Office of Lender Activities and Program Compliance

FHA’s Lender Electronic Assessment Portal (LEAP) Post-Approval Activities
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Agenda

Post-Approval Activities

• Administrative Contact Information
• Post-Approval Overview
• Information Updates
• Change Requests
• Notice of Material Events

Annual Recertification

• Overview
• Certification Details
• Unable to Certify
Post-Approval Activities
FHA-approved lenders must maintain updated information for a primary Administrative Contact in LEAP.

• Contact information must include:
  — Full name;
  — Telephone number;
  — Email address; and
  — Business street address (post office boxes are not acceptable).

• Lenders should add the @hud.gov domain to their servers to ensure timely delivery of emails from HUD.

Reference: LEAP User Manual; Section 5.1
Post-Approval Activities Overview

FHA-approved lenders have an ongoing requirement to notify FHA of any changes to the information provided at the time of application for FHA approval, as well as changes that might impact eligibility to participate in FHA programs.

• All notifications must be submitted using LEAP within 10 business days of the change unless otherwise specified in FHA’s policy guidance.

• There are three types of notifications that lenders may be required to submit:
  1) Information Updates
  2) Change Requests
  3) Notice of Material Events

Reference: HUD Handbook; 4000.1 Section 1.A.7
Information Updates

An Information Update is any change to a lender’s basic institution or branch information in the FHA systems that can be directly managed by the lender.
A Change Request is the method of submitting information and/or business changes to FHA that requires FHA review and approval before acceptance.
Most Common Change Requests

- Extensions (Recertification)
- Lender Org Changes include the following sub-types:
  - Add Branch
  - Fiscal Year-End (FYE) Change
  - Name Change
  - Corporate Officer
  - Voluntary Withdrawal
  - Mergers or Acquisitions

Reference: LEAP User Manual; Section 9
The Add Branch Change Request should be submitted in LEAP via the Requests drop-down on the Menu Bar. Payment will be required to add a Branch.

Reference: LEAP User Manual; Section 5.1, Section 6
## Adding Branches – Most Common Errors

<table>
<thead>
<tr>
<th>If you receive this error…</th>
<th>Issue</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invalidated geographic address</td>
<td>Address could not be validated by USPS</td>
<td>Correct address and re-submit request</td>
</tr>
<tr>
<td>Rejected payment</td>
<td>Invalid account information</td>
<td>Correct account information and resubmit. If funds have already been debited, contact FHA’s Resource Center</td>
</tr>
<tr>
<td>Branch Manager associated with another FHA institution</td>
<td>Branch Manager’s association with another institution will need to be removed</td>
<td>Contact FHA Resource Center</td>
</tr>
</tbody>
</table>

Reference: LEAP User Manual; Section 5.1  
FHA Resource Center: 1-800-Call-FHA (225-5342); or answers@hud.gov
Current and accurate Corporate Officer information must be maintained at all times on the Institution’s profile in the Corporate Personnel panel.
Adding a Corporate Officer

New Corporate Officers can be added by submitting a “New Corporate Officer” Change Request in LEAP.

- The following information will be needed for each individual added:
  - Full name
  - Title
  - Social security number
  - Current resume
  - Current tri-merged residential mortgage credit report
Change of Institution Legal Name

Lenders must submit a Name Change Request in LEAP when the Institution has legally changed its business name, but the Tax Identification Number and organizational structure remains the same.
Voluntary Withdrawal of FHA Approval

• A lender that does not wish to retain, or that is ineligible to retain, its FHA approval must submit a request for voluntary withdrawal. The lender must include a letter signed by a Corporate Officer.

• Failure to complete the annual recertification process does not constitute a voluntary termination. Lenders who fail to complete the annual recertification process may be subject to administrative sanctions.

• FHA will not honor a lender’s request while there is a pending administrative action, or while the lender has unpaid indemnification claims or unsatisfied settlement agreement obligations owed to HUD.
Mergers – Initial Notification to FHA

The FHA-approved surviving institution must submit the merger request through LEAP at least 45 days prior to the merger effective date.

• The initial notification must include:
  — A description of the proposed transaction
  — Names and FHA IDs of parties involved in the merger
  — Description of how the non-surviving entity will dispose of its FHA portfolio and origination pipeline, if applicable
  — Anticipated effective date of the merger
  — Executed regulatory documents approving the merger
  — Legal document evidencing the merger (merger/purchase agreement)
  — Interagency Bank Merger Act Application
  — Merger approval documentation from the State or Federal regulatory agency

Reference: LEAP User Manual; Section 11
Transfer of Branches

FHA will send the surviving institution a request via LEAP to identify the non-surviving institution branches that will be transferred after the merger.

• The surviving institution must select the desired branches and pay the branch fees through LEAP.

• Once the branches are selected and the fees are remitted, the request will automatically return to FHA.

• The selected branches will become active after the merger is processed by FHA.
Clearing Outstanding Portfolio and Origination Pipeline

Before the effective date of the merger, the non-surviving FHA-approved lender must:

- Transfer all FHA-insured loans held and/or serviced to another FHA-approved lender
- Transfer any loans not approved by a DE Underwriter prior to the merger effective date to an FHA-approved lender with the required authorizations (i.e. Unconditional DE)
Final Steps

After the effective date of the merger, the surviving entity must provide FHA with a Certificate of Merger.

Once the merger is processed:

- The non-surviving entity’s FHA lender approval will be terminated.
- Any branches not transferred to the surviving entity will be terminated.
A Change in control of ownership must be submitted via LEAP as a “Principal Owner” Notice.

- Notify FHA whenever an individual or entity that previously owned less than 25 percent of a lender’s voting stock acquires additional voting stock resulting in ownership of 25 percent or more.

Reference: Handbook 4000.1 Section 1.A.3.iv
# Notice of Material Events

A Notice of Material Event is the method of submitting a required notice to FHA of a change to the information provided by the lender at application as evidence of approval eligibility, or a change that affects the lender’s FHA-approval status.

Material events include, but are not limited to:

<table>
<thead>
<tr>
<th>Event Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankruptcy</td>
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<tr>
<td>Business Form Change</td>
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<tr>
<td>Cease Operations</td>
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<tr>
<td>Change in Partnership</td>
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<tr>
<td>Change of Fidelity Bond or E&amp;O Insurance</td>
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<tr>
<td>Lending License(s) Surrender</td>
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<tr>
<td>Liquid Asset Deficiency</td>
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<tr>
<td>Net Worth Deficiency</td>
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<tr>
<td>Operating Loss</td>
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<tr>
<td>Principal Activity Change</td>
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<tr>
<td>Change of Principal Owners</td>
</tr>
<tr>
<td>Supervision Change</td>
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<tr>
<td>Unresolved Findings/Sanctions</td>
</tr>
</tbody>
</table>
All Notices of Material Events are submitted using LEAP.

- When submitting a Notice of Material Event:
  - Include a brief description of event in the space provided. The description is limited to 255 characters. Additional information can be uploaded in an attachment.
  - Attach and upload all supporting documentation. Each attachment is limited to a file size of 5MB.

- What happens next:
  - FHA will review the notice and determine if the events reported affect the lender's FHA-approval and/or its ability to provide the annual certification.

Reference: LEAP User Manual; Section 5.6
Annual Recertification
FHA requires all approved lenders to complete and submit their Annual Recertification in accordance with HUD Policy.

- The following are possible Recertification process steps a user may need to complete:
  - Lender Data Verification
  - Certification (or Unable to Certify)
  - Audit Related Questions
  - Financial Data Entry
  - Payment
  - Submit to IPA for review
  - Independent Public Accountant’s Agreed Upon Procedures

Reference: LEAP User Manual; Section 7
Annual Recertification Overview

Annual Recertification Steps in LEAP
The annual certification must be submitted by a corporate officer as is currently listed in LEAP as a Certifying Official.

If a lender is not able to truthfully certify to any of the statements set forth in the Certification due to events not previously reported and cleared with FHA, the lender will be required to notify FHA and provide acceptable supporting documentation.
The Certifying Official must provide an answer to each statement in the Certification; incomplete certifications will not be accepted.

If the Certifying Official is unable to certify to any of the statements, the following must be submitted:

- A detailed explanation of the reason(s) and/or event(s)
- Pertinent supporting documentation.
Certification (cont.)

12489-Sample Institution 2

Certification

In order to certify, a Certifying Officer must check the box for each statement and uncheck the identifying information below. If you are unable to certify to any of the statements, leave these specific box(es) unchecked and click “Unable to Certify.” You will be prompted to provide an explanation and attachments.

1. I certify that I am the Corporate Officer of the above-mentioned Mortgagee (hereinafter referred to as “the Mortgagee”); that I am duly authorized to execute this certification on behalf of the Mortgagee; and that throughout the Certification Period I have known, or been in the position to know, whether the operations of the Mortgagee conform to all applicable HUD-FHA regulations, handbooks, Mortgagee Letters, Title 1 Letters, and policies.

2. I certify that the Mortgagee is fully responsible for all actions of its principals, officers, directors, managers, supervisors, loan processors, loan underwriters, loan originators, and for the actions of its employees and contractors conducting FHA business for the Mortgagee (hereinafter referred to as “Participants”).

3. I certify that during the Certification Period, the Mortgagee did not employ or retain any Participant who was subject to a current suspension, debarment, limited denial of participation or other restriction imposed under part 28 of Title 24 of the Code of Federal Regulations, part 180 as implemented by part 24.24, or any successor regulations to such parts, or under similar provisions of any other federal agency.

4. I certify that during the Certification Period, the Mortgagee did not employ or retain any Participant who was under indictment for, or had been convicted of, an offense that reflects adversely upon the Mortgagee’s integrity, competence or fitness to meet the responsibilities of an FHA-approved Mortgagee, who had pled guilty or nolo contendere to a felony related to participation in the real estate or mortgage loan industry during the 7-year period preceding the first day of the Certification Period, and/or who had ever had past guilty or nolo contendere to a felony related to participation in the real estate or mortgage loan industry that involved an act of fraud, dishonesty, a breach of trust, or money laundering.

5. I certify that during the Certification Period, the Mortgagee was not sanctioned by any federal, state, or local government agency or by any other regulatory or oversight entity with jurisdiction over the Mortgagee, except for those sanctions, if any, the Mortgagee timely reported to HUD during the Certification Period and for which the Mortgagee received explicit clearance from HUD to continue with the certification process.

6. I certify that during the Certification Period, the Mortgagee was not subject to any unresolved findings, except for those unresolved findings, if any, the Mortgagee timely reported to HUD during the Certification Period and for which the Mortgagee received explicit clearance from HUD to continue with the certification process.

7. I certify that during the Certification Period, no Participants were subject to any sanctions or unresolved findings, except for those sanctions or unresolved findings, if any, the Mortgagee timely reported to HUD during the Certification Period and for which the Mortgagee received explicit clearance from HUD to continue with the certification process.

8. I certify that during the Certification Period, the Mortgagee was not refused any license necessary to conduct its normal operations in the real estate or mortgage loan industry. I further certify that throughout the Certification Period, the Mortgagee maintained compliance with all applicable provisions of the SAFE Mortgage Licensing Act of 2008 or its equivalent under state law, including all Nationwide Mortgage Licensing System and Registry requirements.

9. I certify that to the best of my knowledge, and after having conducted a reasonable investigation, that the Mortgagee does now, and did at all times throughout the Certification Period, comply with all HUD-FHA regulations and requirements applicable to the Mortgagee’s continued approval and operations, including those contained in HUD handbooks, Mortgagee Letters, Title 1 Letters, policies, and any agreements entered into between the Mortgagee and HUD.

10. I certify that my certification is true and accurate to the best of my knowledge and belief. I understand that if I knowingly have made any false, fictitious, or fraudulent statement(s), representation(s), or certification(s) on this form, I may be subject to administrative, civil and/or criminal penalties, including debarment, fines, and imprisonment under applicable federal law.

I certify

Unable to certify
Unable To Certify

The following statement(s) were not selected as certified. Please provide an explanation for each and upload all relevant attachments. If multiple items are listed, please indicate which attachments apply to each statement.

5. I certify that during the Certification Period, the Mortgagor was not sanctioned by any federal, state, or local government agency or any other regulatory or oversight entity with jurisdiction over the Mortgagor, except for those sanctions, if any, the Mortgagor timely reported to HUD during the Certification Period and for which the Mortgagor received explicit clearance from HUD to continue with the certification process.

* Explanation:

Maximum number of characters: 255

6. I certify that during the Certification Period, the Mortgagor was not subject to any unresolved findings, except for those unresolved findings, if any, the Mortgagor timely reported to HUD during the Certification Period and for which the Mortgagor received explicit clearance from HUD to continue with the certification process.

* Explanation:

Maximum number of characters: 255

10. Each of my certifications is true and accurate to the best of my knowledge and belief. I understand that if I knowingly have made any false, fictitious, or fraudulent statement(s), representation(s), or certification(s) on this form, I may be subject to administrative, civil and/or criminal penalties, including debarment, fines, and imprisonment under applicable federal law.

* Explanation:

Maximum number of characters: 255
Unable To Certify (cont.)

• FHA will review the submission with supporting explanation and documentation in order to determine if the lender may be allowed to proceed with recertification.

• Upon acceptance, FHA will send a notification email to the Administrative Contact; FHA will “re-open” the certification to allow the lender to proceed.
What you should know….

- Events previously reported and reviewed by FHA do not have to be reported again when completing the annual certification unless there is a status is updated or change to what was previously reported.
- Annual certification is available to lenders the first week after their fiscal year end.
- Extension to the recertification deadline will not be granted due to an Unable to Certify submission.
Helpful Links

- **LEAP User Manual**

- **HUD’s Lender Web Page**
  [http://www.hud.gov/groups/lenders.cfm](http://www.hud.gov/groups/lenders.cfm)

- **Single Family Housing Policy Handbook 4000.1**
# FHA Resource Center

<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) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.</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>
</tbody>
</table>

*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*
Questions?