



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: June 27, 2025

Mortgagee Letter 2025-16

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All FHA-Approved Title I Lenders
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Rescission of Full-Time Direct Endorsement Underwriter Requirements

Purpose This Mortgagee Letter (ML) eliminates the full-time employment requirement for Direct Endorsement (DE) underwriter eligibility to allow part-time employment with an FHA-approved Mortgagee.

Effective Date The provisions of this ML are effective immediately.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Affected Programs The provisions of this ML apply to all FHA Title II forward mortgage and Home Equity Conversion Mortgage (HECM) programs.

Background FHA recognizes that the financial landscape for smaller lending institutions has evolved significantly over the past decade, presenting both opportunities and challenges in sustaining growth and meeting customer needs.

In response to and aligning with President Donald Trump's executive actions aimed at eliminating policies that have adversely affected key business sectors, including the housing market, FHA is updating its Direct

Endorsement (DE) underwriter eligibility requirements to reduce operational barriers, provide greater flexibility, and encourage participation in FHA programs. This update eliminates the full-time employment eligibility requirement for DE underwriters, permitting Mortgagees to employ them on a part-time basis. Experience requirements for DE underwriters have also been revised to accommodate part-time employment. All other aspects of FHA's policies remain unchanged.

Mortgagees must continue to ensure their DE underwriters are permanent employees of a single Mortgagee and underwriting functions are not contracted out.

Removing the full-time employment eligibility requirement for DE underwriters is a step toward aligning with the Trump Administration's broader goals of reducing costs and unnecessary regulatory burdens as well as fostering long-term economic stability.

Summary of Changes

This ML:

- eliminates the full-time employment requirement for underwriter eligibility to allow part-time employment in Direct Endorsement Underwriter Eligibility – Eligibility Requirements (I.B.3.b.i).

The Handbook 4000.1 sections impacted by this ML are provided in [Attachment 1](#), with changes tracked in redline to help users clearly identify the policy requirements being revised or removed from the Handbook.

FHA Single Family Housing Policy Handbook 4000.1

The policy changes will be incorporated into Handbook 4000.1 as follows:

Direct Endorsement Underwriter Eligibility (I.B.3.b)

i. Eligibility Requirements [Text was deleted in this section.]

Doing Business with FHA

The DE underwriter must meet the following requirements:

- have either a minimum of:
 - three years experience reviewing credit applications and one- to four-unit property appraisals, within the past five years; or
 - two years experience reviewing credit applications and one- to four-unit property appraisals, within the past three years, combined with an additional three years of such experience within the past ten years; and
- be an employee of a single Mortgagee; and
- be authorized to bind the Mortgagee in matters involving origination of mortgages.

**Paperwork
Reduction Act**

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0328; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

**Feedback or
Questions**

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Frank Cassidy
Principal Deputy Assistant Secretary for Housing

Attachment 1
Handbook 4000.1 Pages Impacted by this Mortgagee Letter

The Handbook 4000.1 sections impacted by this Mortgagee Letter (ML) are provided in this attachment, with changes tracked in redline, to help users clearly identify the policy requirements being revised or removed from the Handbook.

I. DOING BUSINESS WITH FHA
B. Other Participants
3. Direct Endorsement Underwriters

- calculation of residual income; and
- determination of the need for and the amount of a Life Expectancy (LE) Set-Aside.

b. Direct Endorsement Underwriter Eligibility ~~(03/14/2016)~~ **(06/27/2025)**

i. Eligibility Requirements

The DE underwriter must meet the following requirements:

- have either a minimum of:
 - three years ~~full-time~~ experience reviewing credit applications and one- to four-unit property appraisals, within the past five years; or
 - two years ~~full-time~~ experience reviewing credit applications and one- to four-unit property appraisals, within the past three years, combined with an additional three years of such ~~full-time~~ experience within the past ten years; and
- be **an** ~~full-time~~ employee of a single Mortgagee; and
- be authorized to bind the Mortgagee in matters involving origination of mortgages.

ii. Ineligible Participants

The DE underwriter **must not** be:

- listed on the General Services Administration's (GSA) [System for Award Management \(SAM\)](#) or currently subject to a suspension, debarment, Limited Denial of Participation (LDP), or other restriction imposed under Part 24 of Title 24 of the Code of Federal Regulations, Part 180 of Title 2 of the Code of Federal Regulations as implemented by Part 2424 of Title 2, or any successor regulations to such parts, or under similar provisions of any other federal or state agency;
- under indictment for, or have been convicted of, an offense that reflects adversely upon the underwriter's integrity, competence or fitness to meet the responsibilities of a DE underwriter;
- subject to any Unresolved Findings made specifically against the underwriter as the result of any HUD or other governmental investigation or audit;
- engaged in business practices that do not conform to generally accepted practices of prudent underwriters or that demonstrate irresponsibility;
- convicted of, or have pled guilty or *nolo contendere* to, a felony related to participation in the real estate or mortgage industry:
 - during the seven-year period preceding the date of registration in FHA Connection (FHAC); or
 - at any time preceding the date of registration in FHAC, if such felony involved an act of fraud, dishonesty, or a breach of trust, or money laundering; or
- in violation of provisions of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) (12 U.S.C. § 5101 et seq.) or its equivalent under state law, including all Nationwide Mortgage Licensing System and Registry (NMLS) requirements.