Welcome to...
FHA Quality Assurance Update: Q2 2020

Today's webinar begins at 2:00 PM (Eastern).

We will be underway shortly.

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Technical Support

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Q&A Session

- Q&A session will follow the presentation.
- Follow instructions in *Q&A Instructions* link found in the **Chat** icon/**Landing Page** and **Q&A Instructions** slide at end of the presentation.
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- Send unanswered questions to FHA Resource Center.

Contact the FHA Resource Center

- Online: www.hud.gov/answers
- Email: answers@hud.gov
- Phone:1-800-Call-FHA (1-800-225-5342)

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Documents/Materials & Training Evaluation

- Documents/Materials:
  - Click **Chat** icon or **Landing Page**
  - Select the *Webinar Documents/Materials* link for a copy of the presentation.

- Training Evaluation:
  - Click on the **Chat** icon or **Landing Page** and select the *Survey* link.

Helpful Links

Click on the **Chat** icon or **Landing Page** and select links to bookmark:

- FHA Lenders page:
  https://www.hud.gov/program_offices/housing/sfh/lender

- FHA FAQ page:
  https://www.hud.gov/FHAFAQ

- Single Family Housing Archived (On Demand) Webinars page:
  https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING

Office of Lender Activities and Program Compliance

FHA Quality Assurance Update: Q2 2020

May 20, 2020

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Quality Assurance Division

Last Updated: 5/13/2020

OFFICE OF SINGLE FAMILY HOUSING

Agenda

- Loan Review Results
- COVID-19 National Emergency Provisions
- Resources
- Q&A

Loan Review Results

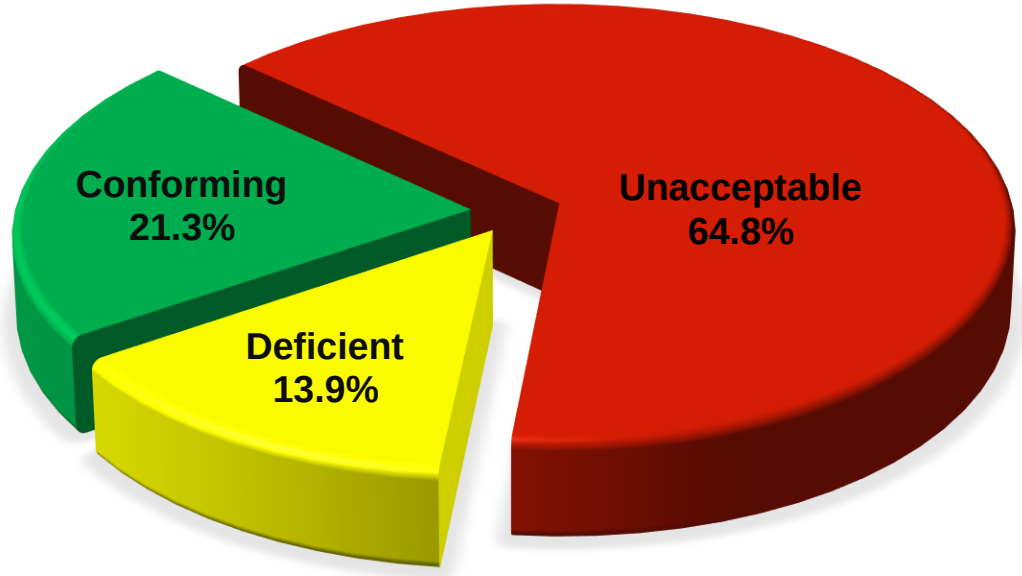
Quarterly Volume

Review Type	# Completed	% Net Material
Underwriting	10,048	13%
Servicing	477	9%
SELECTION REASON		
Risk Algorithm	2,951	7%
Early Payment Defaults	2,764	12%
Lender Self-Reports	1,980	25%
Random Selections	1,027	2%
Lender Monitoring	794	17%
Review Location Quality Control (QC)	359	5%
FHA Manual Selections	231	32%
Test Cases	199	8%
Early Claims	190	16%
OIG Audit	30	20%
Quarterly Total	**10,525**	**13%**

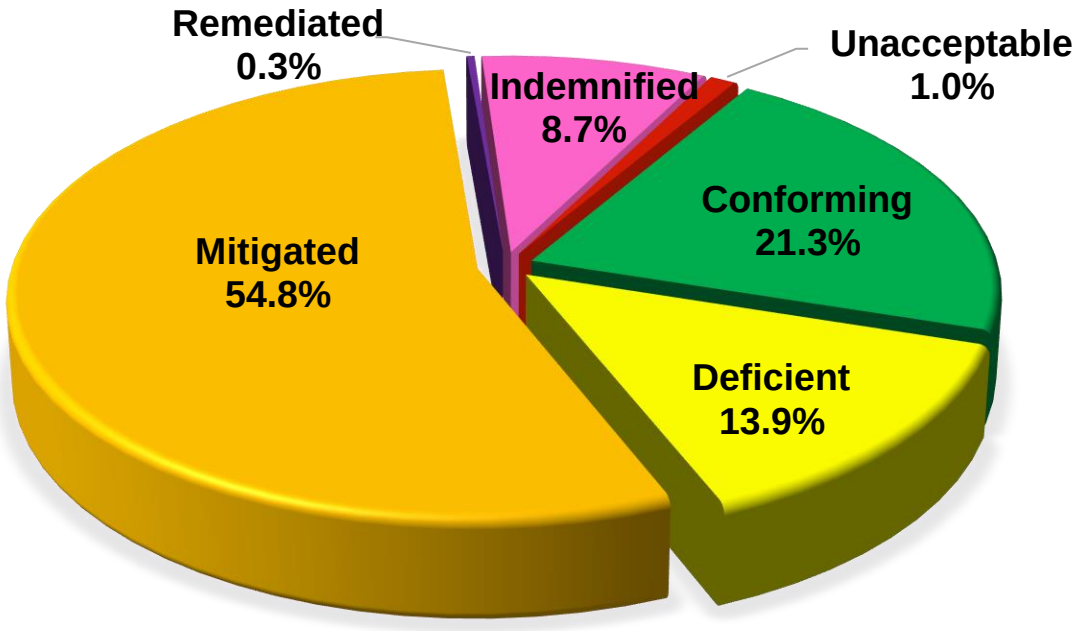
Loan Review System (LRS) reviews completed from 1/1/2020 to 3/31/2020

Quarterly Ratings and Outcomes

Initial Ratings (Gross)



Final Ratings (Net)



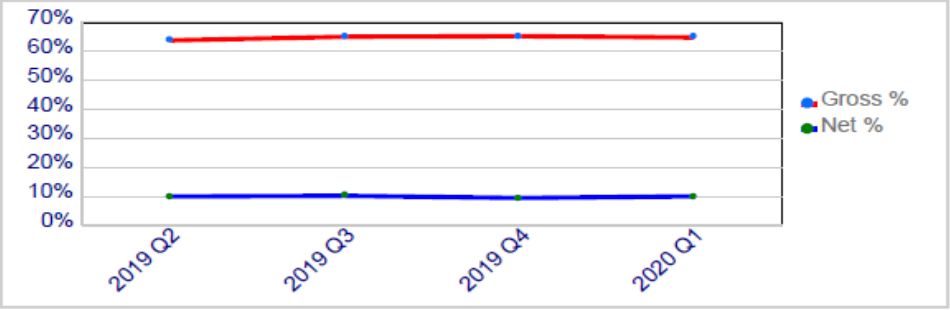
LRS reviews completed from 1/1/2020 to 3/31/2020 (excluding lender self-reports and internal QC)

Quarterly Loan Review Summary

Quarterly Loan Review Summary
Completed Quarters(s): 2020 Q1, 2019 Q4, 2019 Q3, 2019 Q2
Location(s): All
Sample: Total

Material Defects

Qtr	# of Loans	Gross #	Gross %	Net #	Net%
2019 Q2	8,890	5,668	63.8%	886	10.0%
2019 Q3	8,844	5,750	65.0%	903	10.2%
2019 Q4	8,198	5,346	65.2%	774	9.4%
2020 Q1	8,186	5,302	64.8%	821	10.0%



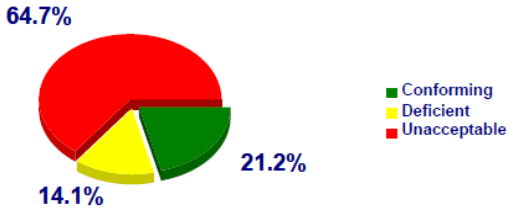
Review Ratings #

Quarter	Conforming	Deficient	Mitigated	Remediated	Indem	Other
2019 Q2	1,905	1,317	4,782	19	765	102
2019 Q3	1,889	1,205	4,847	27	819	57
2019 Q4	1,711	1,141	4,572	12	719	43
2020 Q1	1,745	1,139	4,481	25	712	84
Total	7,250	4,802	18,682	83	3,015	286

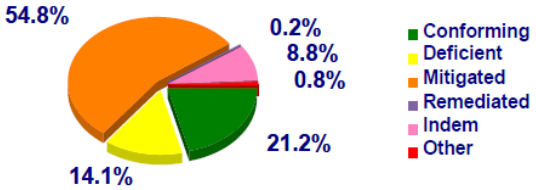
Review Ratings %

Quarter	Conforming	Deficient	Mitigated	Remediated	Indem	Other
2019 Q2	21.4%	14.8%	53.8%	0.2%	8.6%	1.1%
2019 Q3	21.4%	13.6%	54.8%	0.3%	9.3%	0.6%
2019 Q4	20.9%	13.9%	55.8%	0.1%	8.8%	0.5%
2020 Q1	21.3%	13.9%	54.7%	0.3%	8.7%	1.0%
Total	21.2%	14.1%	54.8%	0.2%	8.8%	0.8%

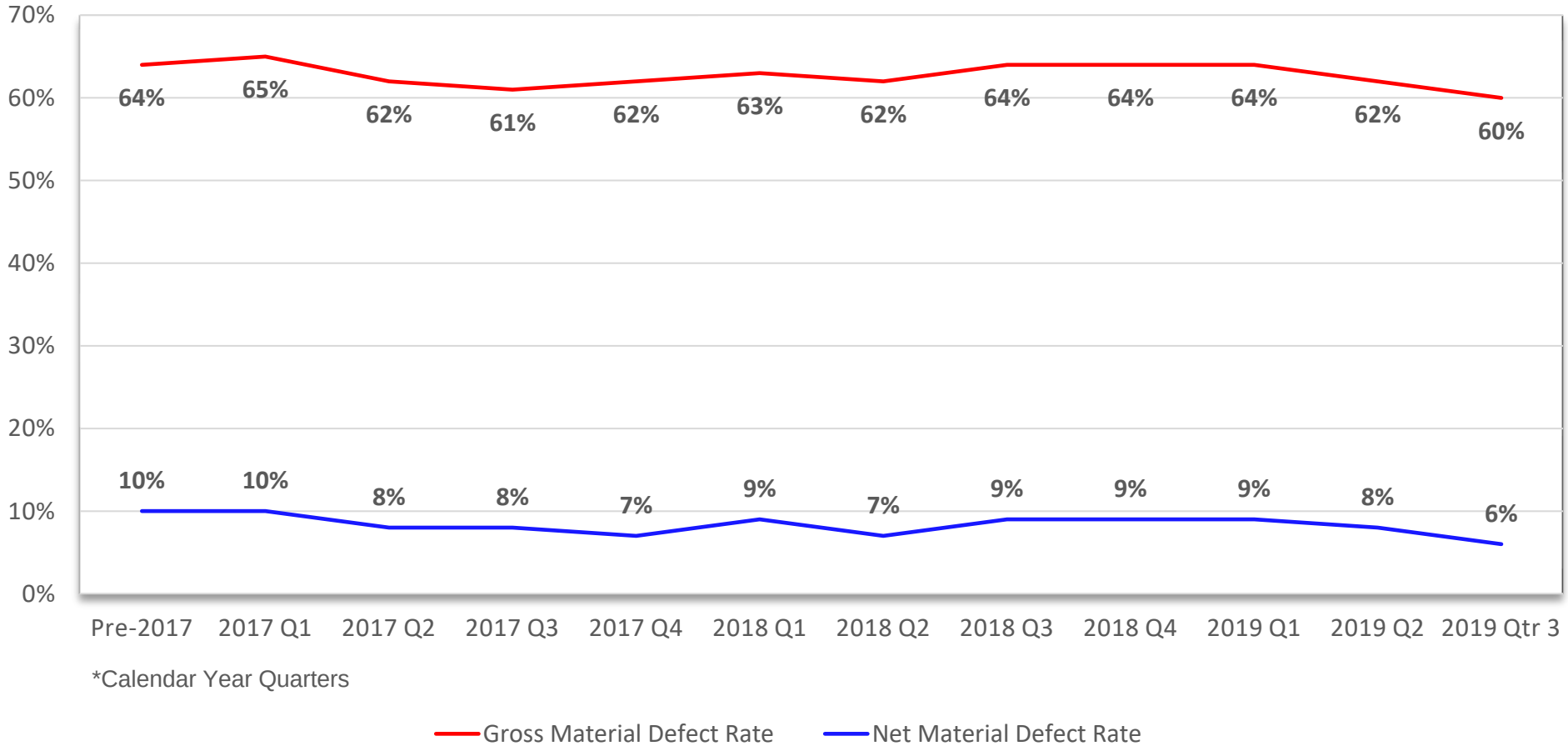
Gross Ratings



Net Ratings



Outcome Trends by Endorsement Date



LRS reviews completed from 5/15/2017 to 3/31/2020 (excluding lender self-reports, test cases and internal QC)

COVID-19 National Emergency Provisions

COVID-19 National Emergency Provisions

- FHA Catalyst digital case binder delivery:
  - Used in lieu of mailing paper binders to Homeownership Centers for endorsement processing
  - Includes Conditional Direct Endorsement (DE) Test Case submission for review in LRS
  - Binder submission for other LRS reviews may be considered in a future phase

- Compare Ratio impacts:
  - Anticipated increase in default and claim rates will impact Compare Ratios in Neighborhood Watch
  - FHA is unable to remove loans in forbearance from Neighborhood Watch Compare Ratio calculations
  - FHA will consider the impact of the COVID-19 National Emergency as a relevant mitigating factor for Credit Watch Termination and Lender Insurance (LI) Program monitoring processes

- Quality Control requirements:
  - Early Payment Default (EPD) reviews
  - Field review of appraisals

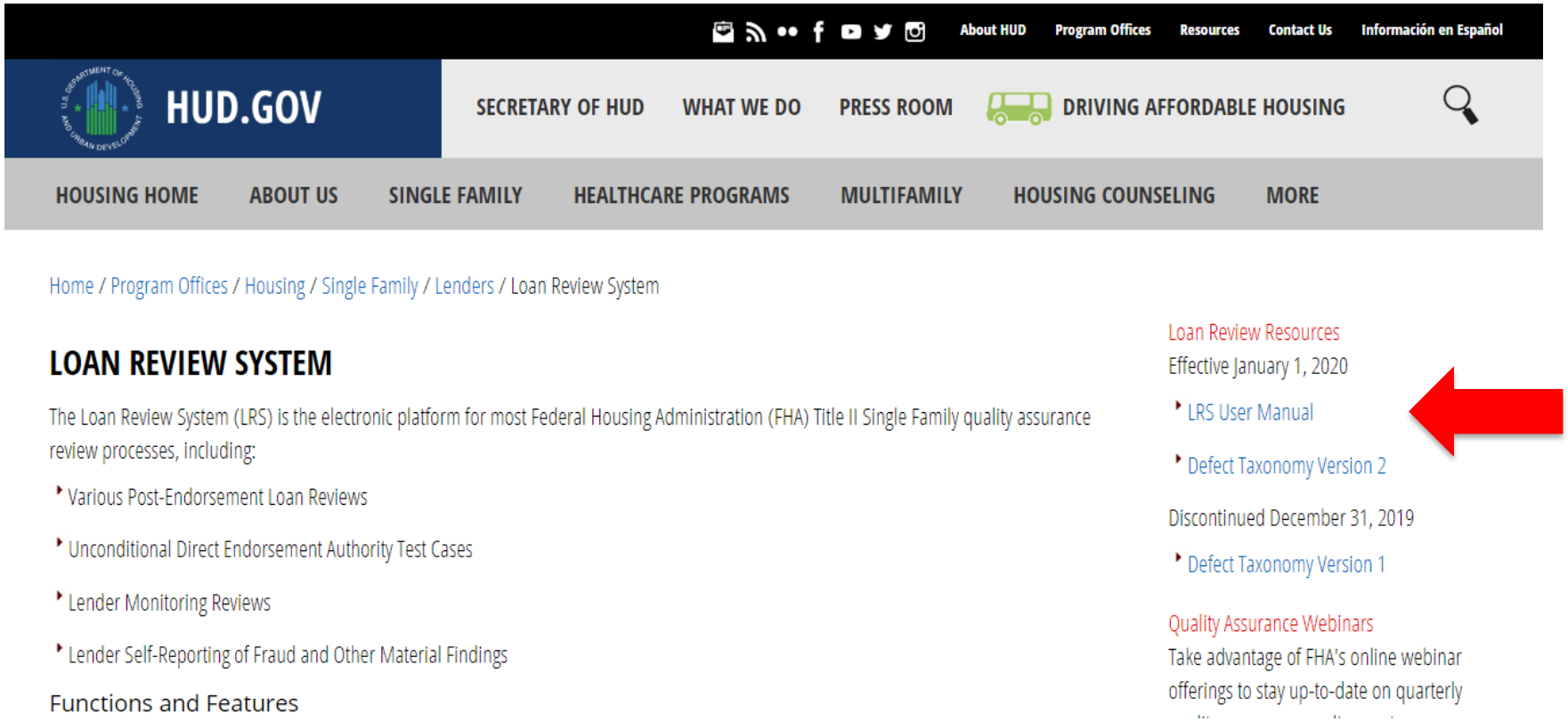
Resources

Resources

LRS Information Page on HUD.gov

https://www.hud.gov/program_offices/housing/sfh/lender/loan_review_system

- LRS User Manual
- Defect Taxonomy
- Webinars



Resources (cont.)

Helpful Links

- Single Family Housing Handbook Information
  https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1

- Upcoming Single Family Housing Events and Training
  https://www.hud.gov/program_offices/housing/sfh/events

- Subscribe to FHA INFO
  https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe

Resources (cont.)

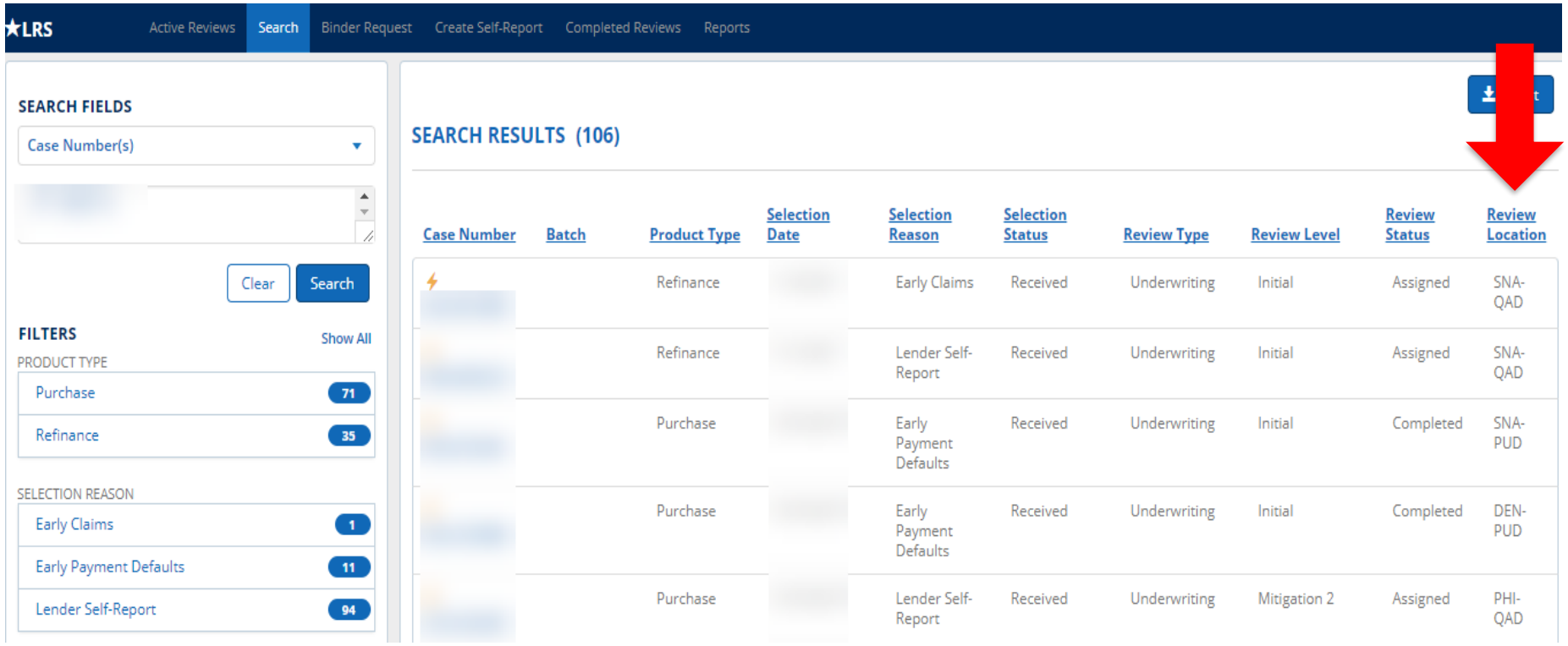
	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe

Resources (cont.)

FHA Resource Center

- When inquiring about a specific LRS review, lenders must provide FHA case number and review location.
  - Review location is shown on the LRS Search screen, the Binder Request screen, or the Review Data tab.



Q&A

Q&A Protocol

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- If viewing webinar through computer or smartphone, click *Raise Hand* icon. You will receive onscreen message to unmute yourself - click *Unmute Myself* button. When prompted by moderator, provide your name, company affiliation, then ask your question.

Option B: Standard telephone line

- To ask a question, press *9 to be placed in queue. Webinar moderator will unmute your phone and you will hear an automated voice message stating *You Are Unmuted.* When prompted by moderator, provide your name, company affiliation, then ask your question.

Thank you for joining us today!