



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: June 20, 2024

Mortgagee Letter 2024-12

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 HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Expansion of Government-Sponsored Enterprises (GSEs) Definition and Clarification of Investing Mortgagee Definition

Purpose This Mortgagee Letter (ML) implements the provisions of Final Rule, *Revision of Investing Lenders and Investing Mortgagees Requirements and Expansion of Government-Sponsored Enterprises Definition* (Docket No. FR-6291-F-02) (Final Rule), which distinguishes between Governmental Institutions and Government-Sponsored Enterprises (GSEs) and clarifies the definition of an Investing 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 Mortgagees approved for FHA Title I and/or Title II programs.

Background

Presently, the definition of a Government Mortgagee in HUD Handbook 4000.1 includes GSEs. For several years, certain GSEs have contended that due to the nature of their lending activities they do not possess the infrastructure and operations necessary to comply with FHA requirements related to loan and mortgage origination. FHA has reviewed the mission and structure of the GSEs and determined that, because they do not perform loan or mortgage origination activities, it is appropriate to treat them differently than other types of Government Mortgagees.

On July 18, 2023, HUD published a proposed rule in the Federal Register (FR) at 88 FR 45863 to define GSEs separately from other Governmental Institutions and to exempt them from FHA requirements specific to loan and mortgage origination. After reviewing and considering the comments received, HUD published the final rule in the FR at 89 FR 30272 on April 23, 2024, formally revising its regulations in 24 CFR Parts 202 and 5.

The final rule also provides additional clarification to the definition of an Investing Lender or Investing Mortgagee. Specifically, the rule more clearly identifies when an organization is not an Investing Lender or Investing Mortgagee.

This ML updates Handbook 4000.1 requirements to accord with the published final rule.

Summary of Changes

This ML:

- distinguishes the two types of Government Mortgagees (I.A.2.c.i);
 - inserts the authorizations of Governmental Institutions and GSEs (I.A.2.c.iii); and
 - clarifies the definition of Investing Mortgagees (I.A.2.d.i).
-

FHA Single Family Housing Policy Handbook 4000.1

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

Government Mortgagee (I.A.2.c)

i. Definitions

(A) Governmental Institutions

Governmental Institutions refer to federal, state, and municipal governmental agencies and Federal Reserve Banks.

Doing Business with FHA

(B) Government-Sponsored Enterprises

Government-Sponsored Enterprises (GSE) refer to Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac), and the Federal National Mortgage Association (FNMA, or Fannie Mae).

ii. Standard

A Government Mortgagee must meet the general approval requirements set forth below.

iii. Activities Authorized

Governmental Institutions may originate, underwrite, close, endorse, service, purchase, hold, or sell FHA-insured Mortgages.

GSEs may purchase, service, hold, or sell FHA-insured Mortgages.

Investing Mortgagee (I.A.2.d)

i. Definition

An Investing Mortgagee is an organization that invests funds under its own control and is not approved as a Supervised Mortgagee, a Nonsupervised Mortgagee, or a Government Mortgagee.

**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; 2502-0358; 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

Mortgagee Letter 2024-12, Continued

accessible phone call is available at
<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Julia R. Gordon
Assistant Secretary for Housing -
FHA Commissioner
