

**FHA INFO #19-55**  
**October 28, 2019**



**TO: All FHA-Approved Mortgagees;**  
**All Other Interested Stakeholders in FHA Transactions**

## NEWS AND UPDATES

### **HUD Provides Greater Transparency and Assurances for Lenders through its new Memorandum of Understanding for Application of False Claims Act Remedies in Conjunction with FHA's Revised Certifications and Defect Taxonomy**

This morning, Department of Housing and Urban Development (HUD) Secretary Ben Carson announced several important milestone achievements in FHA's efforts to provide greater clarity and consistency for lenders doing business with FHA. These milestones include the execution of a Memorandum of Understanding (MOU) with the Department of Justice (DOJ), the approved FHA annual lender certification, proposed loan-level certification, and the final Defect Taxonomy.

A [Press Release](#) announcing the [important agreement](#) between HUD and the DOJ is available in the [Press Room](#) on hud.gov.

#### **Annual Lender Certifications**

On Friday, October 25, 2019, FHA published the final Paperwork Reduction Act (PRA) notice ([Docket No. FR-7111-N-38A](#)) for its approved annual lender certification in the [Federal Register](#). The notice incorporates feedback and public comments received since it first posted on the [Single Family Housing Drafting Table](#) (Drafting Table) in May 2019, and in subsequent *Federal Register* notices. The changes better align the certification statements with HUD's statutes and regulations while continuing to hold lenders accountable for compliance with FHA's eligibility and approval requirements.

The new annual lender certification, which can be viewed on the [Annual Recertification](#) web page, will be effective for the Certification Period ending December 31, 2019.

## Loan-Level Certifications

Also, on Friday, October 25<sup>th</sup>, FHA published a 60-day *Federal Register* PRA notice ([Docket No. FR-7014-N-26](#)), which proposes revisions to FHA's loan-level certification. Building on feedback received on the proposed draft posted to the Drafting Table earlier this year, FHA made significant revisions to the Form HUD-92900-A (*Addendum to Uniform Residential Loan Application*), including incorporating materiality into the certification as defined in the Defect Taxonomy.

The public may provide comments on FHA's loan-level certifications PRA notice until Tuesday, December 24, 2019. After considering any comments received, FHA will publish a subsequent 30-day notice on the proposed changes.

## Defect Taxonomy and Loan Review System

On Thursday, October 24, 2019, FHA posted its updated Single Family Housing Loan Quality Assessment Methodology — more commonly known as the [Defect Taxonomy](#) — on its [Loan Review System](#) (LRS) web page. This approved Version 2 reflects public feedback received on the proposed draft posted to the Drafting Table earlier this year. The revised Defect Taxonomy provides more clarity and transparency into FHA's loan-level quality assurance processes, and includes: clarification of Severity Tier definitions; potential Remedies that align with Severity Tiers; revised Sources and Causes in certain Defect Areas; and incorporation of HUD policy references.

Additionally, FHA is making system enhancements in LRS to allow lenders to submit responses to Tier 3 and 4 findings. Until the enhancements are implemented, lenders may continue to submit appeals to deficient findings by contacting the FHA Resource Center at [answers@hud.gov](mailto:answers@hud.gov) or by calling 1-800-CALL-FHA (1-800-225-5342).

All Defect Taxonomy changes will be effective for loan reviews as of January 1, 2020.

## Quick Links (If you experience issues opening PDF documents in Internet Explorer, try using a different web browser.)

- View the HUD Press Room at: <https://www.hud.gov/press>
- View the HUD and DOJ Memorandum of Understanding at: [https://www.hud.gov/sites/dfiles/SFH/documents/sfh\\_HUD\\_DOJ\\_MOU\\_10\\_28\\_19.pdf](https://www.hud.gov/sites/dfiles/SFH/documents/sfh_HUD_DOJ_MOU_10_28_19.pdf)
- Access the *Federal Register* at: <https://www.federalregister.gov>
- View the *Single Family Housing Drafting Table* at: [https://www.hud.gov/program\\_offices/housing/sfh/SFH\\_policy\\_drafts](https://www.hud.gov/program_offices/housing/sfh/SFH_policy_drafts)
- View the Annual Recertification web page at: [https://www.hud.gov/program\\_offices/housing/sfh/lender/approvals\\_renewals/sfh\\_recertification](https://www.hud.gov/program_offices/housing/sfh/lender/approvals_renewals/sfh_recertification)
- Access the SF Handbook at: [https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/hsg](https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg)
- See the Defect Taxonomy Version 2 at: [https://www.hud.gov/sites/dfiles/SFH/documents/SFH\\_Defect\\_Taxonomy.pdf](https://www.hud.gov/sites/dfiles/SFH/documents/SFH_Defect_Taxonomy.pdf)
- Access the Loan Review System web page at: [https://www.hud.gov/program\\_offices/housing/sfh/lender/loan\\_review\\_system](https://www.hud.gov/program_offices/housing/sfh/lender/loan_review_system)

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## Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at: <https://www.hud.gov/answers>
- E-mail the FHA Resource Center at: [answers@hud.gov](mailto:answers@hud.gov). Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 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.

<b>FHA INFO Archives:</b>	Visit the <a href="#">FHA INFO Archives</a> to access FHA INFO messages issued from 2012 to the present.														
<b>Subscribe/Unsubscribe Instructions:</b>	To subscribe to the Single Family FHA INFO mailing list you can use this link: <a href="#">FHA INFO</a> or send a request by email to: <a href="mailto:answers@hud.gov">answers@hud.gov</a> Bulk subscriptions: To sign up your entire office or a large group, send the list of email addresses (in the format below) to: <a href="mailto:answers@hud.gov">answers@hud.gov</a> <a href="mailto:aaa@xyz.com">aaa@xyz.com</a> <a href="mailto:bbb@xyz.com">bbb@xyz.com</a> <a href="mailto:ccc@xyz.com">ccc@xyz.com</a>  <a href="#">To Unsubscribe</a> follow the unsubscribe instructions on that page.														
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