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

Today’s webinar begins at 2:00 PM (Eastern).
We will be underway shortly.

Please test your speakers and choose Audio source (computer/smartphone or telephone) by selecting desired option in Audio Settings – see left side of toolbar at bottom of screen.
Technical Support

• Recommend Chrome browser.
• Technical issues? Review Technology FAQs by clicking the Chat icon at the bottom of screen or Landing Page.
• Need additional tech support? Click Contact Tech Support icon on the Chat link or Landing Page.
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.
• Test Audio, if asking a question.
• Select one of the two Audio options:
  – Computer/Smartphone
  – Standard Telephone Line
• Send unanswered questions to FHA Resource Center.
Contact the FHA Resource Center

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

*Persons with hearing or speech impairments should call the Federal Relay Service at 1-800-877-8339.*
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.
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](https://www.hud.gov/program_offices/housing/sfh/lender)

- **FHA FAQ page:**
  [https://www.hud.gov/FHAFaq](https://www.hud.gov/FHAFaq)

- **Single Family Housing Archived (On Demand) Webinars page:**
  [https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars](https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars)
Office of Lender Activities and Program Compliance

FHA Quality Assurance Update: Q2 2020
May 20, 2020

Presented by:
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Director
Quality Assurance Division

Christina Channing
Single Family Housing Specialist
Quality Assurance Division

Derek Taylor
Management Analyst
Quality Assurance Division

Last Updated: 5/13/2020
## Quarterly Volume

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

Loan Review System (LRS) reviews completed from 1/1/2020 to 3/31/2020
Quarterly Ratings and Outcomes

Initial Ratings (Gross)
- Conforming: 21.3%
- Deficient: 13.9%
- Unacceptable: 64.8%

Final Ratings (Net)
- Conforming: 21.3%
- Mitigated: 54.8%
- Indemnified: 8.7%
- Remediated: 0.3%
- Unacceptable: 1.0%
- Deficient: 13.9%

LRS reviews completed from 1/1/2020 to 3/31/2020 (excluding lender self-reports and internal QC)
Quarterly Loan Review Summary
Completed Quarters(s): 2020 Q1, 2019 Q4, 2019 Q3, 2019 Q2
Location(s): All
Sample: Total

Material Defects

<table>
<thead>
<tr>
<th>Qtr</th>
<th># of Loans</th>
<th>Gross #</th>
<th>Gross %</th>
<th>Net #</th>
<th>Net %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Q2</td>
<td>8,890</td>
<td>5,658</td>
<td>63.8%</td>
<td>886</td>
<td>10.0%</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>8,844</td>
<td>5,750</td>
<td>65.0%</td>
<td>903</td>
<td>10.2%</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>8,198</td>
<td>5,346</td>
<td>65.2%</td>
<td>774</td>
<td>9.4%</td>
</tr>
<tr>
<td>2020 Q1</td>
<td>8,186</td>
<td>5,302</td>
<td>64.8%</td>
<td>821</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Review Ratings #

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Conforming</th>
<th>Deficient</th>
<th>Mitigated</th>
<th>Remediated</th>
<th>Indem</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Q2</td>
<td>1,905</td>
<td>1,317</td>
<td>4,782</td>
<td>19</td>
<td>765</td>
<td>102</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>1,889</td>
<td>1,205</td>
<td>4,947</td>
<td>27</td>
<td>819</td>
<td>57</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>1,711</td>
<td>1,141</td>
<td>4,572</td>
<td>12</td>
<td>719</td>
<td>43</td>
</tr>
<tr>
<td>2020 Q1</td>
<td>1,745</td>
<td>1,139</td>
<td>4,481</td>
<td>25</td>
<td>712</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>7,250</td>
<td>4,892</td>
<td>18,082</td>
<td>83</td>
<td>3,915</td>
<td>286</td>
</tr>
</tbody>
</table>

Review Ratings %

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Conforming</th>
<th>Deficient</th>
<th>Mitigated</th>
<th>Remediated</th>
<th>Indem</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Q2</td>
<td>21.4%</td>
<td>14.6%</td>
<td>53.6%</td>
<td>0.2%</td>
<td>0.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>21.4%</td>
<td>13.6%</td>
<td>54.8%</td>
<td>0.3%</td>
<td>9.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>20.0%</td>
<td>13.0%</td>
<td>55.8%</td>
<td>0.1%</td>
<td>8.6%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2020 Q1</td>
<td>21.3%</td>
<td>13.9%</td>
<td>54.7%</td>
<td>0.3%</td>
<td>8.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total</td>
<td>21.2%</td>
<td>14.1%</td>
<td>54.8%</td>
<td>0.2%</td>
<td>8.8%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Gross Ratings: 64.7%
Net Ratings: 54.8%
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)

• 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

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

- Subscribe to FHA INFO
## Resources (cont.)

<table>
<thead>
<tr>
<th>Option</th>
<th>Point of Contact</th>
<th>Hours Available</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA Knowledge Base – FAQs</td>
<td><a href="http://www.hud.gov/answers">www.hud.gov/answers</a></td>
<td>24/7/365</td>
<td>Knowledge Base web page includes option to email questions.</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:answers@hud.gov">answers@hud.gov</a></td>
<td>24/7/365</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>1-800-CALL-FHA (1-800-225-5342)</td>
<td>8:00 AM to 8:00 PM Eastern M-F</td>
<td>Voicemail is available after hours or during extended wait periods.</td>
</tr>
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</table>

Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

**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
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
Check your audio to ensure it’s working correctly:

- Click *Test Speaker & Microphone* option or Microphone icon if image is crossed out.
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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!