



FHA INFO 2023-75

September 7, 2023

### **FHA Waives Requirement that Unnecessarily Prevents or Delays Qualified Borrowers from Obtaining FHA-insured Mortgages**

In its continual efforts to improve access to credit for qualified borrowers, the Federal Housing Administration (FHA) issued a [waiver](#) today to a requirement that FHA-approved mortgagees flag rejected loans in the FHA Connection (FHAC) system.

FHA has determined that this flag does not improve risk management and is often why other lenders will reject an applicant even when that applicant might otherwise qualify for a loan. Currently, when a mortgagee rejects a borrower's application for an FHA-insured mortgage, the denial information must be entered on the Mortgage Credit Reject (MCR) screen in FHAC. This action generates a warning flag associated with both the case number and the borrower for a six-month period, requiring a review by the jurisdictional [Homeownership Center \(HOC\)](#) when a borrower applies for an FHA-insured loan from another lender during this timeframe.

By waiving this provision of the Single Family Housing Policy Handbook 4000.1, FHA will no longer require lenders to enter rejection information in FHAC, streamlining the loan underwriting process and removing an unnecessary barrier for borrowers who wish to obtain FHA-insured financing.

This [waiver](#) is effective for all cases pending endorsement on or after September 11, 2023. For cases pending endorsement, any MCR case warning flags will be removed.

The MCR screen in FHAC will no longer be available beginning September 11, 2023.

The [waiver](#) of this policy will become a permanent policy and will be incorporated in a future version of the [Single Family Housing Policy Handbook 4000.1](#).

#### **Need Support? Contact the FHA Resource Center.**

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at [www.hud.gov/answers](http://www.hud.gov/answers).

- E-mail [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-CALLFHA (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.

#### **About FHA INFO**

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