Welcome to...
FHA Quality Assurance Update: Q1 2020

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

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

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- **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.
Helpful Links

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

- FHA FAQ page:
  https://www.hud.gov/FHAFQAQ

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

FHA Quality Assurance Update: Q1 2020
February 26, 2020

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Director
Quality Assurance Division

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Single Family Housing Specialist
Quality Assurance Division

Derek Taylor
Management Analyst
Quality Assurance Division

Last Updated: 2/10/2020
Agenda

- Loan Review Results
- Loan Review System Reports
- Resources
- Q&A
Loan Review Results
**Quarterly Volume**

<table>
<thead>
<tr>
<th>Selection Reason</th>
<th># Completed</th>
<th>% Net Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Payment Defaults</td>
<td>3,784</td>
<td>12%</td>
</tr>
<tr>
<td>Risk Algorithm</td>
<td>2,261</td>
<td>5%</td>
</tr>
<tr>
<td>Lender Self-Reports</td>
<td>2,031</td>
<td>20%</td>
</tr>
<tr>
<td>Lender Monitoring</td>
<td>843</td>
<td>12%</td>
</tr>
<tr>
<td>Random Selections</td>
<td>488</td>
<td>3%</td>
</tr>
<tr>
<td>Review Location Quality Control (QC)</td>
<td>384</td>
<td>4%</td>
</tr>
<tr>
<td>FHA Manual Selections</td>
<td>314</td>
<td>24%</td>
</tr>
<tr>
<td>Early Claims</td>
<td>266</td>
<td>6%</td>
</tr>
<tr>
<td>Test Cases</td>
<td>209</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Quarterly Total</strong></td>
<td><strong>10,580</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Review Type</th>
<th># Completed</th>
<th>% Net Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting</td>
<td>9,801</td>
<td>12%</td>
</tr>
<tr>
<td>Servicing</td>
<td>779</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Quarterly Total</strong></td>
<td><strong>10,580</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

Loan Review System (LRS) reviews completed from 10/1/2019 to 12/31/2019
Quarterly Ratings and Outcomes

Initial Ratings (Gross)

- Conforming: 65.2%
- Deficient: 13.9%
- Unacceptable: 20.9%

Final Ratings (Net)

- Conforming: 55.8%
- Deficient: 13.9%
- Mitigated: 8.8%
- Remediated: 0.1%
- Indemnified: 0.5%
- Unacceptable: 20.9%

LRS reviews completed from 10/1/2019 to 12/31/2019 (excluding lender self-reports and internal QC)
Quarterly Loan Review Summary

Completed Quarter(s): 2019 Q1, 2019 Q2, 2019 Q3, 2019 Q4
Location(s): All
Sample: Total

Material Defects

<table>
<thead>
<tr>
<th>Quarter</th>
<th># of Loans</th>
<th>Gross #</th>
<th>Gross %</th>
<th>Net #</th>
<th>Net %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Q1</td>
<td>5,626</td>
<td>3,545</td>
<td>63.0%</td>
<td>606</td>
<td>10.8%</td>
</tr>
<tr>
<td>2019 Q2</td>
<td>8,881</td>
<td>5,089</td>
<td>63.8%</td>
<td>887</td>
<td>10.0%</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>8,845</td>
<td>5,751</td>
<td>65.0%</td>
<td>804</td>
<td>12.2%</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>6,196</td>
<td>5,346</td>
<td>85.2%</td>
<td>774</td>
<td>9.4%</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 Q1</td>
<td>1,364</td>
<td>716</td>
<td>2,539</td>
<td>13</td>
<td>540</td>
<td>53</td>
</tr>
<tr>
<td>2019 Q2</td>
<td>1,526</td>
<td>1,317</td>
<td>4,782</td>
<td>19</td>
<td>785</td>
<td>103</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>1,883</td>
<td>1,605</td>
<td>4,547</td>
<td>27</td>
<td>819</td>
<td>58</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>1,111</td>
<td>1,141</td>
<td>4,572</td>
<td>12</td>
<td>719</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>6,989</td>
<td>6,370</td>
<td>17,140</td>
<td>71</td>
<td>2,843</td>
<td>257</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 Q1</td>
<td>24.2%</td>
<td>12.7%</td>
<td>52.2%</td>
<td>0.2%</td>
<td>9.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2019 Q2</td>
<td>21.4%</td>
<td>14.8%</td>
<td>53.8%</td>
<td>0.2%</td>
<td>8.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>21.4%</td>
<td>13.0%</td>
<td>54.8%</td>
<td>0.3%</td>
<td>9.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>20.0%</td>
<td>13.0%</td>
<td>55.8%</td>
<td>0.1%</td>
<td>8.8%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>21.5%</td>
<td>13.5%</td>
<td>54.3%</td>
<td>0.2%</td>
<td>9.0%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Gross Rating

- ✔ Conforming: 64.4%
- ☐ Deficient: 13.9%
- ☐ Unacceptable: 21.8%

Net Rating

- ✔ Conforming: 54.3%
- ☐ Deficient: 13.9%
- ☐ Mitigated: 9.0%
- ☐ Remediated: 0.2%
- ☐ Indem: 0.8%
- ☐ Other: 21.8%

Outcome Trends by Endorsement Date

LRS reviews completed from 5/15/2017 to 12/31/2019 (excluding lender self-reports, test cases and internal QC)

Quarters based on calendar years
Loan Review System Reports
Loan Review System Reports

• Lenders can access reports to review their own LRS results, including:
  – Quarterly Loan Review Summary
  – Top Findings
  – Self-Reports
  – Indemnifications
  – Downloadable Data

• All reports and data are automatically filtered to the Lender ID associated with the current user.

• Only some MicroStrategy functions are available through LRS, but lenders can use downloadable data to build their own reports.
Step-by-step instructions are included in the LRS User Manual.
The Loan Review System (LRS) uses a module called MicroStrategy to provide pre-built reports and data.
Loan Review System Reports (cont.)

• Canned Reports

1. Click on any icon in the Lender Reports folder.
Loan Review System Reports (cont.)

• Canned Reports

2. Choose the preferred start/end dates and any other options from the filter screen.
3. Click the Export button to run the report.
Loan Review System Reports (cont.)

- **Indemnification List**
  - Click the INDEM LETTER hyperlink to view/download the executed Indemnification Agreement.

### Indemnification List
Agreement Date between 05/14/2017 and 08/14/2017

<table>
<thead>
<tr>
<th>Case Number</th>
<th>LRS Review ID</th>
<th>Endorsement Date</th>
<th>Agreement Date</th>
<th>Agreement Number</th>
<th>Term</th>
<th>Expiration Date</th>
<th>Document Link</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Life of Loan</td>
<td>04/10/2047</td>
<td>INDEM LETTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Life of Loan</td>
<td>12/29/2046</td>
<td>INDEM LETTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Life of Loan</td>
<td>12/29/2046</td>
<td>INDEM LETTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Life of Loan</td>
<td>12/27/2031</td>
<td>INDEM LETTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 Year</td>
<td>06/01/2022</td>
<td>INDEM LETTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 Year</td>
<td>12/27/2021</td>
<td>INDEM LETTER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Life of Loan</td>
<td>12/30/2046</td>
<td>INDEM LETTER</td>
</tr>
</tbody>
</table>
Loan Review System Reports (cont.)

• Lender Self Report List
  – The Lender Self Report List Summary is a PDF with basic information on self-reported cases.
  – Choose the *Lender Self Report List Details* icon from the lender reports folder for additional details and sortable data (Excel format).
Loan Review System Reports (cont.)

• Downloadable Data
  – LRS provides three downloadable datasets that lenders can use to create their own reports:
    1. **Review-Selection Data** contains fields that apply to each review (or to each selection if a review record has not yet been created).
    2. **Review Level Data** contains fields that apply to each review level. This data may change from level to level for any given review.
    3. **Findings Data** contains fields that apply to each finding logged.
  – Each dataset begins with a common group of fields, which can be used to link data for more advanced analytics.
  – Click on the “LRS Downloads” folder and choose a dataset.
Loan Review System Reports (cont.)

- Downloadable Data
  1. Click on the “LRS Downloads” folder and choose a dataset.
Loan Review System Reports (cont.)

- Downloadable Data

2. Choose from available filters and click *Run Report.*
Loan Review System Reports (cont.)

• Downloadable Data

3. Click the *Export* button in the header.
• Downloadable Data

4. Choose from available options and click the *Export* button again.
Loan Review System Reports (cont.)

- Downloadable Data

5. The data will be exported with the options applied.
Resources

Loan Review System

• LRS Information Page on HUD.gov
  ([https://www.hud.gov/program_offices/housing/sfh/lender/loan_review_system](https://www.hud.gov/program_offices/housing/sfh/lender/loan_review_system))
• Lender User Manual
• 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>
</tbody>
</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 Data tab.
Q&A
Q&A Protocol

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