



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
SINGLE FAMILY HOUSING



Office of Lender Activities and Program Compliance
Mergers/Acquisitions and Voluntary Withdrawals

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OFFICE OF SINGLE FAMILY HOUSING



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Mergers / Acquisitions

Mergers / Acquisitions

- FHA-approved Lenders involved in Mergers, Acquisitions or Reorganizations are required to notify the Federal Housing Administration (FHA).
- Notification is accomplished by submitting a Change Request through the Lender Electronic Assessment Portal (LEAP).
- The Change Request should be submitted as early in the process as possible, but preferably no later than 45 days before the Effective Date to ensure timely processing.

Planning for a Merger / Acquisition

- Have or seek FHA approval
- Prepare documentation
- Allow sufficient time
- Obtain Supplemental Authorities, if applicable (Lender Insurance and Direct Endorsement)
- Ensure the surviving entity, at minimum, has the same authorities as the non-surviving entity (T1, T2, Servicing, Multifamily)
- Determine the disposition of the non-surviving entity's loan portfolio

Once the above is complete, the surviving entity may submit the change request.

Processing a Merger

FHA's processing of a merger will depend on the prior approval status of the surviving Entity.

Merger Scenarios:

	Surviving Entity	Non-Surviving Entity
1.	Non-Approved	FHA-Approved
	Surviving Entity	Non-Surviving Entity
2.	FHA-Approved	FHA-Approved
	Surviving Entity	Non-Surviving Entity
3.	FHA-Approved	Non-Approved

Reference: SF Handbook 4000.1, Section I.A.7.r.i



Merger Scenario 1

	Surviving Entity	Non-Surviving Entity
1.	Non-Approved	FHA-Approved

Non-Approved Entity That Survives a Merger with an FHA-Approved Lender

Processing dynamics:

- A Non-Approved entity that survives a merger must become an FHA-Approved Lender before the Effective Date of the merger.
 - In order to originate, underwrite, close, endorse, service, purchase, hold, or sell FHA-insured Mortgages, or to submit claims on Mortgages to FHA, including those previously held by the non-surviving Lender.

Reference: SF Handbook 4000.1, Section I.A.7.r.i.(B)(3)(a); and, Section I.A.3



Merger Scenario 1 (cont.)

Non-Approved Entity That Survives a Merger with an FHA-Approved Lender

Required Duties:

- An FHA-approved Lender that is the non-surviving Entity in a merger with a non-approved Entity must initiate the notification to FHA.
- The non-surviving FHA-approved Lender that holds a portfolio of FHA-insured Mortgages must transfer the Mortgages to a Lender approved by FHA to Own and to Service FHA Mortgages before the Effective Date of the merger.
- The non-surviving FHA-approved Lender is responsible for ensuring the mortgage record changes for the transferred FHA Mortgages are reported accurately to the Department of Housing and Urban Development (HUD) before the Effective Date of the merger.
- The surviving FHA-approved Lender must register each of the non-surviving Entity's branch offices that will remain open under the auspices of the surviving Lender.

Reference: SF Handbook 4000.1, Section I.A.7.r.i.(A) and Section I.A.7.r.i.(B)



Merger Scenario 2

Two or More FHA-Approved Lenders Merge:

	Surviving Entity	Non-Surviving Entity
2.	FHA-Approved	FHA-Approved

- **Processing dynamics:**

- Non-Surviving Entity’s **Servicing Authority** will not transfer to the Surviving Entity.
- Before the Effective Date of the merger, the Surviving Entity will need to obtain **Servicing Authority**, or the Non-Surviving Entity will need to transfer its servicing portfolio to a Lender approved by FHA to service FHA Mortgages
- Neither the **Direct Endorsement** nor the **Lender Insurance** Supplemental Authorities automatically convey to the Surviving Entity, however:
 - Surviving Entity can pursue an Exception for the supplemental authorities.

Reference: SF Handbook 4000.1, Section I.A.5.a.iii.(B); and, Section I.A.5.b.iii.(B)



Merger Scenario 2 (cont.)

Two or More FHA-Approved Lenders Merge

– Required Duties:

- FHA Notification through LEAP
- Mortgage Portfolio Transfer
- Mortgage Record Changes
- Branch Selection and Registration
- Obtain Servicing Authority, if necessary
- Pursue Supplemental Authorities

Reference: SF Handbook 4000.1, Section I.A.7.r.i.(A) and Section I.A.7.r.i.(B)



Merger Scenario 3

	Surviving Entity	Non-Surviving Entity
3.	FHA-Approved	Non-Approved

- **FHA-Approved Lender That Survives a Merger with a Non-Approved Entity**
 - **Processing Dynamics:**
 - Surviving Entity continues to operate per correct approval
 - **Required Duties:**
 - FHA Notification through LEAP
 - Branch Selection and Registration

Merger Documentation Guidance

	FHA approved merging with FHA approved	Non-approved merging with FHA approved	FHA approved merging with Non-FHA approved	FHA approved acquiring FHA approved	FHA approved acquiring Non-FHA approved	Non-FHA approved acquiring FHA approved
Cover Letter	•	•	•	•	•	•
Non-Surviving Request for Withdrawal			•			•
Merger/Purchase Agreement	•	•	•	•	•	•
Certificate of Merger	•	•	•			
Articles of Dissolution					•	
For Supervised Institutions Only	Interagency Bank Merger Act	•		•		
	Evidence of Regulatory Approval	•	•	•	•	•

Mergers: Final Steps

- Certificate of Merger or Articles of Merger
 - Provided by surviving entity on or immediately following the Effective Date of the merger.
 - Upon the review, FHA will process the merger.
- Once FHA completes the merger process:
 - The non-surviving entity's FHA lender approval is terminated.
 - Any branches not transferred to the surviving entity are terminated.

Mergers / Acquisition Recap

- If the Surviving Entity intends to participate in the FHA Lender Program, it must have its own:
 - FHA Program Approval
 - FHA Authorities
- Neither the FHA Program Approval nor the FHA Authorities can transfer from the Non-Surviving Entity to the Surviving Entity.
- Neither the Direct Endorsement nor the Lender Insurance Supplemental Authorities will convey to the Surviving Entity.
- Before the Effective Date of the merger, the Surviving Entity will need to obtain Servicing Authority.

Voluntary Withdrawals

Voluntary Withdrawal of FHA Approval

- A Lender that does not wish, or that is ineligible, to retain its FHA Approval must submit a request for Voluntary Withdrawal through LEAP.
- A Lender must submit a Change Request within the LEAP for voluntary withdrawal of FHA approval.
- The Change Request must be initiated and submitted by a Certifying Official.

NOTE: Failure to complete the Annual Recertification process does not constitute a voluntary withdrawal. Lenders that fail to complete Annual Recertification may be subject to administrative sanctions.

Reference: SF Handbook 4000.1, Section I.A.9



Voluntary Withdrawal – Required Documentation

The documentation for a valid Voluntary Withdrawal request must meet the following conditions:

- Cover Letter;
- Include the FHA Lender ID Number;
- Addressed to the Director of the Lender Approval and Recertification Division;
- Be dated and signed by an authorized Corporate Officer;
- State a specific reason(s) for the request; and
- Include proposed Effective Date.

Reference: SF Handbook 4000.1, Section I.A.9.b.



Voluntary Withdrawal

- Before a Lender submits a request for Voluntary Withdrawal, the Lender must:
 - Transfer the servicing and ownership of any FHA-insured Mortgages in its portfolio to an FHA-Approved Lender;
 - Ensure the Mortgage Portfolio changes for sold/transferred loans have been recorded properly in HUD systems; and
 - Close-out all post-endorsement Lender Reviews in the Loan Review System:
 - Satisfy all outstanding payable indemnification debts and Mortgage Insurance Premiums (MIP); and
 - Satisfy all settlement agreement obligations owed to HUD.

Reference: SF Handbook 4000.1, Section I.A.9.a.



Voluntary Withdrawal

FHA will not honor a Lender's request to withdraw while there are open issues, pending administrative action and/or a pending Mortgage Review Board (MRB) action.

- If the lender has pending action, a letter will be emailed to the Administrative Contact listed for the institution notifying the individual of the pending action and that the issues must be cleared within 30 days.
- If the issues are not cleared within 30 days, the voluntary withdrawal request maybe subject to a rejection.

Reference: SF Handbook 4000.1, Section I.A.9.a.



Voluntary Withdrawal – Approval

- Once the Voluntary Withdrawal request is approved FHA will notify via email the Administrative Contact listed for the institution in LEAP.
- Once the Voluntary Withdrawal processing is complete, the Lender's FHA Approval status will be terminated, and the lender will lose access to all HUD systems.
- A Lender is eligible to reapply for FHA Approval at any time.

Resources



Resources

LEAP User Manual

https://www.hud.gov/sites/dfiles/SFH/documents/SFH_LEAP_USER_MANUAL.pdf

HUD's Lender Web Page

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

Single Family Housing Policy Handbook 4000.1

https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1



FHA Resource Center

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



Q&A

