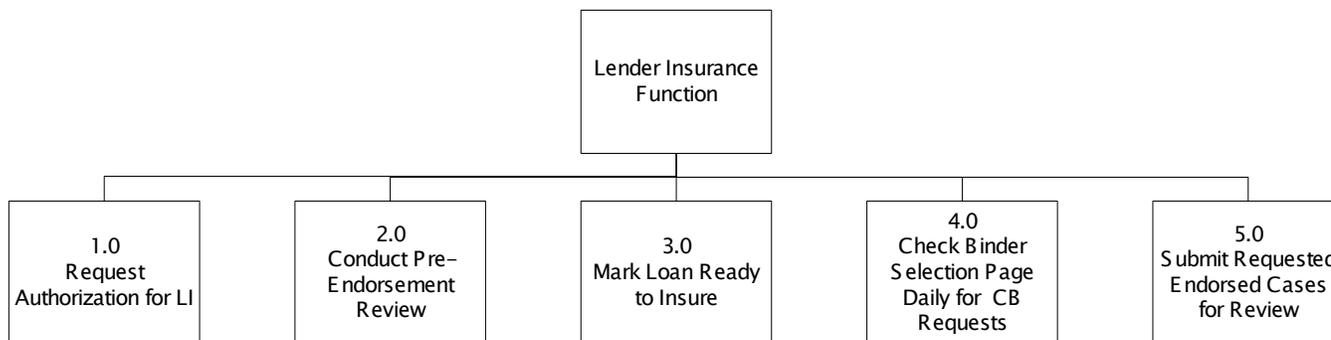


Figure 3. Lender's LI Process Flow.

The FHA systems lenders are accustomed to using when requesting FHA insurance—**FHAC** or **B2G** also support LI processing. **FHAC** users must log on to apply for certification to participate in LI, and will see one new field on the *Insurance Application* Page that they will fill in to indicate they believe the loan complies with all FHA requirements and is ready for endorsement. Additionally, they will be able to view the Binder Selection Page for lists of LI cases that have been endorsed, cases that can not be endorsed without further review of the case binder, and cases that have been requested for Post-Endorsement Technical Review and Appraiser Review. The Case Query Page will show the selection status for an individual case. The same functionality is also available to **B2G** users.

### 2.2. Request Authorization for LI

Lenders should not send applications to the HOC to participate in LI. The lender's Application Coordinator completes the application process online following the steps below:



- Access the **Lender Insurance Acknowledgment** from the *FHA Connection ID Administration Request Page*

-OR-

- Select the **Lender Insurance Acknowledgment** link on the *Lender Functions* menu (Figure 4b below) and select the hypertext link [Lender Insurance Acknowledgement](https://entp.hud.gov/idadmin/html/idadmin_regmenu.cfm) ([https://entp.hud.gov/idadmin/html/idadmin\\_regmenu.cfm](https://entp.hud.gov/idadmin/html/idadmin_regmenu.cfm)) (Figure 4a).

Figure 4a. Applying for the LI Program.

Figure 4b. Applying for the LI Program.



The *Acknowledgement of Terms and Conditions for Lender Insurance* Page displays (Figure 5) and serves both as the application for the LI Program and an acknowledgment of LI's terms and conditions:

**Acknowledgment of Terms and Conditions for LI**

Lender ID: **77680**      Lender Name: **FIRST WORLD MORTGAGE CORP**

The FHA-approved Direct Endorsement mortgagee, as identified here by the CHUMS identification number prior to participating under FHA's Lender Insurance program, certifies that by this use and all subsequent transmissions of loan-level data needed to induce the Federal Housing Administration to offer insurance endorsement, that it will:

Participate under the Lender Insurance program in accordance with the requirements described in 24 CFR 55 203.4, 203.6 and 203.255(f).

Conduct a pre-insurance review of each mortgage as required under 24 CFR 203.6; that no staff member who performs this review will have originated or underwritten said mortgage; and that no staff member who originates or underwrites said mortgage will perform this review.

Transmit a true, accurate, and complete paper or digitized case binder in a manner as prescribed by FHA within a time limit as prescribed by FHA following FHA's request;

Maintain a copy of said mortgage case binder for a minimum of two years following endorsement, either in hard copy or digitized format, and make it available to FHA within a time limit as prescribed by FHA following FHA's request;

Comply with any additional HUD/FHA requirements or procedures that are applicable to the implementing statute (Section 256 of the National Housing Act); those regulations cited above; all pertinent mortgagee letters regarding FHA's Direct Endorsement and Lender Insurance programs and other administrative notices issued by HUD/FHA as well as all other FHA mortgage insurance requirements.

5 CFR 1320.3(h)(1) exempt: certification.

 I agree and certify to these terms

I wish to apply for LI [Forward](#)

Figure 5. Application for LI Program and Acknowledgement of its Terms and Conditions.

- Step 1.** Click the checkbox next to “I wish to apply for LI Forward”. By clicking [Forward](#) displays the definition for the term forward. When the **Lender Insurance Acknowledgment** link is selected at either location, the **Lender Insurance Contact** page is displayed for adding or updating information.
- Step 2.** When the page is completed and processed, the **Acknowledgment of Terms and Conditions for LI** page appears for applying for the LI Forward program and acknowledging its terms. Click “Send” to transmit the LI application. The system automatically validates that the lender qualifies for the LI program by checking for two unconditional DE status and acceptable default/claim rate. If the lender is authorized to participate



in LI, a “Success” message displays and the lender’s LI status is recorded in **CHUMS**. If the lender is not qualified an error message displays.

Step 3. From the *FHAC ID Maintenance Page* (Figure 6), click the “Insuring Authorization” option in the “Insurance Application” section for each qualified employee. The authorization is for both **FHAC** and **B2G** and enables the employee to add or update case information. If the Application Coordinator tries to grant LI authorization to the employee of a lender not approved for LI, an error message will display. Once authorized, the employee will see one new field on the *Insurance Application Page*: “Insure Yes/No.” This will be discussed in detail in Section 3.4.

Authorization for CHUMS Applications:		
<input checked="" type="checkbox"/> CAIYRS Authorization	<input checked="" type="checkbox"/> Case Query	<input checked="" type="checkbox"/> Mortgage Insurance Certificate
<input checked="" type="checkbox"/> Case Transfer	<input checked="" type="checkbox"/> Refinance Authorization	<input checked="" type="checkbox"/> Underwriter Registry
<input checked="" type="checkbox"/> Underwriters	<input checked="" type="checkbox"/> Origination Reports	<input checked="" type="checkbox"/> MIC/NOR List
<input checked="" type="checkbox"/> Mortgagee Performance Report		
<b>Appraisal Processing:</b>	<input checked="" type="radio"/> Add/Update <input type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized	<b>Case Number Assignment:</b> <input checked="" type="radio"/> Add/Update <input type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized
<b>Insurance Application:</b>	<input type="radio"/> Insuring Authorization <input checked="" type="radio"/> Add/Update <input type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized	<b>Inspector Assignment:</b> <input checked="" type="radio"/> Add/Update <input type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized
<b>Non-Profits:</b>	<input checked="" type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized	<b>203k Case Close-Out:</b> <input checked="" type="radio"/> Add/Update <input type="radio"/> Not Authorized
<b>203K Consultants:</b>	<input checked="" type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized	<b>Mortgage Credit Reject:</b> <input checked="" type="radio"/> Add/Update <input type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized
<b>Notice of Return:</b>	<input checked="" type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized	<b>Borrower/Address Change:</b> <input checked="" type="radio"/> Update <input type="radio"/> Query (Read-Only) <input type="radio"/> Not Authorized

Figure 6. Granting Insuring Authority to Approved Lender Employees.

### 2.3. New LI Process for Merged Lenders

A lender formerly approved to participate in the LI Forward program may be part of a merger and assume a new lender ID under the merged organization. In order to



reinstate its status in the LI program, a new process was put into place.

Acknowledgment of the terms and conditions of the LI program can be processed for the lender by HUD personnel rather than the lender's Application Coordinator.

#### 2.4. *Lender Insurance History*

Application Coordinators can access the **LI History** page to view their company's LI forward activity.

#### 2.5. *Conduct Pre-Insurance Review*

With LI, the data entry process (using either **FHAC** or **B2G**) does not change. Lenders still are required to submit the same information about the loan, property, and borrower that they have always submitted in the past. What does change is that now, authorized lender staff—instead of HOC staff—perform the pre-insurance review of the supporting documentation in the CB. In order to comply with FHA's LI Program requirements, lender staff that originated or underwrote the mortgage for insurance may not conduct the pre-insurance review of the loan.

*The pre-insurance review must be conducted by someone on the lender's staff who neither originated nor underwrote the mortgage. That is, this person must not have participated in any way in the processing of the mortgage.*

The pre-insurance review is a documentation and data entry validation process. Lenders must ensure that required documents are included in the CB, are complete, and are executed appropriately. Similarly, lenders must verify that the insurance application data based upon the CB documents has been entered completely and accurately; the data must match the supporting documents **in the CB**. In short, the lender must be confident that all conditions for insurance have been satisfied by the supporting documents and data **integrity**. This is not an underwriting review—it is a document and data **integrity**] compliance review.



In addition to certifying that all origination documents are retained in either electronic or paper format, the lender's pre-insurance review should include the following steps (listed in ML 2005-36 included in Appendix C).

- Step 1. If the loan being reviewed closed more than 60 days ago, verify that the loan is current for the month preceding submission.
- Step 2. Ensure that no mortgage insurance premium (MIP) late charge or interest is due.
- Step 3. Review the note and mortgage/security instrument to ensure:
  - ✓ The documents are executed on forms that meet FHA's requirements,
  - ✓ The mortgage maturity meets the requirements of the applicable program, and
  - ✓ The mortgage amount does not exceed the maximum mortgage amount for the area.
- Step 4. Review form HUD-92900-A, *Addendum to URLA*, page 3, for **completion and** execution of all appropriate certifications by the underwriter or lender representative.
- Step 5. Review the property appraisal and any additional documentation supporting the appraised value.
- Step 6. For 2-4 unit properties, include an executed form HUD-92561, *Transient and Hotel*.
- Step 7. Include a certificate of intent to occupy by military personnel, when applicable.
- Step 8. Include an approval letter from the local health authority indicating approval of the individual water or sewer system **when applicable**.
- Step 9. For proposed construction loans:
  - ✓ Review form HUD-92544, *Builder's One-Year Warranty*, and
  - ✓ If the mortgage exceeds 90 percent loan-to-value ratio, include evidence that the mortgagee qualifies for a higher ratio loan under one of the applicable provisions in the appropriate regulations.
- Step 10.** Ensure all case warning messages have been cleared.

A more detailed CB checklist is included in Appendix D.

## 2.6. *Mark Loan Ready to Insure*

Once the lender has entered all required data into **FHAC** or via **B2G**, completed the pre-insurance review, and believes the loan meets all FHA requirements for insurance,



it will click [Yes] in the “Insurance Decision” field on the *Insurance Application Page* and click “Send.” (Figure 7).

**\* Endorsement Information \***

Insurance Decision:  Yes  No

Send    Reset

Figure 7. Marking the Loan Ready to Insure.

If the entered data passes all **CHUMS** data edits and processing is successful, the *Insurance Application Results Page* appears with data in the “Insurance Decision,” “Insurance Date,” and “Insured by” fields (Figure 8). Note the following data about the “Insured by” field:

- ✓ The “Insured by” field is not displayed for non-LI lenders.
- ✓ If the case was insured by the lender, the field displays the **FHAC** User ID of the employee who endorsed the case
- ✓ If the case was endorsed by a HOC staff member, [HOC] is displayed in this field.
- ✓ The **FHAC** User IDs displayed in the field are coded. Notice that the ID shown in Figure 8 starts with [M]. [M] IDs mean the loan was insured based on the lender’s data; [H] IDs mean the HOC required the lender to submit the CB for review prior to insuring it and a HUD staff member insured the loan; and [C] IDs mean the HOC required the lender to submit the CB for review prior to insuring it and a HOC contractor insured the loan.

**\* Endorsement Information \***

FHA Connection user ID of LI lender

Insurance Decision: Yes      Insurance Date: 02/20/06

Insured by: M10001

Figure 8. Partial *Insurance Application Results Page*--LI Insurance Information for Insured Cases.

Figure 9 shows another portion of the *Insurance Application Results Page* with additional information for the insuring lender. The messages at the top show that the LI



case has been successfully insured “INSURANCE APPLICATION SUCCESSFULLY COMPLETED / CASE INSURED; QUERY ONLY.” However, the case has been selected for post-endorsement technical review “CASE WARNING: BINDER SUBMISSION REQUIRED”. The status of the eCB request shows that the LI lender has already successfully transmitted the case to the HOC “EBINDER HAS BEEN RECEIVED BY HOC FOR REVIEW.”

**FHA Connection**

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Single Family FHA Single Family Origination Case Processing Insurance Application

**Insurance Application Results** Help Links ?

**WARNING** Other Functions

INSURANCE APPLICATION SUCCESSFULLY COMPLETED  
CASE INSURED; QUERY ONLY  
EBINDER HAS BEEN RECEIVED BY HOC FOR REVIEW

FHA Case Number: 581-1234567

\* General Information \*

Property Address: 1715 S 85TH ST FARGO, WI 53214-0000	PUD/Condo: N/A
Originator ID: 9999500349 ALL WEST BANK	County Code: 079

Figure 9. LI Information on the *Insurance Application Results* Page.

The lender may access the electronic Mortgage Insurance Certification (eMIC) via the Mortgage Insurance Certificate link from the *Insurance Application* Page.

### 2.6.1. Processing Cases with Case Warnings

Case warnings, if they are present, will display beneath the “*Insured by*” field. There are two types of case warnings—*Non-Severe* and *Severe*.

The lender is responsible for researching Non-Severe Case Warnings and determining whether they can be cleared. If, after research, the lender believes that the case warnings do not violate FHA program requirements, it may re-submit the loan for endorsement. The lender does not need to acknowledge the



warnings and the system will bypass them during the insurance process. Closing Package Logging occurs and the eMIC is made available.

Severe Case Warnings require the submission of the CB to the HOC for pre-insurance review. There are three Severe case warnings:

- ✓ **CAIVRS** sanction,
- ✓ Social Security Number (SSN) data validation problem, and
- ✓ HOC indication of a potential risk to FHA presented by this loan.

The lender will know that the loan has a Severe case warning because a message will display on the *Insurance Application Results Page*.<sup>6</sup> Additionally, FHA will request the CB for pre-insurance review.

Once FHA requests the CB for pre-insurance review, the lender must submit it in either electronic or paper format within ten business days of the request date. Only one change must be made for LI lenders submitting paper CBs—the paper CBs must be **yellow** to help identify them as requested LI CBs when they arrive at the HOCs. Otherwise, the process for submitting paper CBs remains the same. Paper CBs must continue to be organized according to FHA's current stacking order requirements.

*Paper case binders submitted under the Lender Insurance Program need to be submitted in **yellow** case binders.*

LI lenders may choose to submit requested CBs in electronic format. An electronic or digitized CB is referred to as an “eCB” or “eBinder.” The standards for the eCB, the list of documents that are to be included and the order in which they must be indexed can be found in the *Electronic Case Binder Developer's Guide* at <http://www.hud.gov/pub/chums/electronicCaseBinder.pdf>. FHA requires the same documents for both the paper and electronic CBs.

After the HOC has reviewed the case, the HOC either insures the case and makes the eMIC available to the lender, or issues a Notice of Return (NOR). Lenders

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<sup>6</sup> Lenders may also use the *Binder Selection Page* to list all [Requested] CBs. The *Case Query Page* displays the status of an individual CB. This is described in detail in Section 3.5.



may access the eMIC or NOR from the **FHAC** *MIC/NOR List, Mortgage Insurance Certificate, or Notice of Return Pages*.

### 2.6.2. Tracking Uninsured eCBs

Lenders may check to see if FHA has received uninsured eCBs using the *Binder Selection Page* to list all eCBs [Awaiting Endorsement]; if received, the date the case was assigned to a HOC staff member will display. The *Case Query Page* displays the status of an individual eCB.

### 2.7. *Checking Insured Case Status*

FHA may request CBs for insured loans for quality control reviews (Post-Endorsement Technical Review (PETR) and Appraisal Reviews) and review/audits. PETR cases are selected by **CHUMS** based upon a mathematical algorithm. Appraisal Reviews are selected by the HOCs and an HQ algorithm. CBs may be selected for review/audit at any time after the loan is insured. For both reviews and audits, the case numbers of the CBs the lenders must submit may be viewed in one of three ways.

*All LI Lenders should develop a regular daily process for checking to see if any case binders have been requested.*

First, within **FHAC**, the *Insurance Application Page* displays a message that the case has been selected for PETR at the time the case is insured.

Second, the lender may view the status of one case at a time via the *Case Query Page*. The *Case Query Page* has been modified to show whether the insurance was processed by the lender, the HOC, or has not been processed. Additionally, it displays four binder statuses:

- ✓ Awaiting Receipt
- ✓ Electronic Binder Received
- ✓ Paper Binder Received
- ✓ Not Requested

The third method is a new capability added to **FHAC** to allow users to track the status of more than one case. This is explained in the next subsection.



### 2.7.1. Viewing Multiple CBs—The *Binder Selection* Page

The *Binder Selection* Page was added to the *Case Processing* Menu on **FHAC** for HUD staff and LI lenders. The modified *Case Processing* Menu is shown in Figure 10:

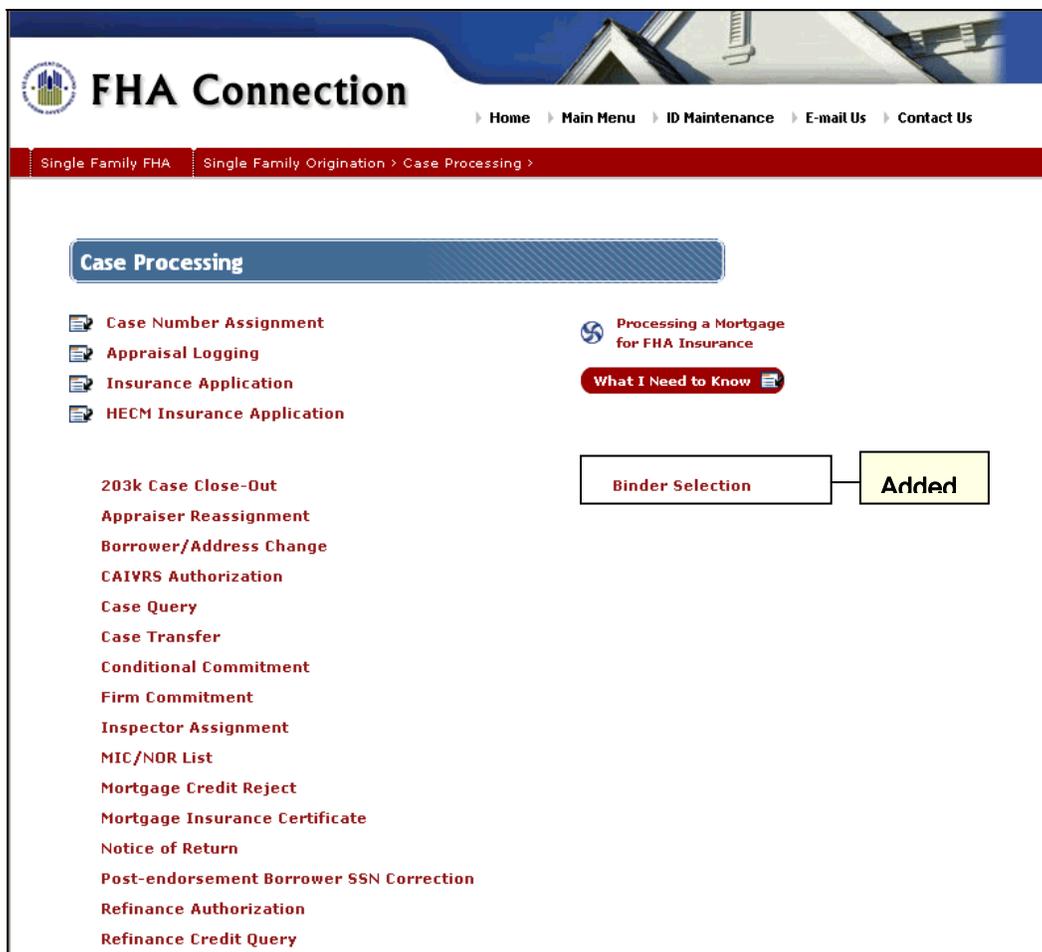


Figure 10. New Binder Selection Option on *Case Processing* Page.

- ✓ The *Binder Selection* Page is used to view a list of CBs that the LI lender must submit, sorted by the status of the CB request.

For LI lenders, the *Binder Selection* Page shows a list of CBs for cases the lender originated or for which it acted as a sponsor or agent. Access to other lender case information is prohibited.



To access the *Binder Selection* Page, lenders click the [Binder Selection](#) link on the *Case Processing* Menu. From the *Binder Selection* Page, lenders may choose to list all the cases corresponding to a particular status (one of the four statuses described in Table 2) by clicking one of the choices from the drop-down list in the “Binder Status” field, as shown in Figure 11.

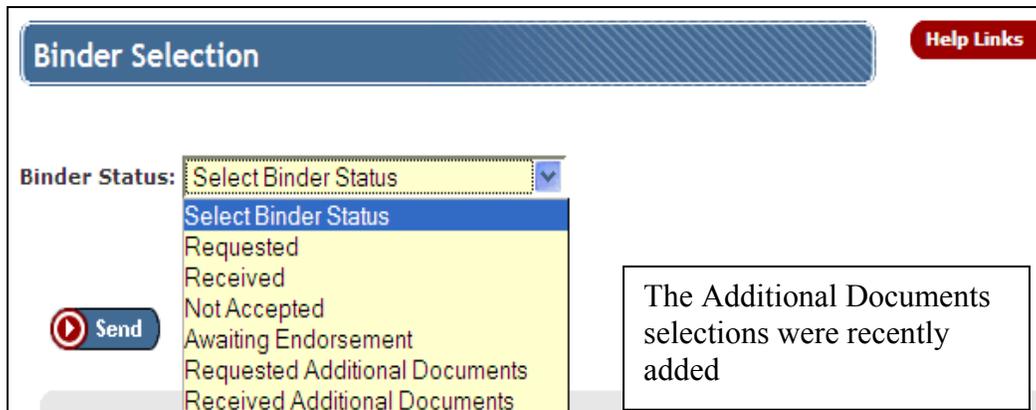


Figure 11. Selecting the Status of LI CBs to View.

**Table 2. Binder Statuses for LI CBs.**

Binder Status	Explanation
Requested	Binders that were: <ul style="list-style-type: none"><li>• requested by the HOC for pre- or post-endorsement review, or appraisal review,</li><li>• requested by FHA in support of a review/audit, or</li><li>• received by the FHA but were unacceptable and must be resubmitted.</li></ul>
Received	Binders that were received by the HOC and were acceptable.
Not Accepted	Binders that were received by the HOC and were unacceptable.
Awaiting Endorsement	Binders for uninsured cases with Severe Case Warnings that were: <ul style="list-style-type: none"><li>• received by the HOC, or</li><li>• received by the HOC and assigned to a HOC staff member for processing.</li></ul>



---

Requested Additional Documents	Missing documents were requested by the HOC.
--------------------------------------	--

---

Received Additional Documents	Missing documents were received by the HOC.
-------------------------------------	---

---

An eCB may be unacceptable for any of the following reasons:

- ✓ File cannot be separated into sections
- ✓ Formatting was incorrect; XML file was badly formatted
- ✓ Insufficient document types
- ✓ Case does not belong to the lender.

When the lender selects the [Requested] binder status on the *Binder Selection* Page, the *Binder Selection – Binders Requested* Page appears (Figure 12):

Figure 12. Refining the Selection of Requested CBs.

The Lender selects the name of the HOC from which it is interested in viewing CB requests from the drop-down list in the “HOC” field (the lender may also choose to view CB requests from [All HOCs]). The first five characters of the lender’s ten-character FHA ID are displayed in the “Lender ID” field (which is view only). In order to begin the search, the lender needs to select whether it would like to see CB requests for which it is the sponsor/agent, or for which it is the originator from the drop down box in the “Lender Type” field.



When the lender's request is successfully processed, the *Binder Selection Results - Binders Requested* Page appears with a list of the CBs that match the search criteria (Figure 13). For this lender acting as an originator, only the Philadelphia HOC has requested CBs at this time:

**Binder Selection Results - Binders Requested** [Help Links](#) ?

 **SUCCESS**  
BINDER SELECTION HAS BEEN SUCCESSFULLY COMPLETED

*Selection Criteria*

*Binder Status:* Requested  
*HOC:* All HOCs  
*Lender ID:* 99522  
*Lender Type:* Originator

**Note: Binders must be submitted within 5 business days of the requested date.**

**Binder Selection as of 03/01/2006  
(6 records were selected, 6 records displayed.)**

Case Number	HOC	Originator	Sponsor	Requested Date
372-3508251	PHILADELPHIA	9952201061	N/A	01/23/2006
372-3508252	PHILADELPHIA	9952201061	N/A	01/23/2006
372-3508253	PHILADELPHIA	9952201061	N/A	02/02/2006
372-3508254	PHILADELPHIA	9952201061	N/A	02/02/2006
372-3508255	PHILADELPHIA	9952201061	N/A	02/02/2006
372-3508256	PHILADELPHIA	9952201061	N/A	02/02/2006

Figure 13: Binders for cases requested that match the search criteria.

If the lender wishes to check the insurance status of a CB requested by the Philadelphia HOC for pre-insurance review, it selects the [Awaiting Endorsement] binder status (Figure 14):



**Binder Selection - Binders Awaiting Endorsement**

Help Links ?

**Binder Status:** Awaiting Endorsement

**HOC:** Philadelphia

**Lender ID:** 90275      **Lender Type:** Originator

Send
Reset

Figure 14. Checking the Status of CBs Awaiting Insurance at the Philadelphia HOC.

As shown on in Figure 15, the *Binder Selection Results* Page displays six cases that are at the Philadelphia HOC and awaiting endorsement.

**Binder Selection Results - Binders Awaiting Endorsement**

Help Links ?

**SUCCESS**  
 BINDER SELECTION HAS BEEN SUCCESSFULLY COMPLETED

*Selection Criteria*

*Binder Status:*            **Awaiting Endorsement**

*HOC:*                            **Philadelphia**

**Binder Selection as of 03/03/2006**  
**(4 records were selected, 4 records displayed.)**

Case Number	Originator	Sponsor	Requested Date	Received Date	Assigned Date
352-7721616	9027509990	N/A	11/25/2005	11/28/2005	01/27/2006
372-7721136	9027509990	N/A	11/22/2005	11/23/2005	01/26/2006
441-7727030	9027511914	N/A	01/17/2006	01/19/2006	N/A
541-7727229	9027500014	N/A	01/23/2006	02/14/2006	N/A

Figure 15. List of CBs Awaiting Insurance at the Philadelphia HOC.

Note that B2G lenders will receive these lists when requested, and should do so on a daily basis. All other lenders should establish a regular daily schedule for checking the *Binder Selection* Page for requested case binders.

Additionally, both the *Insurance Application Update* and *Results* Pages show all case warnings.



### 2.7.2. Viewing Single CBs—The *Case Query* Page

Lenders can also use the *Case Query Results* Page to view the binder status and endorsing party for cases processed under the LI program (see [Table 3](#) and [Figure 16](#)). These fields only appear for cases having LI lenders, but can be viewed by any lender. Although HECM cases currently are not eligible for the LI Program, an LI lender's HECM cases will display [HOC] in the "Endorsement Processed by" field and [Not Requested] in the "Binder Status" field.

### 2.7.3. Appending eCBs

An electronic case binder (closing package) submitted by a LI lender for an endorsed case may be missing documents or require additional or revised documentation.

HOC staff in the FHAC using the Binder Selection page can enter a request for additional documentation. Lenders should check the Binder Selection page under Requested Additional Documents each day. Lenders can only add documentation after a request has been made by HUD. Authorized HUD personnel can add documentation at any time. Documents can be submitted in any of the following formats: jpe, jpeg, jpg, pdf, tif, and tiff. The LI lender's Application Coordinator grants the authorization for qualified employees of the lender using the FHA Connection ID Administrative page. A link to the Electronic Binder Additions page was added to the Case Processing menu on the FHA Connection. When it is selected, the Electronic Binder Additions Upload Request page appears.





# FHA Connection

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Single Family FHA
Single Family Origination > Case Processing > Case Query >

Case Query Results

Help Links ?

**SUCCESS**

Other Functions

*FHA Case Number:* 252-3508252

*Borrower Name:* JONES, PAUL

*Property Address:* 60 VISTA DR  
 REQUESTED NO: 146250000

Fields added for cases having LI lenders

<i>Originator Name:</i>	<b>WELLS FARGO BANK NA</b>		
<i>Case Type:</i>	<b>DIRECT ENDORSEMENT STRMLIND REFI (ADP Code 703)</b>		
<i>Endorsement Processed by:</i>	<b>LENDER</b>	<i>Binder Status:</i>	<b>PAPER BINDER RECEIVED</b>
<i>Appraiser License:</i>		<i>Case Received Date:</i>	<b>03/24/05</b>
<i>Appraiser Name:</i>		<i>Appraisal Logged Date:</i>	
<i>Closing Package Received Date:</i>	<b>07/01/05</b>	<i>Closing Date:</i>	<b>05/25/05</b>
<i>Insurance Date:</i>	<b>07/05/05</b>	<i>Loan Data Print Date:</i>	
<i>Upfront MIP Due:</i>	<b>\$1,903.41</b>	<i>Upfront MIP Received Date:</i>	<b>06/02/05</b>
<i>Upfront MIP Received:</i>	<b>\$1,903.41</b>	<i>Upfront MIP Late Due?</i>	No
<i>Original Property Value:</i>	<b>\$132,000.00</b>	<i>TOTAL Score Processed:</i>	No
<i>Loan Term:</i>	<b>180</b>	<i>Mortgage Amount:</i>	<b>\$128,797.00</b>
<i>Prior Loan Before 7/1/91?</i>	No	<i>Refi Auth No:</i>	<b>0309720050324</b>
<i>Last Action Date:</i>	<b>07/05/05</b>		
<i>Last Action:</i>	<b>INSURED</b>		
<b><u>Unpaid Balance @ 78%:</u></b>	<b>\$93,786.00</b>		
<i>Final Bill Date:</i>	<b>05/09</b>		

Figure 16. Viewing Endorsing Party and Binder Status on the *Case Query* Page.

Table 3. New LI Fields on *Case Query* Page.

Field	Explanation
<b>Endorsement Processed by</b>	Institution that processed the case (loan) for FHA insurance. <ul style="list-style-type: none"> <li>Lender: FHA-approved lender with authority to endorse its own cases.</li> </ul>



Table 3. New LI Fields on *Case Query* Page.

Field	Explanation
	<ul style="list-style-type: none"><li>• HOC: HUD Homeownership Center.</li><li>• N/A: Case is not endorsed yet.</li></ul>
<b>Binder Status</b>	<p>CB status (or closing package status) for an endorsed case originated by an LI lender.</p> <ul style="list-style-type: none"><li>• Awaiting Receipt: CB requested by the HOC has not been received.</li><li>-or-</li><li>CB was received but not accepted; must be resubmitted.</li><li>• Electronic Binder Received: CB requested by the HOC was received electronically.</li><li>• Paper Binder Received: CB requested by the HOC was received in paper form.</li><li>• Not Requested: CB was not requested by the HOC.</li></ul>



### 3. FHA Staff Processing Requirements

#### 3.1. Overview

With the implementation of LI, HOCs will follow two different processes for handling pre-endorsement, post-endorsement, and appraisal reviews. The process to use depends on whether the submitted CB is paper or electronic. From a HOC perspective, the LI Function can be broken down into the processes illustrated in Figure 18:

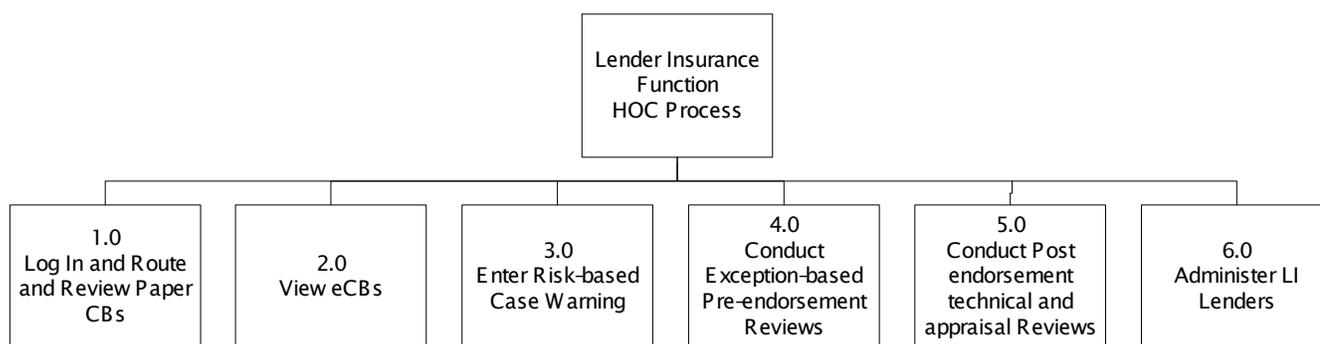


Figure 5. New LI Processes for HOC Staff.

#### 3.2. Log In and Route CBs

HOC staff or contractors will follow the same procedures they do today to log in paper CBs received by the HOC. The only difference is that paper LI CBs will be submitted in a yellow case binder. The **FHAC Case Processing** Page displays new messages if the paper CB is an LI case, indicating whether the CB is required for pre-insurance, post-endorsement, or appraisal review (Figure 17). HOC staff or contractors will route the CB accordingly. In the example below, the eCB was insured and has been requested for Appraisal Review.



Figure 17. New Messages on *Closing Package Logging Results* Page.

The automated *Case Package Logging* process enables the [View Electronic Documents](#) link within FHA applications. An indicator has been added to CHUMS to identify whether the CB is paper or electronic.

The **Case Binder Tracking System (CBTS)** has been modified to deny entry of eCB cases. Now, the *Closing Package Logging* process is performed automatically whenever:

- ✓ A case is successfully endorsed by an LI lender and the eCB is not required for post-endorsement processing,
- ✓ An eCB is received for an un-insured LI case with a Severe case warning, or
- ✓ An eCB is received for an insured LI case that has been selected for Post-Endorsement Technical or Appraisal Review.

### 3.3. *Tracking CBs by Status*

**FHAC** provides HOC staff with two tools for tracking LI Program CB status—*Case Query* for single CBs and the new *Binder Selection* Page for multiple CBs.

#### 3.3.1. Tracking the Status of One CB—The *Case Query* Page

The *Case Query* Page shows four potential statuses for LI CBs:

- ✓ Awaiting Receipt
- ✓ Electronic Binder Received (by FHA)
- ✓ Paper Binder Received (by FHA)
- ✓ Not Requested



For insured cases, the institution that insured the case is also shown. If the case has not been insured, an “N/A” displays. A summary of the statuses and insurer information is provided in Table 4.

Table 4. New LI Fields on <i>Case Query</i> Page.	
Field	Explanation
Endorsement Processed by	Institution that processed the case (loan) for FHA insurance. <ul style="list-style-type: none"> <li>● Lender: FHA-approved lender with authority to endorse its own cases.</li> <li>● HOC: HUD Homeownership Center.</li> <li>● N/A: Case is not endorsed yet.</li> </ul>
Binder Status	CB status (or closing package status) for an endorsed case originated by an LI lender. <ul style="list-style-type: none"> <li>● Awaiting Receipt: CB requested by the HOC has not been received.</li> <li>-or-</li> <li>CB was received but not accepted; must be resubmitted.</li> <li>● Electronic Binder Received: CB requested by the HOC was received electronically.</li> <li>● Paper Binder Received: CB requested by the HOC was received in paper form.</li> <li>● Not Requested: CB was not requested by the HOC.</li> </ul>

As shown in Figure 18, the *Case Query Results* Page shows the binder status and endorsing party for cases processed under the LI program. These fields appear only for LI cases. (If the staff member is viewing a non-LI case, these fields will not display.) Although HECM cases currently are not eligible for the LI Program, HECM cases will display [HOC] in the “Endorsement Processed by” field and [Not Requested] in the “Binder Status” field.





# FHA Connection

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[Single Family FHA](#) > [Single Family Origination > Case Processing > Case Query >](#)

Case Query Results

Help Links ?

✓ SUCCESS

Other Functions

CASE QUERY SUCCESSFULLY COMPLETED

*FHA Case Number:* 252-3508252

*Borrower Name:* JONES, PAUL

*Property Address:* 60 VISTA DR  
ROCHESTER NY 146250000

**Fields added for cases having LI lenders**

*Originator Name:* [WELLS FARGO BANK NA](#)

*Case Type:* DIRECT ENDORSEMENT STRMLIND REFI (ADP Code 703)

<i>Endorsement Processed by:</i>	LENDER	<i>Binder Status:</i>	PAPER BINDER RECEIVED
<i>Appraiser License:</i>		<i>Case Received Date:</i>	03/24/05
<i>Appraiser Name:</i>		<i>Appraisal Logged Date:</i>	
<i>Closing Package Received Date:</i>	07/01/05	<i>Closing Date:</i>	05/25/05
<i>Insurance Date:</i>	07/05/05	<i>Loan Data Print Date:</i>	
<i>Upfront MIP Due:</i>	\$1,903.41	<i>Upfront MIP Received Date:</i>	06/02/05
<i>Upfront MIP Received:</i>	\$1,903.41	<i>Upfront MIP Late Due?</i>	No
<i>Original Property Value:</i>	\$132,000.00	<i>TOTAL Score Processed:</i>	No
<i>Loan Term:</i>	180	<i>Mortgage Amount:</i>	\$128,797.00
<i>Prior Loan Before 7/1/91?</i>	No	<i>Refi Auth No:</i>	0309720050324
<i>Last Action Date:</i>	07/05/05		
<i>Last Action:</i>	INSURED		
<b><u>Unpaid Balance @ 78%:</u></b>	\$93,786.00		
<i>Final Bill Date:</i>	05/09		

Figure 18. Viewing Endorsing Party and Binder Status on the *Case Query* Page.



### 3.3.2. Tracking the Status of Multiple CBs—The Binder Selection Page

FHA staff with **FHAC** authorization to one or more **CHUMS** applications has access to the *Binder Selection* Page. As with *Case Query*, *Binder Selection* tracks CBs at four different points; however, the statuses are slightly different:

- ✓ Requested
- ✓ Received
- ✓ Awaiting Endorsement
- ✓ Not Accepted
- ✓ Request Additional Documentation
- ✓ Receive Additional Documentation

Note that the “Received” status on *Binder Selection* does not indicate whether the binder was paper or electronic. Table 5 describes what each of these statuses means.

**Table 5. Binder Selection Statuses for LI CBs.**

Binder Status	Explanation
<b>Requested</b>	Binders that were: <ul style="list-style-type: none"> <li>• Requested by the HOC for pre- or post-endorsement review, or appraisal review,</li> <li>• Requested by FHA in support of a review/audit, or</li> <li>• Received by the FHA but were unacceptable and must be resubmitted.</li> </ul> The reason the CB was requested is also displayed: <ul style="list-style-type: none"> <li>• Pre-Insurance Review</li> <li>• Post-endorsement Technical Review</li> <li>• Appraisal Review</li> </ul>
<b>Received</b>	Binders that were received by the HOC and were acceptable.
<b>Not Accepted</b>	Binders that were received by the HOC and were unacceptable. A CB may be unacceptable for any of the following reasons:



- 
- Case does not belong to the lender (paper or electronic).
  - File cannot be separated into sections (eCB).
  - Formatting was incorrect; XML file was badly formatted (eCB).
  - Insufficient document types (eCB).

---

<b>Awaiting Endorsement</b>	Binders for uninsured cases with severe warnings that were: <ul style="list-style-type: none"><li>• Received by the HOC, or</li><li>• Received by the HOC and assigned to a HOC staff member for processing.</li></ul>
-----------------------------	--

---

<b>Requested Additional Documentation</b>	Additional documentation that was requested by the HOC.
---	---

---

<b>Receive Additional Documentation</b>	Additional documentation that was received by the HOC.
---	--

---

The modified *Case Processing* Menu with the new *Binder Selection* option is shown in Figure 19. To access the *Binder Selection* Page, click the [Binder Selection](#) link.



**FHA Connection**

Home Main Menu ID Maintenance E-mail Us Contact Us

Single Family FHA Single Family Origination Case Processing

### Case Processing

- Case Number Assignment
- Appraisal Logging
- Insurance Application
- HECM Insurance Application

Processing a Mortgage for FHA Insurance

What I Need to Know

**Binder Selection** — **Added**

- Case Cancel/Reinstate
- Case Warning
- Closing Package Logging
- Indemnification Maintenance
- TOTAL Scorecard Emulator
- TOTAL Scorecard Reports

- 203k Case Close-Out
- Appraiser Reassignment
- Borrower/Address Change
- CAIVRS Authorization
- Case Query
- Case Transfer
- Conditional Commitment
- Firm Commitment
- Inspector Assignment
- MIC/NOR List
- Mortgage Credit Reject
- Mortgage Insurance Certificate
- Notice of Return
- Post-endorsement Borrower SSN Correction
- Refinance Authorization
- Refinance Credit Query

Figure 19. New Binder Selection Option on *Case Processing* Page.

From the *Binder Selection* Page (Figure 20), select all LI CBs with one of the four statuses described in Table 5 by clicking their choice from the drop-down box in the “Binder Status” field.



Figure 20. Selecting CBs by Status.

Depending on the particular status, the staff member will be able to refine the search. Figure 21 shows that requested binders can be selected by “HOC,” “Lender ID,” and “Lender Type.” When the list of requested CBs displays, the reason for the request is shown (Pre-Insurance Review, PETR, or Appraisal Review).

Figure 21. Refining the Search for CBs Requested.

Requests for CBs with [Received] and [Not Accepted] statuses also allow the staff member to enter a date range (Figure 22).



**Binder Selection - Binders Received** Help Links ?

Binder Status:

HOC:

Lender ID:

Lender Type:

Begin Date:

End Date:

Figure 6. Refining the Search for CBs Received.

HOC staff wishing to review the list of CBs [Awaiting Endorsement] only need to enter their HOC location (Figure 23).

**Binder Selection - Binders Awaiting Endorsement** Help Links ?

Binder Status:

HOC:

Figure 23. Listing CBs Awaiting Endorsement.

As shown in **Figure 24**, all CBs awaiting insurance at the Atlanta HOC are displayed, along with the Originator and Sponsor IDs (if applicable) and the dates the CB was requested, received, and assigned (again, if applicable). IF the CB was assigned to a staff member, his or her **FHAC ID** is displayed as well.



Binder Selection Results - Binders Awaiting Endorsement

Help Links ?

✓
SUCCESS

BINDER SELECTION HAS BEEN SUCCESSFULLY COMPLETED

*Selection Criteria*

*Binder Status:*            **Awaiting Endorsement**

*HOC:*                            **Atlanta**

**Binder Selection as of 03/02/2006**  
(4 records were selected, 4 records displayed.)

Case Number	Originator	Sponsor	Requested Date	Requested Reason	Received Date	Assigned Date	Assigned to
011-5453166	9027509990	N/A	11/25/2005	PRE-ENDORSEMENT REVIEW	11/28/2005	01/27/2006	<b>H83898</b>
011-5453160	9027509990	N/A	11/22/2005	PRE-ENDORSEMENT REVIEW	11/23/2005	01/26/2006	<b>H85091</b>
093-5973164	8306501007	N/A	01/17/2006	PRE-ENDORSEMENT REVIEW	01/19/2006	N/A	N/A
105-2548163	9027509990	N/A	01/23/2006	PRE-ENDORSEMENT REVIEW	02/14/2006	N/A	N/A

Figure 24. Binder Selection Page Showing CBs Awaiting Endorsement.

### 3.4. Viewing eCBs

Only authorized FHA personnel can view the full eCB online via **FHAC**. The eCB is displayed in Portable Document Format (PDF). Links to the eCB are provided from the *Insurance Application Pages*, the *Underwriting Report Pages* of the **Underwriter Reporting System (URS)**, and most of the **Appraiser Review System (ARS)** Pages. Within the **ARS**, only HOC staff may view the entire eCB. Field review contractors will see only the appraisal portions of the eCB.

#### 3.4.1. eCB Quality Standards

Lenders go through a testing process prior to being allowed to submit eCBs in response to FHA requests. One part of the testing process involves HOC staff reviewing the eCB documents to ensure that the images are clear, readable, and that all documents required are submitted and are in the correct order. If the eCBs of a lender later fail to meet FHA's requirements, the HOC receiving the unacceptable eCB should coordinate with the other HOCs and HQ prior to providing guidance to the submitting lender.



### 3.4.2. Accessing eCBs for Pre-Insurance Review

Once the eCB is logged into the system<sup>7</sup>, a new link icon—[Next eBinder Case](#)—displays on the FHAC Insurance Application Page (Figure 25).



Figure 25. New 'Next eBinder Case" Link on the *Insurance Application* Page.

If additional unendorsed eCB cases are awaiting endorsement, the [Next eBinder Case](#) icon appears on the *Insurance Application Update* and *Results* Pages.

Click on the icon, the following system processes occur:

- ✓ The *Insurance Application Update* Page with data from the next eCB awaiting insurance displays (Figure 26).
- ✓ This displayed case is assigned to the HOC staff member who opened it.
- ✓ The “Assigned Date” is set to the current date.

A hypertext link to view the eCB--[View Electronic Documents](#)--is displayed here and on the *Insurance Application Results* Page. HOC staff can access and view the eCB in PDF format by clicking this link.



The screenshot displays the FHA Connection web application. At the top left is the FHA logo and the text "FHA Connection". To the right is a navigation menu with links: Home, Main Menu, ID Maintenance, E-mail Us, and Contact Us. Below this is a breadcrumb trail: Single Family FHA > Single Family Origination > Case Processing > Insurance Application >. The main content area features a blue header for "Insurance Application Update" and a red "Help Links" button with a question mark. Below the header is a "WARNING" box with a yellow triangle icon, stating "Existing conditions may affect processing. [See message(s) below]". To the right of the warning is a red "Other Functions" button. In the center, the text "FHA Case Number: 581-1234567" is displayed. Below this is a red link "View Electronic Documents" with a blue arrow pointing to it from the right. Underneath is the heading "\* General Information \*". The bottom section contains property and originator information: "Property Address: 1715 S 85TH ST, FARGO, WI 53214-0000", "County Code: 079", "PUD/Condo: N/A", and "Originator ID: 9999500349 HOPE BANK".

Figure 26. Accessing eCBs for pre-Insurance Review.

The entire eCB is loaded onto the staff member's computer in about 2-4 minutes (Figure 27). On the left side of the Page under "Bookmark" is a list of the index sections of the eCB. HOC staff can use this as a table of contents to move directly to different documents in the eCB. To enlarge a particular document, use the toolbar above it.



**Mortgage Credit Analysis Worksheet**

U.S. Department of Housing and Urban Development  
 HUD Approval No. 2002-0001

Use system: Section of the Housing Act:  Existing Construction  Planned Community

1a. Borrower's name: \_\_\_\_\_ 1b. Social Security Number: \_\_\_\_\_  
 1c. Co-Borrower's name: \_\_\_\_\_ 1d. Social Security Number: \_\_\_\_\_

2a. Mortgage interest rate: \_\_\_\_\_ 2b. Term: \_\_\_\_\_ 2c. Mortgage type: \_\_\_\_\_ 2d. Application fee: \_\_\_\_\_  
 2e. Orig. fee: \_\_\_\_\_ 2f. Total charges: \_\_\_\_\_  
 2g. Orig. fee: \_\_\_\_\_ 2h. Total charges: \_\_\_\_\_  
 2i. Orig. fee: \_\_\_\_\_ 2j. Total charges: \_\_\_\_\_

3a. Current Balance: \_\_\_\_\_ 3b. Total Monthly Payment: \_\_\_\_\_  
 3c. Total Monthly Payment: \_\_\_\_\_ 3d. Total Monthly Payment: \_\_\_\_\_  
 3e. Total Monthly Payment: \_\_\_\_\_ 3f. Total Monthly Payment: \_\_\_\_\_  
 3g. Total Monthly Payment: \_\_\_\_\_ 3h. Total Monthly Payment: \_\_\_\_\_  
 3i. Total Monthly Payment: \_\_\_\_\_ 3j. Total Monthly Payment: \_\_\_\_\_  
 3k. Total Monthly Payment: \_\_\_\_\_ 3l. Total Monthly Payment: \_\_\_\_\_  
 3m. Total Monthly Payment: \_\_\_\_\_ 3n. Total Monthly Payment: \_\_\_\_\_  
 3o. Total Monthly Payment: \_\_\_\_\_ 3p. Total Monthly Payment: \_\_\_\_\_  
 3q. Total Monthly Payment: \_\_\_\_\_ 3r. Total Monthly Payment: \_\_\_\_\_  
 3s. Total Monthly Payment: \_\_\_\_\_ 3t. Total Monthly Payment: \_\_\_\_\_  
 3u. Total Monthly Payment: \_\_\_\_\_ 3v. Total Monthly Payment: \_\_\_\_\_  
 3w. Total Monthly Payment: \_\_\_\_\_ 3x. Total Monthly Payment: \_\_\_\_\_  
 3y. Total Monthly Payment: \_\_\_\_\_ 3z. Total Monthly Payment: \_\_\_\_\_

4a. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4b. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4c. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4d. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4e. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4f. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4g. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4h. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4i. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4j. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4k. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4l. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4m. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4n. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4o. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4p. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4q. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4r. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4s. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4t. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4u. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4v. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4w. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4x. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4y. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

4z. Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Figure 27. Display of eCB Document.



#### 4.5. Entering Risk-Based Case Warnings

If a member of the HOC staff receives information that a particular case may have characteristics that make it risky for FHA, appropriate HOC staff members can enter text on the **FHAC Case Warning Update** Page (Figure 28).

The screenshot shows the 'FHA Connection' website interface. The main heading is 'Case Warning Update'. Below the heading, there are navigation links: 'Home', 'Main Menu', 'ID Maintenance', 'E-mail Us', and 'Contact Us'. The breadcrumb trail indicates the current location: 'Single Family FHA > Single Family Origination > Case Processing > Case Warning >'. The form displays the 'FHA Case Number: 972-5449797'. There are two input fields: 'Conditional Commitment ID' (empty) and 'Endorsement Processing ID' (containing 'H99999'). A list of warning categories is shown with checkboxes: Mortgage Credit Reject, Indemnification, Multiple loan, Underwriter not employed, ZIP problems, SSN Validation, Credit Alert Sanction, Units or Lots/Blocks rejected, Monitored ZIP, and Manual underwriting required. The 'Comments' field contains the text 'RISKY CONDITION'. Below the comments field is a checkbox for 'Delete all warning data for this case'. The 'LI Deficiencies Detected?' dropdown is set to 'Yes'. At the bottom, there are three buttons: 'Send', 'Reset', and 'New Request'.

Figure 28. Entering Risk-Based Severe Case Warning.

Figure 28 shows that a staff member has entered text into the “Comments” field indicating that the loan may present a risk to FHA. To trigger a manual Severe case warning, the staff member also must select [Yes] from the drop-down box in the “LI



Deficiencies Detected?” field. Severe Case Warnings may not be cured by the lender and require the lender to submit the CB to the HOC prior to endorsement. If the staff member later determines that the condition has been resolved, he or she simply checks the box “Delete all warning data for this case” to clear the entered risk warning. System-generated case warnings are not deleted by this action. Only text entered by the HOC will be deleted. If the staff member simply wants to add comments without triggering a Severe Case Warning, they may do so and select [No] from “LI Deficiencies Detected?” drop down box.

#### *4.6. Accessing eCBs for Pre-Insurance Review*

Whenever an eCB is received by the eCB System for pre-insurance review, the *Closing Package Logging* process is performed automatically. Once the eCB is logged into the system, a new link on the **FHAC Insurance Application Page**, the Next eBinder Case icon displays. Click on this link, and the following system processes occur:

- ✓ The *Insurance Application Update Page* with data from the next eCB awaiting insurance displays.
- ✓ This displayed case is assigned to the HOC staff member who opened it.
- ✓ The “Assigned Date” is set to the current date.

A hyperlink to view the eCB-- [View Electronic Documents](#)--is displayed here and on the *Insurance Application Results Page*, (Figure 29). HOC staff can access and view the eCB in PDF format via this link.



The screenshot displays the 'FHA Connection' web application. At the top, there is a navigation menu with links for Home, Main Menu, ID Maintenance, E-mail Us, and Contact Us. Below this is a breadcrumb trail: Single Family FHA > Single Family Origination > Case Processing > Insurance Application >. The main content area features a blue header for 'Insurance Application Update' and a red 'Help Links ?' button. A warning box with a yellow triangle icon states: 'WARNING Existing conditions may affect processing. [See message(s) below]'. To the right is a red 'Other Functions' button. The 'FHA Case Number: 581-1234567' is displayed. A blue arrow points to the 'View Electronic Documents' link. Below this is a section titled '\* General Information \*' containing property address (1715 S 85TH ST, FARGO, WI 53214-0000), originator ID (9999500349 HOPE BANK), county code (079), and PUD/Condo status (N/A).

Figure 29. Accessing eCBs for Pre-Insurance Review.

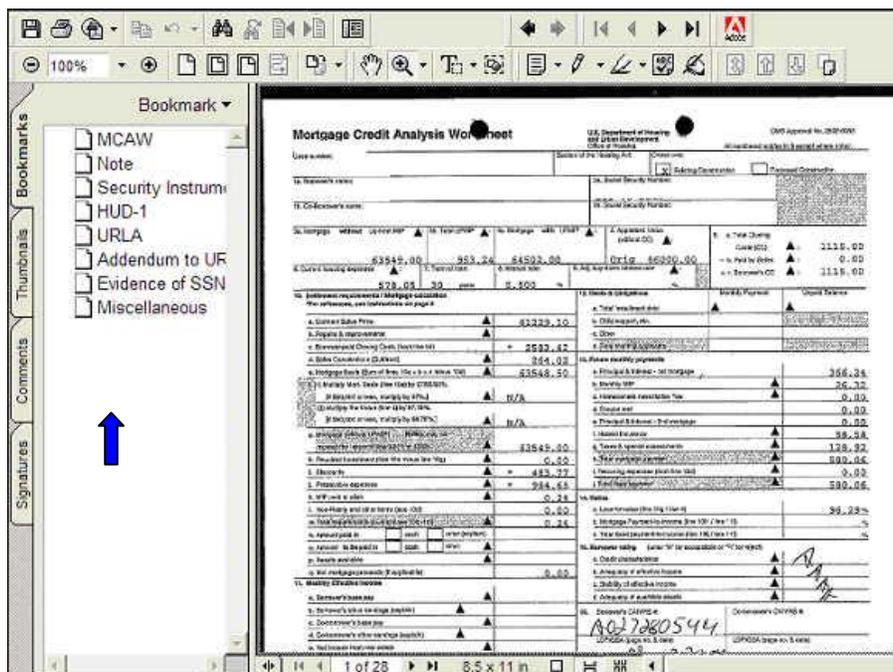


Figure 30. Display of eCB Document.

The entire eCB is loaded onto the local computer in about 2-4 minutes (Figure 30). On the left side of the Page under “Bookmark” is a list of the main sections of the eCB. HOC staff can use this as a table of contents to move directly to different documents in the eCB. To enlarge a particular document, use the toolbar above it.

HOC staff may also use the *Binder Selection* Page to list all eCBs that are [Awaiting Endorsement.] This shows the date the case was assigned to a particular staff member, as well as the staff member’s FHAC User ID.

### 3.7. Conduct Exception-Based Pre-Insurance Reviews

HOC staff will perform pre-insurance reviews on an exception basis only for LI loans. Only three situations will require the submission of a CB for pre-insurance review by the HOC:

- ✓ **CAIVRS** Warning
- ✓ SSN/Borrower Name Mismatch
- ✓ HOC-entered Risk-Based Text

As described in section 4.2, if a paper CB has been submitted by the lender, the insurance or mail clerk will route it to the appropriate pre-insurance staff member and it will be processed the same as it is today.



For eCBs, HOC staff access the next available CB as described in Section 4.5, above. The staff member reviews the eCB as well as information on the **FHAC Insurance Application** and *Case Warning* Pages. If the staff member determines that it is insurable, he or she will insure the case using the same process as today. If the case is not insurable, he or she will “NOR” the case. Staff will provide a very specific reason for rejecting the loan and include contact information so the lender may contact him or her directly with any questions. Once the review is initiated by HOC staff, the HOC staff will be responsible for completing the final review and determining whether the loan can be insured. Note that HOC staff will not be able to insure LI eCBs using **CHUMS**; they must use **FHAC**.

HOC staff can identify whether a case needing pre-insurance review is paper or electronic from a new message on the bottom of the LI History Detail screen (**Figure 31**). The message, “QUERY ONLY; MUST REVIEW AND ENDORSE ON FHAC INSURANCE APPLICATION” means that the staff member must access the **FHAC Insurance Application** Page to view the eCB and determine if it is insurable.

Lenders can learn the disposition of the case by viewing the *Binder Selection* or *Case Query* Pages.



LI History Details

Help Links ?

**Lender ID:** 59034

**Lender Name:** ALASKA USA FEDERAL CREDIT UNION

**Lender Address:** 4000 CREDIT UNION DR  
ANCHORAGE, AK 99503

**Home Office ID:** 5903409995

**Home Office HOC:** SANTA ANA

<b>LI Type:</b>	FORWARD	REVERSE
<b>LI Status:</b>	Approval eBinder	N/A
<b>LI Status Date:</b>	02/16/2007	N/A

**FORWARD LI Activity for This Lender**

	Start	End	Type	Compare Ratio	Compare Ratio Date	Processed by	Comments Exist
<u>1</u>	02/16/2007	N/A	Approval eBinder	N/A	N/A	H00006 - S.ING, LUANN	<u>Yes</u>
<u>2</u>	02/13/2006	02/15/2007	Approval LI Paper	100%	02/01/2007	LOADSA - Initial-Load, Santa Ana	No

Add FORWARD LI Action

Lender not authorized for REVERSE LI activity

Figure 31. New eCB Data on CHUMS MIC (9100) Screen.



### 3.8. Accessing eCBs for Post-Endorsement Technical Review

To access the images of the eCB documents to conduct the review, PETR reviewers follow the steps below.

Step 1. Access the *Box Loading Selection* Page of the **Underwriter Review System (URS)**.

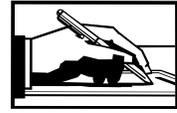
Step 2. Select LI cases for which eCBs have been received by clicking on the “eBinder” box as shown in Figure 32.

The screenshot shows the 'Box Loading Selection' page in the FHA Connection system. The page has a blue header with the FHA logo and navigation links: Home, Main Menu, ID Maintenance, E-mail Us, and Contact Us. Below the header is a red breadcrumb trail: Single Family FHA > Single Family Origination > Underwriter Review Functions > Box Loading >. The main content area is titled 'Box Loading Selection' and includes a 'Help Links' button with a question mark. The form is divided into two main sections: 'Criteria for new or existing shipment/case assignment(s)' and 'Selection criteria for eligible cases'. In the first section, the 'Destination' is set to 'HORIZON CONSULTING, INC (Post Endors)'. The 'Shipment Number' is 'PHILA1', 'Box Number' is '1', and 'Assign to (Inhouse only)' is empty. The 'Search for cases to add to box?' option is set to 'Yes'. In the second section, 'Begin Date' is '01/01/06' and 'End Date' is '01/31/06'. Under 'Test Cases', there is an unchecked checkbox. Under 'Post Endorsement', the 'eBinder' checkbox is checked and highlighted with a blue arrow. Other options include 'All', 'TOTAL', '203k' (checked), 'HECM', 'Nonprofit', and 'eBinder'. At the bottom, there are 'Send' and 'Reset' buttons.

Figure 32. Selecting eCBs Received for PETR.

Selecting “eBinder” displays the *Box Loading Update* Page with a list of cases:

- ✓ Processed under the LI Program,
- ✓ Insured and selected for PETR, and
- ✓ For which an eCB has been received.



To help PETR staff identify the type of CB with which they will be working, a new field, “Binder Type,” was added to the following Pages. “Binder Type” can be either [Paper] or [Electronic]:

- ✓ *Box Loading Update*
- ✓ *Box Loading Results*
- ✓ *Box Receipt*
- ✓ *Box Complete* and
- ✓ *HOC Box Complete.*

The new field, “Reason for Review,” has also been added to the *Box Loading Update*, *Box Loading Results*, and *Underwriting Report* Pages. Reasons for Review include: Lender and Manual Selection.

Figure 33 shows the two new fields as they appear on the *Box Loading Update* Page.





# FHA Connection

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Box Loading Update

Help Links ?

Shipment Number: PHILA1    Box Number: 1    Destination: HORIZON CONSULTING, INC

Cases currently in the box

↓

↓

Action	Case Number	Binder Type	Property Address	Underwriter ID	Reason for Review
<input type="button" value="Action"/>	890-5399351	Paper	123 ELM DR. SHEFFIELD LAKE, OH	E865	Manual
<input type="button" value="Action"/>	890-5401642	Electronic	234 MAPLE AVE ALLIANCE, OH	ZFLP	Algorithm
<input type="button" value="Action"/>	890-4510863	Electronic	345 MAIN ST BLACKLICK, OH	BI73	Lender
<input type="button" value="Action"/>	362-2565634	Paper	456 FIRST AVE CLAYSVILLE, PA	ZFDU	Manual

Eligible cases to add to box

Action	Case Number	Binder Type	Property Address	Underwriter ID	Reason for Review
<input type="button" value="Action"/>	362-7683312	Paper	222 SECOND ST BALTIMORE, MD	ZFDU	Manual
<input type="button" value="Action"/>	890-3885362	Electronic	333 THIRD DR CINCINNATI, OH	AE31	Algorithm

**Add to Box:**

Case No. 1:  -

Case No. 2:  -

Box Shipping Date:  /  /

Send
Reset
New Request

Figure 33. New "Binder Type" and "Reason for Review" Fields on *Box Loading Update* Page.

Step 3. Access the *Underwriting Report Update* Page (Figure 34).

Step 4. Click on the [View Electronic Documents](#) hyperlink to display the contents of the eCB.



FHA Connection

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[Single Family FHA](#) | [Single Family Origination > Underwriter Review Functions > Underwriting Report/Data >](#)

Underwriting Report Update

Help Links ?

Other Functions

### FHA Case Number: 111-1236621

<b>Borrower Name &amp; Property Address:</b> SMITH, ANN 2200 OVERLOOK DR ANCHORAGE, AK 99502	<b>Originator Name, Address &amp; ID:</b> HOPE BANK 1500 GLACIER BLVD ANCHORAGE, AK 99503-3656 9992502388 <b>Sponsor Name, Address &amp; ID:</b> No sponsor for this case	<b>Appraiser Name, ID &amp; License:</b> DOE, JANE (ABC9D0) AB1 <b>Underwriter Name &amp; ID:</b> FREDDIE MAC, LOAN PROS (ZFLP)
---	---	--

Link to eCB

[View Electronic Documents](#)

#### Integrity Review of Endorsement Data

Borrower 1	Name: SMITH, ANN	SSN: 111-22-3456
Borrower 2	Name:	SSN:
Borrower 3	Name:	SSN:
Borrower 4	Name:	SSN:
Borrower 5	Name:	SSN:

ADP Code: 703

Living Units: 1	Loan Purpose: Refinance	Borrower Type: Occupant
-----------------	----------------------------	----------------------------

UFMIP Financed: Yes	Mortgage Amount (with financed UFMIP): 189,500	
Appraised Value: 265,000	Sale Price: 0	Unpaid Principal Balance: 180,937
Required Investment: 2,068	Escrow Amount: 0	Assets Available: 14,953
Gross Monthly Income: 10,243	Total Mortgage Payment: 1,515	Total Fixed Payment: 2,275
Gift Letter Amount: 0	Gift Letter Source:	

Energy Efficient Mortgage Type: N/A

Maturity Date: 09/2035	First Payment Date: 10/2005	Closing / Disbursement Date: 08/31/2005
------------------------	-----------------------------	---

Case Characteristics: CONVENTIONAL REFINANCE

HOC Case Characteristic:

Reason Selected for Technical Review: Algorithm Reason Added

#### Initial Review

Date Assigned: 10/31/05

Figure 34. Accessing eCBs from the *Underwriting Report Update* Page.



Because under the LI program FHA is relying on the lender, not staff, to perform the pre-insurance review, an additional task of the PETR reviewer will be to validate the quality of the data in the CBs against that entered by the lender into **FHAC/B2G**. On the lower portion of the *Underwriting Report Update* Page under the “GTR/Supervisory Review” section, a new field has been added, “Are there major omissions in the initial review” (Figure 35). If this field is selected, significant omissions or errors in the initial review were discovered, which counts towards the contractor's error rate.

The report F17JGC will include a count of the number of eCBs that have completed PETR. Reports F17LQC and F17JLC will be modified to show the total number of eCBs completing PETR and the percentage of all PETRs being performed on eCBs, as well as the percentage of endorsed cases that are lender insured.

Finally, note that all post-endorsement changes to a case are done by HOC staff.



**Purpose of Review:** GTR/Supervisory Review

**Date Assigned:** 10 / 02 / 05

**Val/UW:** Conforming    **Completed by:** H99988  
 GREGORY A. PECK    **Completed Date:** 10 / 31 / 05

**MC:** Deficient    **Completed by:** H90009  
 HARRISON FORD-  
 CAPRA    **Completed Date:** 11 / 02 / 05

**Are there major omissions in the initial review?:**  **Initial review omission**

**Use this level for billing?**  Yes  No

**Deficiency Codes:** (Select for Deficiency Code definitions)

M07L			

**Comments (HOC Internal):**

**Comments (Sharable with Lender/Underwriter):**

**All processing for this level of review is complete:**

**Correction - This review level is NOT required:**

Figure 35. New Field to Assess Lender Pre-Insurance Review Quality.



### 3.9. *Accessing eCBs for Appraisal Review*

Finally, HOC staff will view the eCBs for an appraisal desk review the same way they do today, viewing just the appraisal portion of the eCB. The hyperlink to the eCB, [View Electronic Documents](#), has been added to the following Pages:

- ✓ *Appraiser Review Status Update (Figure 36).*
- ✓ *Completeness Check – Pre Desk Review*
- ✓ *Field Review Feasibility Checklist*
- ✓ *Desk Review Tracking*
- ✓ *Field Review Submission*
- ✓ *Form Processing*
- ✓ *Completeness Check – Post Field Review*
- ✓ *ARR Scoring Form*
- ✓ *Rating Tracking*



**FHA Connection**

Home Main Menu ID Maintenance E-mail Us Contact Us

Single Family FHA Single Family Origination > Appraiser Review Functions > Appraiser Review Status >

**Appraiser Review Status Update** Help Links ?

**Other Functions**

**FHA Case Number:** 441-1234567

<b>Property Address:</b> 104 S KEYSTONE AVENUE SAYRE, PA 188400000	<b>Originator Name &amp; ID:</b> HOPE BANK 9995004147 <b>Sponsor Name &amp; ID:</b> No Sponsor for this Case	<b>Appraiser Name, ID &amp; License:</b> DOE, JOHN J (AB12AB) ABC123
--	--	--

[View Electronic Documents](#) ←

This case is being processed by **Philadelphia** HOC

**Why Selected for Potential Field Review:**

<b>Initiating Organization:</b> Select Organization	<b>Initiating POC:</b> [Text Field]
<b>Reason for Review:</b> Select Review Reason	<b>Source of Data Reviewed:</b> Select Source of Data
<b>Risk Based Indicator:</b> Select Risk Based Indicator	<b>"Other" Data Source:</b> [Text Field]
<b>Suspend Processing?</b> <input type="radio"/> Yes <input checked="" type="radio"/> No	<b>Date Case File Received:</b> [Calendar]

**Comments:** [Text Area]

**Send** **Reset** **New Request**

Figure 36. Accessing eCB from Appraiser Review Status Update Screen.



Note that if the user is a Field Review Contractor, only the appraisal portion of the eCB will display. HOC staff members have access to the entire eCB.

### 3.10. *Request Additional Documentation*

HOC staff can use the Electronic Binder Additions link to request additional documentation for case binders that do not include the required documentation. The additional documentation must be submitted by the lender within 10 business days.

### 3.11. *Administer LI Lenders*

Section 2.2 of this Guide describes lender eligibility requirements for the LI Program. The HOC's CHUMS Coordinator, with the authorization of the PUD Director, can view and update the lender's record to reflect its LI status on the *FHAC LI History* page. Figure 38 illustrates this using the record of a fictitious lender. A new field, "Type" is populated to indicate one of the following statuses:

- ✓ –Approval eBinder
- ✓ –Approval LI Paper
- ✓ Withdrawn Lender (Voluntarily)
- ✓ Withdrawn HUD (Involuntarily)
- ✓ –Removal for yearly eligibility review failure
- ✓ Removal for FHA Approval Terminated
- ✓ Sanction - late binder submission
- ✓ Sanction - no pre-endorsement review
- ✓ Sanction - QAD or OIG review
- ✓ Sanction - pattern of late binder submission

The date next to the status code is the effective date of that particular status.

If a lender is approved for the LI program to submit paper CBs, and then later successfully completes testing to submit eCBs; its status needs to be changed to [E]. The LI lender whose record is shown in the diagram below submits paper eCBs, as indicated by the "approval eBinder" status in the "Type" field. It has had this LI status since February 16, 2007



The manual process of removing a lender from the LI Program must be done by the HOC's **CHUMS** Coordinator. Only the Processing and Underwriting Directors at each HOC may make the determination to remove a lender from the LI Program.

HOC staff will run the report, F17LYCA-Lenders Removed from Lender Insurance Authorization, each month, and notify those lenders that are no longer eligible to participate. A sample termination letter is included in Appendix D.

LI History Details

Help Links ?

**Lender ID:** 59034

**Lender Name:** ALASKA USA FEDERAL CREDIT UNION

**Lender Address:** 4000 CREDIT UNION DR  
ANCHORAGE, AK 99503

**Home Office ID:** 5903409995

**Home Office HOC:** SANTA ANA

<b>LI Type:</b>	FORWARD	REVERSE
<b>LI Status:</b>	Approval eBinder	N/A
<b>LI Status Date:</b>	02/16/2007	N/A

**FORWARD LI Activity for This Lender**

	Start	End	Type	Compare Ratio	Compare Ratio Date	Processed by	Comments Exist
<u>1</u>	02/16/2007	N/A	Approval eBinder	N/A	N/A	H00006 - SING, LUANN	<u>Yes</u>
<u>2</u>	02/13/2006	02/15/2007	Approval LI Paper	100%	02/01/2007	LOADSA - Initial-Load, Santa Ana	No

Add FORWARD LI Action

Lender not authorized for REVERSE LI activity

Figure 37. LI History Details screen

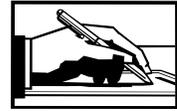
60

Last Updated: 1/24/2006



## Appendix A. List of Acronyms

Acronym	Definition
ATL	Atlanta HOC
B2G	Business-to-Government (a network connection between FHA and its business partners)
CAIVRS	Credit Alert Interactive Voice Response System
CB	Case Binder
CFR	Code of Federal Regulations
CHUMS	Computerized Homes Underwriting Management System
DE	Direct Endorsement
DEN	Denver HOC
eCB	Electronic Case Binder
eMIC	Electronic Mortgage Insurance Certificate
FHA	Federal Housing Administration
FHAC	FHA Connection
FHA-SF	Federal Housing Administration's Office of Single Family Programs
HECM	Home Equity Conversion Mortgage
HOC	Homeownership Center
HUD	Department of Housing and Urban Development
LI	Lender Insurance
MIP	Mortgage Insurance Premium
ML	Mortgagee Letter
NOR	Notice of Rejection <b>Non-Endorsement Notice (Form HUD-59100)</b> (issued by HOCs to lenders when there are errors in a CB)
pCB	Paper Case Binder



PDF	Portable Data File
PETR	Post-Endorsement Technical Review
PHIL	Philadelphia HOC
SA	Santa Ana HOC
SSN	Social Security Number
URLA	Uniform Residential Loan Application
URS	Underwriting Reporting System

## Appendix B. Sample Reports.

CHUMS Reports Created or Modified for LI/eCB Processing	
Report Number	Description
CHUMS F17 LYCA	LI Annual Eligibility Failure Report – Lenders Removed from Lender Insurance Authorization (automatically removed beginning 5/23/2007)
CHUMS F17LVCA	LI Lender Binder Submission Report – LI Lenders with Late Binder Submissions
CHUMS F17ISCA	LI Approval Report – LI Lenders Approved, Withdrawn, or Removed and totals
CHUMS F17IQCA	Modified to show whether a CB is paper or electronic
CHUMS F17IZCB	Modified to show whether a CB is paper or electronic
CHUMS F17JGC	Modified to include a count of the number of eCBs that have completed technical review
CHUMS F17JLC	Modified to show the total number of eCBs completing PETR and the percentage of all tech reviews being performed on eCBs, as well as the percentage of endorsed cases that are lender-insured
CHUMS F17LQC	Modified to show the total number of eCBs completing PETR and the percentage of all tech reviews being performed on eCBs, as well as the percentage of endorsed cases that are lender-insured
CHUMS F17NGC (Warning Report)	Modified to show changes related to risk-based text case warnings

Appendix C. Mortgagee Letter 2005-36.

**September 23, 2005**

**MORTGAGEE LETTER 2005 - 36**

**TO: ALL APPROVED MORTGAGEES**

**SUBJECT: Lender Insurance Program**

The Federal Housing Administration (FHA) is pleased to announce that the Lender Insurance (LI) program will be offered beginning on January 1, 2006. LI enables high-performing FHA approved Direct Endorsement mortgagees with acceptable default and claim rates, under authority that will be delegated to them pursuant to section 256 of the National Housing Act (NHA), to endorse FHA mortgage loans without a pre-endorsement review conducted by FHA. Instead, an LI-approved mortgagee will perform its own pre-endorsement review and enter mortgage loan level data to FHA via the FHA Connection. The FHA Connection will perform an automated verification process to check the data for accuracy and completeness. The mortgagee then will be able to endorse the mortgage loan automatically.

LI eliminates the mortgagee's submission of case binders to FHA and having FHA review the application for mortgage insurance before FHA endorsement of the mortgage for insurance. The need to submit case binders to satisfy Notices of Return (NORs) is dramatically reduced under LI. FHA will continue to select a sample of mortgages for post-endorsement technical review (PETR). A mortgagee may submit case binders for PETR in paper or digitized format. For mortgagees choosing to submit case binders electronically, all mailing costs associated with the mortgage insurance endorsement process will be eliminated.

**The Basics of the Lender Insurance Program**

Mortgagees will submit loan level data—as they do now—via the FHA Connection, Business-to-Government (B2G), or other means to FHA. Upon transmitting sufficient data to satisfy FHA of the legitimacy of the mortgage insurance request, FHA's system will acknowledge receipt of the data. When the mortgagee endorses the mortgage loan through FHA Connection, FHA's system will generate a mortgage insurance certificate electronically to serve as evidence that the mortgage has been insured. For those submissions of loan-level data sets that clear all of the risk-mitigation edits that FHA has in place, e.g., loan amount, social security number checks, and others, the mortgagee will not be required to provide a case binder in advance of endorsement. Only if the loan-level edits suggest that the mortgage application must

be reviewed before endorsement, or when the loan is selected for a post-endorsement technical review or review of the appraisal, will a case binder be required. Participating mortgagees will then either submit a paper case binder to the jurisdictional Homeownership Center (HOC) or, if the mortgagee chooses the electronic case binder option, the electronic case binder will be submitted to FHA using a secure file transfer protocol.

There are three categories for mortgage endorsement processing under LI:

- **LI Eligible/No Binder Request:** The mortgagee endorses the mortgage and FHA generates an electronic mortgage insurance certificate (eMIC), which the mortgagee may view on-line, and there is no request for a case binder to be sent to FHA.
- **LI Eligible/Binder Request:** The mortgagee endorses the mortgage, FHA generates an eMIC, and FHA requests the case binder for PETR purposes. The case binder request will appear on the FHA Connection Binder List screen or B2G function. This information also will be shown on the Insurance Application screen and the Case Inquiry screen will indicate if FHA has requested a binder and, after sending the binder, when FHA has received it.
- **LI Deficient:** A high level case warning was triggered (e.g., CAIVRS exception) or system edits reject case (e.g., mortgage amount exceeds statutory limit). FHAC/CHUMS will not be requesting that deficient cases be sent to the HOCs but instead will inform the mortgagee that it must resolve any rejection message. Only cases that FHA's data system detects have severe case warnings (e.g., CAIVRS exception, SSN not verified, some text messages) will be requested for FHA to review. Under this exception processing procedure, the case binder must be submitted to FHA for a pre-endorsement review unless the mortgagee is able to correct the deficiency and resubmit the endorsement data through the automated data verification. If the resubmission is successful, the mortgage is eligible to be processed through LI, and the mortgagee can endorse it for insurance and generate an eMIC. If the mortgagee cannot correct the deficiency, the system will withhold the mortgagee's ability to endorse the mortgage loan until the stated deficiencies are corrected.

For mortgagees that are qualified to participate and wish to do so, all of their FHA-insured mortgages will be processed for endorsement in this manner, i.e., FHA's system provides an electronic acknowledgment of endorsement predicated solely on an electronic data set. For those mortgagees submitting digitized case binders, both the PETR function and the endorsement processing of mortgage applications that fail the pre-endorsement edits will be performed using digitized case binders.

### **Mortgage Loan Eligibility for Lender Insurance**

FHA is phasing in the LI program. At this time, LI approved mortgagees will process and endorse for insurance mortgage loans under FHA's basic mortgage insurance programs, including sections 203(b), 203(h), 203(k), 234(c), 247, 248, and adjustable rate mortgages of the NHA.

## **Participation Requirements for Mortgage Lenders**

As stated in HUD regulations, in order to be eligible to participate in the Lender Insurance program, a mortgagee must be an unconditionally approved Direct Endorsement mortgagee and have 2 years' acceptable default and claim rate. For DE mortgagees that underwrite as sponsors for FHA-approved loan correspondents, the default and claim rate is the aggregate of both retail originations and mortgages underwritten for their loan correspondents. LI eligibility is company-specific and not determined at the branch level. The acceptable claim/default rate is defined as at or below 150 percent of the national average. DE lenders that operate in only one state have the right to have a compare rate using FHA loans made in that state only rather than the national average. FHA will monitor a mortgagee's default and claim rate eligibility to participate in the Lender Insurance program on a yearly basis. Mortgagees can determine if they have an acceptable default and claim rate by examining their performance through Neighborhood Watch Early Warning System at <https://entp.hud.gov/sfnw/nw/>.

After a DE mortgagee elects to participate and is approved as an LI approved mortgagee, it must process and endorse for insurance all of the loans it originates or underwrites through LI. It must also conduct a "pre-insurance" review and do so using staff that neither originated nor underwrote the mortgage. FHA's requirements for the pre-insurance review are described elsewhere in this mortgagee letter.

## **Request to Participate**

DE mortgagees electing to participate in the LI program must request approval. Similar to the requirement for using FHA's TOTAL Mortgage Scorecard, access to the LI program will be conditioned upon the mortgagee's certification, executed as an electronic acknowledgement through the FHA Connection, that it will comply with the LI program's procedures and requirements. Each mortgagee must acknowledge prior to participating that it is eligible under the LI program and will participate according to applicable regulations, this mortgage letter, and other written instructions from FHA.

FHA will confirm that the mortgagee is unconditionally DE approved and has an acceptable FHA default and claim rate, and notify the mortgagee electronically that it is approved for the LI program.

Approval for LI will be effective for one year. At the end of the one-year period, the mortgagee will be automatically checked by FHA's system of records. If the mortgagee's claim/default performance continues to be acceptable and meets all other approval criteria for LI participation, the mortgagee's approval will be renewed for another year.

All case numbers assigned after the mortgagee has obtained FHA's approval to participate in LI must be endorsed through the LI process.

### **Electronic Case Binder**

Mortgagees participating in the LI program may choose to submit electronic case binders (eCB) to HUD when a case binder is requested. The eCB must include all of the documents previously required in hard copy binders submitted for endorsement, as provided in HUD Handbook 4165.1, REV-2, paragraph 1-5 and in the Electronic Case Binder Developer's Guide at <http://www.hud.gov/pub/chums/electronicCaseBinder.pdf>. The standards for indexing requirements of the documents within the eCB can also be found in the eCB Developers' Guide.

Once a mortgagee agrees to participate in LI with the electronic case binder option, its first five requests for endorsement will result in a request for the digitized case binder back to the mortgagee. This quality control measure will be used to make certain that the mortgagee is able to transmit an acceptable digitized case binder for FHA's review.

FHA intends to make electronic case binders a LI program requirement once it has had sufficient time to examine the process and determine if any amendments or changes are necessary. High-volume mortgagees are encouraged to develop an electronic submission capability to take advantage of the substantial time and cost savings associated with paperless LI.

### **Selection of Case Binder for Review**

For those mortgage insurance applications that the mortgagee endorses for insurance through the LI program that receive an electronic notice of intent to review, the mortgagee must provide the case binder, either in paper or digitized format, depending on which process the mortgagee has chosen, within 5 business days of FHA's transmittal of its request. Failure to submit 5 or more requested case binders to the applicable Homeownership Center will result in a suspension of the mortgagee's eligibility to submit files under the LI program until the mortgagee submits the case binders in a satisfactory manner.

For those mortgage insurance applications that the mortgagee is unable to endorse due to system edits or other reasons, FHA requires the case binder for FHA to conduct a pre-endorsement review of the file. Such mortgage insurance applications cannot be approved until FHA has reviewed the case binder and determined insurance eligibility.

### **The Lender Insurance Regulations**

The regulations governing Lender Insurance are in the Code of Federal Regulations and include sections 24 CFR §§ 203.4, 203.6 and 203.255(f). Termination provisions for individual lenders are at 24 CFR § 203.4(d). A summary follows:

#### **Approval and Continued Eligibility Conditions:**

- Mortgagee has unconditional DE authority with an acceptable default and claim record for two years prior to its application for participation in the LI program
- Acceptable default and claim rate is at or below 150 percent of national average
- FHA will perform an annual review of the mortgagee's continued eligibility to participate
- Mortgagee agrees to indemnify FHA under the conditions of Section 256(c) of the National Housing Act

Termination Provisions:

- Failure to adopt and employ prudent review techniques
- Termination of Direct Endorsement approval for the mortgagee or any branch also terminates LI for the mortgagee or any branch
- Failure to meet the above listed eligibility criteria

**The Pre-Insurance Review**

LI approval does not alleviate mortgagee responsibility for completion of a pre-insurance review nor does the pre-insurance review negate the lender's obligation to ensure that the loan is in compliance with all applicable HUD requirements. The same staff that originated the mortgage or underwrote the mortgage for insurance cannot complete the pre-insurance review. While there is no reduction in the documents required in a case binder, whether digitized or paper, minimum requirements for pre-insurance reviews are outlined below. In addition to certifying that all origination documents are retained in either electronic or paper format, the pre-insurance review will consist of:

1. Verification that the loan is current for the month previous to submission for all loans logged by the lender for lender insurance more than 60 days after loan closing;
2. Review of the note and mortgage/security instrument ensuring the documents are executed upon forms which meet the requirements of the Secretary, the mortgage maturity meets the requirements of the applicable program, and the stated mortgage amount does not exceed the maximum mortgage amount for the area;
3. Review of form HUD-92900A, page 3 for execution of all appropriate certifications by the underwriter or lender representative;
4. Review of the property appraisal and any additional documentation supporting the appraised value;
5. Review of form HUD-92544, Warranty of Completion, for proposed construction cases;
6. Inclusion of an executed form HUD-92561, Transient and Hotel for all 2-4 unit properties, when applicable;
7. Inclusion of a certificate of intent to occupy by military personnel, when applicable;
8. Inclusion of an approval letter from the local health authority indicating approval of the individual water or sewer system;
9. Inclusion on proposed construction, if the mortgage exceeds 90 percent loan-to-value ratio, evidence that the mortgagee qualifies for a higher ratio loan under one of the

- applicable provisions in the appropriate regulations;
10. Verification that no mortgage insurance premium (MIP), late charge or interest is due;
  11. Clearance of all applicable case warning messages

### **Record Keeping Requirements for Participants**

Each LI mortgagee must maintain, as they do now, their origination binder in either hard copy or electronic format for two years from the date of endorsement. Servicing mortgagees must maintain the case binder for a period of two years beyond the life of the loan. It is imperative that the servicing mortgagee use due diligence in obtaining a complete origination binder for all FHA loans it services. Mortgagees retaining eCBs need not maintain a separate version of the eCB indexed for electronic submission to HUD. However, if HUD requests a case binder which is maintained electronically, the Mortgagee must follow standards and procedures set forth in the eCB Developers' Guide for submission of the eCB to HUD.

If you have any questions regarding this Mortgagee Letter, please contact your Homeownership Center (HOC) in Atlanta (888-696-4687), Denver (800-543-9378), Philadelphia (800-440-8647), or Santa Ana (888-827-5605).

Sincerely,

Brian D. Montgomery  
Assistant Secretary for Housing-  
Federal Housing Commissioner

## Appendix D. Pre-Insurance Review Checklist.

### Pre-Insurance Review Checklist

(Non-HECM files)

CASE NUMBER: \_\_\_\_\_ REVIEWED BY: \_\_\_\_\_

#### **RIGHT SIDE OF BINDER:**

(Note this does not represent a stacking order)

- \_\_\_\_\_ Automated Underwriting Feedback Certification
- \_\_\_\_\_ First-Time Home Buyer Counseling Certificate (Hawaiian Homeland Loans only)
- \_\_\_\_\_ Late Request for Endorsement Certification Letter (ML 2005-23)
- \_\_\_\_\_ Mortgage Credit Analysis Worksheet (HUD 92900-WS OR HUD 92900-PUR)
- \_\_\_\_\_ Signed & dated by DE Underwriter and reflects U/W ID#
- \_\_\_\_\_ AUS loans should reflect the system used and appropriate ID #. A DE Underwriter DOES NOT need to sign.

#### If Applicable:

- \_\_\_\_\_ 203(k) Worksheet (HUD 92700),
- \_\_\_\_\_ EEM worksheet
- \_\_\_\_\_ 203(h) documentation
- \_\_\_\_\_ Note
  - \_\_\_\_\_ If applicable: Note for Secondary Mortgage
  - \_\_\_\_\_ Certified true copy
  - \_\_\_\_\_ Contains all 9 paragraphs of model note
  - \_\_\_\_\_ Signed/conformed/executed
  - \_\_\_\_\_ Mortgage amount is not higher than approved (92900-WS or PUR #3c & page 3 of HUD 92900-A)
  - \_\_\_\_\_ Term of mortgage is the same as approved (92900-WS or PUR #7)
  - \_\_\_\_\_ Maximum term is 360 months
  - \_\_\_\_\_ Property Address same as on URAR and reflects correct FHA case number and ADP Code
  - \_\_\_\_\_ Applicable Allonges/Agreements (796 Buydown, 203(k) Rehabilitation Loan agreements, etc.)



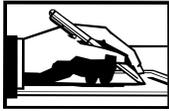
- \_\_\_\_\_ Security Instrument
  - \_\_\_\_\_ If applicable: Security Instrument for Secondary Mortgage
  - \_\_\_\_\_ Certified true copy
  - \_\_\_\_\_ Signed/conformed/executed
  - \_\_\_\_\_ Paragraph 9 (Grounds for Acceleration)
  - \_\_\_\_\_ Paragraph 18 (Foreclosure Procedures)
  - \_\_\_\_\_ Property Address same as on URAR
  - \_\_\_\_\_ Applicable Riders (Condominium, ARM, 203(k), etc)
  
- \_\_\_\_\_ HUD-1 Settlement Statement & Addendum
  - \_\_\_\_\_ Signed by Borrower, Seller and Settlement Agent (Note: HUD, as the seller, does not sign on REO Sales)
  - \_\_\_\_\_ Legible copies of pages 1 and 2
  - \_\_\_\_\_ Note: Refinances may be a one-page form & the Addendum is not required
  
- \_\_\_\_\_ Uniform Residential Loan Application (URLA)
  - \_\_\_\_\_ Signed and dated by all borrowers
  
- \_\_\_\_\_ Addendum To URLA (HUD 92900-A, PAGES 1, 2, 3 & 4)
  - \_\_\_\_\_ Completed, signed and dated by appropriate parties
  - \_\_\_\_\_ Page 3 signed by DE Underwriter or identified as AUS with appropriate ID
  
- \_\_\_\_\_ Credit Report(S)
  
- \_\_\_\_\_ Asset Verification
  - \_\_\_\_\_ VOD and/or
  - \_\_\_\_\_ Bank statements
  
- \_\_\_\_\_ Gift Letter (if gift is shown on Mortgage Credit Analysis Worksheet) Note: With AUS Accept, gift may be noted on the application (URLA) in-lieu-of a gift letter.
  
- \_\_\_\_\_ Income Verification--May be any of the following:
  - \_\_\_\_\_ Written or Verbal VOE



- Pay stub
- Federal Tax Returns
- Evidence of Pension/Retirement
- Evidence Of Social Security Number--May be any of the following:
  - Copy of Social Security Card
  - Pay stub
  - W-2

**LEFT SIDE OF BINDER:**

- If Applicable, Mortgagee Assurance Of Completion (HUD 92300)
  - Completed
  - Signed
- Compliance Inspection Report (HUD 92051) OR
  - Countersigned by DE Underwriter.
- Evidence VC Requirements Are Cleared. (Local government inspection with the Underwriter Certification is acceptable.) Keep this?
- Wood Destroying Insect Infestation Report
  - Form NPCA-1 OR
  - State mandated infestation report (as applicable)
- Local Health Authority's Approval (when applicable) for individual water and sewer systems if applicable)
- New Construction Exhibits:
  - Builder's Certification (HUD 92541): Completed & Signed
  - Builder's One Year Warranty (HUD 92544)
- As applicable:
  - An early start letter
  - Evidence of a 10-year warranty
  - 3 inspections completed by local authority or FHA



\_\_\_\_\_ Fee Inspector (footings, frame & final)

(Note: Manufactured Homes require only 2 inspections and an engineer's certification, otherwise a 10-year warranty is required.)

\_\_\_\_\_ Subterranean Termite Treatment Report - NPCA-99a

\_\_\_\_\_ Subterranean Termite Treatment Report NPCA-99b

\_\_\_\_\_ Statement Of Appraised Value (HUD 92800.5B)

\_\_\_\_\_ Engineer's Certificate For Manufactured Housing Foundation

\_\_\_\_\_ Comprehensive Valuation Package (CVP): still have this??

\_\_\_\_\_ Completed

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ Original Uniform Residential Appraisal Report (URAR) or other approved appraisal reports as appropriate

\_\_\_\_\_ Complete appraisal package ++

\_\_\_\_\_ HUD 92564-HS (Homebuyer Summary)\*\*/++

\_\_\_\_\_ HUD-92564-VC Valuation Condition Sheet\*\*/++ Need this??

\_\_\_\_\_ Evidence VC's are cleared (may be HUD 92051 or cleared separately)

If MAR/MCC documentation:

\_\_\_\_\_ HUD-91322

\_\_\_\_\_ HUD-91322.2 as appropriate

\_\_\_\_\_ All attachments

\_\_\_\_\_ All amendments

If VA CRV/MCRV documentation:

\_\_\_\_\_ VA-26-1841 or

\_\_\_\_\_ VA-26-1843a

\_\_\_\_\_ All attachments and endorsements

Specialized Eligibility Documents including, but not limited to:



- \_\_\_\_\_ 203(k):
  - \_\_\_\_\_ Rehabilitation Agreement
  - \_\_\_\_\_ Plans
  - \_\_\_\_\_ Work Write-ups
  - \_\_\_\_\_ Cost Estimates
  - \_\_\_\_\_ Initial Draw Request
- \_\_\_\_\_ Form HUD-92561—Borrower's Contract with Respect to Hotel and Transient Use of Property (2-4 units)
- \_\_\_\_\_ Condominiums: Occupancy Certification regarding 51% owner occupancy (if not included on VC).
  - \_\_\_\_\_ Spot Condo documentation (if spot approval)
- \_\_\_\_\_ Purchase Contract and Addenda (Not Required On Refinances)
  - \_\_\_\_\_ Signed by all buyers and sellers
  - \_\_\_\_\_ Amendatory Clause signed by buyers and sellers (not required on REO Sales or 203(k) loans)
  - \_\_\_\_\_ Real Estate Certification signed by buyers, sellers, and selling real estate agent or broker (if not contained within purchase agreement)
- \_\_\_\_\_ HUD-92564-CN (For Your Protection:)\*\*/++

\*\*This Item Is Not Required For Proposed/Under Construction Properties

++This Item Is Not Required For MAR/MCC, or VA CRV/VA MCRV Loans

## Appendix E. Frequently Asked Questions about the LI Program.

### The LI Program

#### Eligible Loan Products

Q: [What loan products can be insured in the LI Program?](#)

A: All loan products except for HECMs. The HECM process has not changed and still requires submission of the paper case binder (CB).

Q: [When will HECMs be eligible for LI?](#)

A: Development of this capability is in process. FHA will provide periodic updates on development status.

Q: [How will 203\(k\) cases be processed under LI?](#)

A: 203(k) loans will be processed like all other LI loans.

#### Eligible Lenders

Q: [Am I eligible to insure forward mortgages under the LI program?](#)

A: Lenders meeting the following criteria are eligible to participate in the LI Program:

- 1) FHA Approved
- 2) Be an unconditionally approved Direct Endorsement (DE) Mortgagee.
- 3) Have a 2 years' default/claim rate at or below 150% of:
  - the *national* average rate for all insured mortgages for national lenders  
or
  - the *state* average rate for insured mortgages for lenders operating in a single state.

Q: [Am I eligible to insure HECM for reverse mortgages under the LI program?](#)

A: Lenders meeting the following criteria are eligible to participate in the HECM or reverse LI Program:

- 1) Be an unconditionally approved Direct Endorsement (DE) Mortgagee.
- 2) Have a 2 years' default/claim rate at or below 150% of:
  - the *national* average rate for all insured mortgages for national lenders or
  - the *state* average rate for insured mortgages for lenders operating in a single state.

Q: How exactly do I determine if I am eligible to participate in LI?

A: Access the Neighborhood Watch System at <https://entp.hud.gov/sfnw/nw/> using the following steps:

1. Select **Early Warnings**
2. Select **Single Lender**
3. Type the first few letters of the lender's name or the five digit lender id.
4. Select **Direct Endorsement Lender** from the **Mortgagee Selections** window.
5. Select **Current Defaults** from the **Default Choices** window.
6. Select the most recent date from the **Performance Period** window.
7. Select **Nationwide Totals** (lenders with endorsements in more than one state) or **States** (lenders with endorsements in one state) from the **Show Data for** window.
8. View the **Total Compare Ratio** (Compare ratio for all Direct Endorsement loans including both retail and sponsored). If the compare ratio is 150 or less the lender will be LI eligible.

Q: [Must lenders be eCB-capable in order to participate in the program?](#)

A: No.

Q: [How do I sign up for LI?](#)

A: Lenders should not send applications to the HOC to participate in LI. The lender's Application Coordinator completes the application process online using *FHA Connection*.

Q: Once I have applied and been approved for LI, does the FHAC or B2G process change?

A: The only change is that you will see one new field on the *Insurance Application* Page: "Insure Yes/No." Once lenders have completed their pre-endorsement review and believe the loan to be compliant with FHA's program requirements, the designated staff member simply selects "Yes," and submits the loan for processing.

## Lender Approval/Suspension

Q: If one branch loses DE status, will all branches lose LI ability, even if they have retained DE approval?

A: As long as the branch losing DE status is not the home office, no other branches will be impacted.

Q: Do lenders get an advance warning if they are going to be removed?

A: No.

## **The LI Process**

Q: What should the lender's pre-review process check for?

A: The pre-review process is a documentation validation process. Lenders should verify that all documents are in the case binder and are executed, and that FHAC data is entered appropriately. In short, lenders should confirm that all conditions

for insurance have been satisfied. It is important to double-check that the data entered into FHAC matches data on the documents in the case binder.

**Q:** [Once I indicate that the loan is ready for endorsement, is approval received online, or is there a waiting period?](#)

**A:** A message will display online indicating whether or not the loan was accepted for FHA insurance.

**Q:** [What happens if my loan is not accepted for endorsement based upon my data entry?](#)

**A:** An error message will display on FHAC, along with any case warnings.

**Q:** [What do I do if I receive case warnings?](#)

**A:** There are two types of case warnings—Non-Severity and Severe. You are responsible for researching non-severe case warnings and determining whether they can be cleared. If, after research, you believe that the non-Severity Case Warning(s) do not violate FHA program requirements. You must have applicable data in the file to support your decision; the loan can still be insured. Severe Case Warnings require you to submit the CB to the HOC for pre-insurance review.

**Q:** [What are Severe Case Warnings?](#)

**A:** There are three Severe Case Warnings:

- (1) **CAIVRS** sanction,
- (2) Social Security Number (SSN) data validation problem, and
- (3) HOC indication of a potential risk to FHA presented by this loan.

**Q:** Once I submit the CB with Severe Case Warning(s) to FHA for pre-endorsement review, how do I track its status?

**A:** There are 2 ways to view the status of cases submitted to FHA:

(1) Using the *Case Query Page*. The *Case Query Page* has been modified to show the status of the submission of the CB and whether the endorsement was processed by the lender, the HOC, or has not been processed. Use this to check on a single CB.

(2) Using the new *Binder Selection Page* on FHAC's *Case Processing Menu*. This shows a list of CBs for cases you either originated or sponsored.

**Q:** Must I still submit required CBs in paper format?

**A:** No, there is another option. You may submit requested CBs in electronic format. In order to submit an eCB, you prepare the electronic file according to FHA's eCB standards, which can be found in the Electronic Case Binder Developer's Guide at <http://www.hud.gov/pub/chums/electronicCaseBinder.pdf>. The list of documents that are to be included in the eCB and the order in which they must be indexed is also included in the Developer's Guide.

However, if you've been approved for eCBs, you must always submit CBs in electronic format. If you are a paper LI lender, you must always submit CBs in paper format, until you have gone through the testing process and been approved by FHA for eCBs.

**Q:** What is the process for non-LI lenders? Are CBs sent to the HOC for HOC staff to insure?

**A:** There is no change to the current process.

## Lender Loans Eligible for LI

Q: Must the loans lenders submit through LI have closed on January 3, 2006 or later, or may lenders submit loans that closed before January 3, 2006?

A: All pipeline cases should be processed under LI procedures once a lender have been approved to participate in the LI program.

Q: Are there specific requirements about the time from loan closing to input in FHAC?

A: No, but, if you go beyond 60 days, late endorsement processing becomes applicable.

Q: Is the LI process different for late endorsements? Will there be less tolerance?

A: The LI process does not handle late endorsements any differently than they are handled today, nor have grace periods changed.

## Lender's Pre-insurance Review and Approval for Insurance

Q: Must every file go through the "pre-insurance review" or just a percentage of loans?

A: Every file must go through this review.

Q: If principal loan balance reduction is required, how do lenders note this in FHAC?

A: Based on the principal reduction, the lender will identify the reduced loan amount in FHAC and modify the P&I only if the system issues an error warning. Lenders should always enter the corrected loan amount based on the reduction. Based on the corrected loan amount, the system either will request a correction to the

P&I or leave it alone. An enhancement to FHAC to make this easier in the future is planned.

**Q:** Is the MCAW being eliminated?

**A:** Yes we are moving to a loan transmittal form in the future. Implementation will be announced in a Mortgagee Letter.

**Q:** Will a lender's staff member/processor be able to "LI" a file? Would s/he not be able to LI any files, or just the ones s/he had done work on?

**A:** Anyone who served as the loan's originator, processor, or underwriter cannot insure the loan. If your responsibilities come under the origination function, whether you worked on that specific loan or not, you are not eligible to insure loans under the LI program.

## LI Case Approval/Denial

**Q:** Once the lender indicates that the loan is ready for endorsement, is approval received online, or is there a waiting period?

**A:** Insurance approval is displayed immediately online. .

**Q:** When FHA case numbers are initially ordered, many times the case number is on hold for SSN validation. They are reviewed and then cleared prior to the issuance of the case number. Will these cases receive a severe case warning during the insurance process?

**A:** Only if it fails the validation. Any time the SSN data must be re-checked against the databases, this could result in an SSN failure and a severe case warning.

(Adding an initial to a name or changing the date of birth are two actions that will result in a re-validation against the databases.)

**Q:** How, unless FHA has the file, would it know if something is missing or not correct?

**A:** It would not know unless the file is subsequently pulled for review. This is why it is critically important that lenders implement good quality control and pre-insurance review processes.

**Q:** If a mortgage record change is done in error will the loan still be insurable?

**A:** The mortgage record change transaction can not take place until after the case is insured.

**Q:** If a loan is ultimately determined not to be insurable, will all MIP funds collected be returned automatically or will the lender need to request it?

**A:** Lenders need to follow the same process as they do today and request the MIP funds.

**Q:** Does the HOC have a POC for MIC corrections?

**A:** FHA is currently developing procedures to accommodate this.

### Making LI CB/eCB Requests

**Q:** What is the timeframe in which lenders could be notified of a request for a CB?

**A:** For Post-Endorsement Technical Reviews, the lender will know right away because a message will be displayed right after the loan is insured by the system. Appraisal Reviews can be performed up to one year following endorsement. Complaints and other types of requests can result in a CB request

any time after endorsement up to several years late. QA reviews are performed up to 2 years after endorsement. These varying timeframes illustrate why it is so important that lenders comply with the CB retention requirements.

**Q:** If a CB/eCB is not requested at the time of endorsement, how will the lender know if a CB/eCB has been selected? (If you do not access the other screens mentioned to check?) Is there a list that appears?

**A:** Lenders must implement internal procedures to check the Case Binder Selection page in the FHA Connection on a daily basis.

**Q:** When an eCB is needed to address OIG or FOIA requests, complaints, hotline reports, or congressional inquiries, etc., how is it ordered from the lender since CBTS will not be used? How much time do the lenders have to respond to this type of CB request?

**A:** As a future enhancement, a special screen will be designed where the CBs can be selected by reviewers. Their requests will appear on the Binder Selection page. Lenders will have the same 10 calendar days to respond.

**Q:** What if staff need information from the borrower or attorneys and cannot get it in 10 calendar days?

**A:** Processing and Underwriting Directors within the HOCs will be responsible for monitoring the lender's performance.

### Responding to LI eCB/CB Requests

**Q:** Are lenders to submit a minimum number of CBs within a specified timeframe?

**A:** No.

Q: Must lenders do something to indicate that the requested paper CB is an LI request?

A: Yes, lenders should use yellow folders for LI cases.

Q: Where do lenders get yellow CBs?

A: These should be available from the same source providing the manila binders.

Q: Are scanned files okay [for] audit? (2 years)

A: Yes, as long as they are legible. Of particular concern are the photographs supporting the appraisal - these must be clear.

### Processing LI eCBs/CBs

Q: Will a case warning show up on the *Case Logging Page* for LI CBs that are sent to the HOC? (Currently no case warnings appear.)

A: This is planned as a future system enhancement.

Q: Is the HOC going to check to be sure the files are in proper order and there are good copies?

A: For any CBs received by the HOCs, the normal process will be followed. This is a way of ensuring data quality.

Q: Who/what determines if an eCB is "Not accepted"?

A: This is a technology related process—if the system cannot open or read the eCB it is not acceptable.

**Q:** Every CB sent to HUD for insuring today has at least one data entry error; most have several. What is going to be done to improve quality of the data? Quality is going to be hard to control.

**A:** The PETR process now includes a data quality control check along with a new deficiency code. FHA will be identifying lenders with one or more deficiencies and following up with them to ask what they will be doing to resolve these findings. This is an evolving process.

**Q:** If paper CB is rejected (NOR'd) will file be returned to lender?

**A:** Yes. The NOR should be succinct and include the reason(s) why the CB is being returned and the contact information for the person who NOR'd the file.

**Q:** Will the CB need to be re-submitted or can the problem be cleared if the lender sends/faxes the required documentation?

**A:** The entire CB must be re-submitted by the lender.

## Tracking eCB/CB Status

**Q:** Will lenders only receive binder status (accepted/requested) on HUD's Web site?

**A:** With the exception of NORs when files are returned, all communication will be online via FHAC/B2G.

**Q:** What does the tracking status, "Not Accepted" mean?

**A:** This is a technology related status—if the system cannot open or read the eCB it is not acceptable.

## After Loan is Insured by FHA

**Q:** Should a lender's QA staff conduct a post-insurance review?

A: No. The lender should just make sure that the quality control plan is modified to include a review of LI files.

Q: [Will FHA provide a post-closing checklist to lenders?](#)

A: No. If lenders follow the pre-insurance review checklist, conduct data quality reviews, and follow their normal quality review processes, they will be compliant with post-closing requirements.

### **Post Endorsement Technical Review**

Q: [What percentage of cases can we expect to be selected for review?](#)

A: The same percentage as today: 6-7%.

Q: [How will LI cases be selected for PETR? \(Random, Lender-focused, by the HOC?\)](#)

A: FHA uses several methods to select. All of these processes are used. The current selection process remains the same regardless of whether the case is normal, LI-insured, or insured by the HOC.

Q: [Will lenders have extended access to FHAC during non-work hours? For example, later than 8 p.m. Mountain Standard Time and on Saturdays and Sundays?](#)

A: FHAC Access Hours will stay the same. The hours are: 8 a.m. – 9 p.m. EST Monday through Saturday. The schedule and any modifications to it required by system maintenance are posted on the HUD Web Site.

### **Appraisal Reviews**

Q: [When/how will a lender be notified when an ARR is required?](#)

A: For anything beyond a severe case warning or PETR, screens are being developed to accept requests for case binders.

## Availability of LI Guidance

Q: [Could FHA provide more frequent training to lenders?](#)

A: FHA understands the need for additional training and is working on a solution. FHA's ultimate goal is to provide Web-based training to be available on demand.

Q: [Will there be direct tech support for lenders and a direct phone extension they can use?](#)

A: Lenders should contact the applicable HOC, whose staff should be able to assist them.

Q: [Lenders need a desk guide to show them what fields from the appraisal, MCAW, and note to enter into FHAC for insuring.](#)

A: FHA will include this as a future enhancement to the LI Guide.

Q: [Is there a contact number for IT help?](#)

A: Call 1-800-225-5343 to reach FHA's Call Center.