



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Office of Lender Activities and Program Compliance

FHA Recertification Requirements

September 5, 2019

Presented by:

Monique White-Chiselom

Branch Chief

Lender Recertification Branch

Nicole Black

Auditor

Lender Recertification Branch

Last Updated: 8/21/2019



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Agenda

General Requirements

Recertification Process

Common Deficiencies

Notice of Material Event

Mortgagee Review Board Referral



General Requirements



FHA Connection Access

- Before accessing HUD systems, lenders and auditors must obtain the necessary user IDs:
 - FHA-Approved Lender (Application Coordinator) – grants or revokes roles/authorizations for the Lender Electronic Assessment Portal (LEAP) and other FHA Connection applications to all users associated with the institution.
 - FHA-Approved Lender (Standard User) – has access rights to LEAP and other FHA Connection applications that must be granted by an Application Coordinator.
 - Auditor/Independent Public Accountant – has an “Independent User” ID with specific access rights that must be granted by an Application Coordinator; may be authorized to access financials for multiple FHA-Approved Lenders (separate registration process).

FHA Connection user registration details: <https://entp.hud.gov/clas/reginfo.cfm>.



LEAP USER Roles

Authorization for Lender Electronic Assessment Portal Applications. Please Note: These roles apply to both Title I and Title II Lender IDs.

Institution View Only

Institution Data Entry

Branch Data Entry

Notice of Material Events

Recertification Data Entry

Recertification Payment

Certifying Official

Cash Flow Account Setup

Certifying Official:

Completes
Certification
Statements

Recertification Data

Entry: Completes
Lender Data
Verification, Audit-
Related Questions,
Financial Data Template

Recertification

Payment: Submits
payment and completes
extension requests

User administration instructions:

https://entp.hud.gov/pdf/mp_gs4_auth.pdf

IPA Assignment



Home > Main Menu > ID Maintenance > E-mail Us > Contact Us > Sign Off

Welcome DANIEL SZPARAGA

FHA Connection > Single Family FHA > ID Maintenance > ID Administration

FHA Connection ID Administration

[Help Links](#)

To update an FHA user ID, fill out the form below and click Send when you are through. Upon verification of the information below, the user ID will be updated.

And remember:

Warning! Misuse of Federal Information at this Web site falls under the provisions of Title 18, United States Code, section 1030. This law specifies penalties for exceeding authorized access, alteration, damage or destruction of information residing on Federal Computers.

Current Information on File:	User ID	Status	Issue Date
	110758	Approved	09/05/02

First Name: JOHN
Middle Initial: D
Last Name: SMITH
Organization Name:
Telephone Number: --

Provide your e-mail address.

Include your e-mail user name, the @ sign and [servicename.com/edu/org/net/etc.]. For example: smith@aol.com, johndoe@adv.org, mdb84a@prodigy.com.

E-mail Address:

Re-enter E-mail Address for Verification:

If you would like to reset the password, please click on the link: [Reset Password](#)

Choose your System Applications.

Please click the appropriate button to authorize access to the following FHA application.
Title I (0000100001) and Title II (0000100001)

Authorization for Lender Electronic Assessment Portal Applications:

- Independent Public Accountant
 None



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When to Recertify

The period between Audited Financial Reports cannot exceed 18 months.

Date of Application	Date of Audited Financial Reports Provided at Approval	Fiscal Year End Month	Date of Approval	Next Financial Reporting Date (Recertification Due Within 90 days)
11/15/2019	06/30/2019	December	11/30/2019	12/31/2020
11/15/2019	12/31/2018	December	02/01/2020	12/31/2019

Audited Financial Statements for the first recertification reporting period must cover the period from the date of the audit used for approval to the end of the current fiscal year end.



Recertification Process



Lender Recertification Requirements

Segment	Recertification Steps	Financial Reporting Requirements
<ul style="list-style-type: none"> ▪ Small Supervised <p><i>(Total net assets less than \$500 million)</i></p>	<ul style="list-style-type: none"> <input type="checkbox"/> Lender Data Verification <input type="checkbox"/> Certification <input type="checkbox"/> Financial Data Entry <input type="checkbox"/> Payment <input type="checkbox"/> Submit to HUD as Final 	<ul style="list-style-type: none"> <input type="checkbox"/> Signed Unaudited Regulatory Report
<ul style="list-style-type: none"> ▪ Large Supervised ▪ Non – Supervised Lenders ▪ Investing 	<ul style="list-style-type: none"> <input type="checkbox"/> Lender Data Verification <input type="checkbox"/> Certification <input type="checkbox"/> Audit Related Questions <input type="checkbox"/> Financial Data Entry <input type="checkbox"/> Payment <input type="checkbox"/> Submit to Independent Public Accountant for Review <input type="checkbox"/> Submit to HUD as Final 	<ul style="list-style-type: none"> <input type="checkbox"/> Audited Financial Statements <input type="checkbox"/> Signed Independent Auditor’s Report on Supplementary Info <input type="checkbox"/> Computation of Adjusted Net Worth <input type="checkbox"/> <u>Report on Internal Controls</u> <input type="checkbox"/> <u>Report on Compliance</u> <input type="checkbox"/> Unaudited Regulatory Report or Consolidated Schedules, if applicable
<ul style="list-style-type: none"> ▪ Government 	<ul style="list-style-type: none"> <input type="checkbox"/> Lender Data Verification <input type="checkbox"/> Certification <input type="checkbox"/> Submit to HUD as Final 	



Unable to Certify

- If the Certifying Official cannot check “Yes” to any of the statements, you must provide the Federal Housing Administration (FHA) with:
 - A detailed explanation of the reasons(s) and/or events; and
 - Pertinent supporting documentation.
 - The explanation and documentation must reference the specific corresponding certification statement.
- The lender will be notified by email when they are cleared to proceed with the recertification process.

What To Report

- Updates to items previously reported but have not been cleared by FHA.
- Items previously reported where FHA responded that certification is impacted.
- Any unresolved findings or sanctions by agencies with regulatory authority over your institution.
- Failure to maintain eligibility requirements (e.g. financial deficiencies and audit findings).

Audit-Related Questions

Responses to Audit-related Questions should be supported by the financial statements.

Questions And Documents

*Maximum file size per file is 5MB.
Please note, large attachments may take in excess of 30 seconds to load.*

Financial Statement Information

- * 001: Is the FHA approved lender a subsidiary in a parent - subsidiary relationship? Yes ▾
- * 002: Are you submitting audited consolidated financial statements of the parent company or audited financial statements of the FHA-approved subsidiary? Consolidated ▾
- * 003: Is the subsidiary 40% or more of the parent? Yes ▾
- * 005: Is the FHA approved lender in a parent- subsidiary relationship? ▾
- * 006: Type of Audit Opinion issued Qualified Opinion ▾
- * 007: Type of Audit Opinion issued on the supplemental information in relation to financial statements as a whole Qualified Opinion ▾
- * 008: Is a going concern paragraph included in the auditor's report? Yes ▾
- * 009: Reported Findings - Significant Deficiencies? No ▾
- * 010: Reported Findings - Material Weaknesses? No ▾
- * 011: Reported Findings - Material Noncompliance? No ▾

HUD Compliance Audit

- * 020: Type of Audit Opinion issued Qualified Opinion ▾
- * 021: Reported Findings - Significant Deficiencies? No ▾
- * 022: Reported Findings - Material Weaknesses? No ▾
- * 023: Reported Findings - Material Noncompliance? No ▾

Management Letter

- * 030: Were certain matters communicated to management not disclosed in audit reports? No ▾

Audit-related Questions (Common Errors)

- Small supervised lenders fails to include “**SIGNED**” call report.
- Audited consolidating schedules or call reports are not included when submitting consolidated financial statements.
- All required test areas are not listed in the Compliance Report.
- Incorrect responses to the Audit-related Questions.

Compliance Report Requirements

Areas Tested

Title I and Title II Lenders

- Quality Control Plan**
- Sponsor Responsibilities for Third Party Originators
- Branch Office Operations
- Loan Origination
- Loan Servicing
- Federal Financial and Activity Reports
- Lender Annual Recertification**
- Adjusted Net Worth**
- Liquidity**
- Licensing**

Title I

- Loan Disbursements
- Eligible Fees and Charges

Title II

- Loan Settlement
- Escrow Accounts
- Kickbacks

Financial Data Template

Home | Contact Us | Help | Logout
Logged in as: LENDER IDMT00644 (MT0644)

LEAP

Lender Electronic Assessment Portal

U.S. Department of Housing and Urban Development

12489-Sample Institution 2

Recertification - Financial Statements

SAVE SAVE & RETURN CANCEL v1.1

Maximum file size per file is 5MB.
Please note, large attachments may take in excess of 30 seconds to load.

Financial Data Template

Balance Sheet - Assets

<input type="checkbox"/>	Line Item 100: Cash and Cash Equivalents	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 101: Escrow deposit Cash	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 102: Restricted Cash / Compensating Balances (section 2-6, chpt 2 handbook 4060.1)	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 103: Trading Account Securities	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 104: Net Mortgage Servicing Rights	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 105: Other Real Estate Owned at Net Realizable Value	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 106: Loans Held for Investment	<input type="text" value="0"/>

Balance Sheet - Unacceptable Assets

<input type="checkbox"/>	Line Item 200: Pledged Assets	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 201: Assets Due from an Officer, Stockholder, or Related Entity	<input type="text" value="0"/>
<input type="checkbox"/>	Line Item 202: Personal Interest Investment	<input type="text" value="0"/>



Common Financial Data Entry Errors

- Entering truncated numbers in the financial data template
- Data entered does not tie to the financial statements submitted
- Supervised lenders entering pledged assets in the financial data template
- Supervised lenders failing to include total assets in the financial data template

Payment

Home | Contact Us | Help | Logout
Logged in as: LENDER IDMT00644 (MT0644)

LEAP

Lender Electronic Assessment Portal

U.S. Department of Housing and Urban Development

1489-Sample Institution 2

Recertification Payment

Fee Calculation: Title 2 Main Office Recert Fee: \$500
0 Title 1 Branches Recert Fee: \$0
7 Title 2 Branches Recert Fee: \$1400
0 Title 1 and Title 2 Branches Recert Fee: \$0

Amount Due: \$1,900.00

* Bank Routing Number:

* Bank Account Number:

* Account Type:



Independent Public Accountant Review

If the Independent Public Accountant (IPA) selects “Does Not Agree” to any procedure, the Lender Electronic Assessment Portal (LEAP) sends the Administrative Contact an e-mail, notifying the lender that the IPA did not attest to the submission.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the chart below either for the purpose for which this report has been requested or for any other purpose. The procedures applied and our findings are presented in the chart below.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the electronic submission of certain information into LEAP. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development.

This report is intended solely for the information and use of the lender and the U.S. Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Procedures

No.	Category	Procedures Applies	Agrees	Does Not Agree	No Such Document Issued
1	We compared the electronic FDT input in LEAP to the hard copy FDT provided as a supplemental schedule opened on in relation to the financial statements as a whole and attached in line item 040 of the Audit Related	Financial Data Template (FDT)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	Submit Agreed Upon Procedures				
3	You are submitting your agreement or disagreement with the institution's financial reporting package.				
4	Select 'OK' to continue or 'Cancel' to return to the previous page.				

Independence

Firm Name: _____
Employer Identification Number: _____

Attesting Practitioner's Details

Attesting Practitioner's First Name: _____
Attesting Practitioner's Middle Name: _____
Attesting Practitioner's Last Name: _____
Attesting Practitioner's Title: _____
Attesting Practitioner's Telephone Number: _____
Attesting Practitioner's Email Address: _____
Attesting Practitioner's Fax Number: _____

Submit to HUD as Final

Logged in as: LENDER IDMT00644 (MT0644)

LEAP

Lender Electronic Assessment Portal

U.S. Department of Housing and Urban Development

Home Institution ▾ Branches ▾ Recertification ▾ History ▾ Requests ▾ Cash Flow Account Setup

12489-Sample Institution 2-Supervised Small

Recertification Status : In Process

Submit Recertification Package as Final

By selecting "Submit", I certify that to the best of my knowledge and belief, the information contained in this submission is accurate and complete for the specified period. This includes, but is not limited to: the Financial Data Entry items, Audit Related Questions (if applicable), Audited Financial Statements and Supplemental Information or unaudited regulatory report.

Select 'OK' to continue or 'Cancel' to return to the previous page.

OK Cancel

✓ Payment [VIEW](#)

Submit to HUD as Final [SUBMIT](#)



Rejected Recertification Packages

When FHA rejects a recertification package the Administrative Contact will receive a **RECERTIFICATION REJECTION NOTICE** email.

- Lenders are required to complete a new Financial Data Template.
- Non-Supervised, Large Supervised, or Investing lenders must complete the audit-related questions and resubmit recertification package to the IPA for attestation.

Common Deficiencies



Common Deficiencies

Adjusted Net Worth

The Mortgagee must have a minimum adjusted net worth of \$1,000,000 plus one percent of the total volume in excess of \$25,000,000 of FHA Single Family Mortgages originated, underwritten, serviced, and/or purchased during the prior fiscal year, up to a maximum required adjusted net worth of \$2,500,000.

The Adjusted Net Worth Computation:

- Does not include total FHA activity.
- Is based on financials of consolidated entity instead of the FHA approved entity.
- Fails to exclude assets that are unacceptable in accordance with Handbook 2000.04, REV-2 Change 21, October 2016, Chapter 7, Sections 7-23.

Common Deficiencies (cont.)

Failure to Complete the Computation of Adjusted Net Worth Template

Title II Single Family Program Lenders' Adjusted Net Worth Computation

FHA servicing portfolio* at (end of fiscal year under audit)	_____	(a)
*HUD FHA-insured single-family mortgages only. Include HECMs at maximum claim amount.		
FHA originations – FHA-insured Title II loan originations during the fiscal year	_____	(b)
FHA purchases – FHA-insured Title II third-party originator purchases during the fiscal year	_____	(c)
Total FHA loan activity [(d) = (a)+(b)+(c)]	_____	(d)
FHA-insured Title II loan originations retained at the fiscal yearend	_____	(e)
FHA-insured Title II third-party originator purchases retained at the end of fiscal year	_____	(f)
Adjustments [(g) = (e)+(f)]	_____	(g)
Total adjusted FHA loan activity [(h) = (d)-(g)]	_____	(h)

Common Deficiencies (cont.)

Failure to Exclude Unacceptable Assets from the Computation of Adjusted Net Worth

- Pledged Assets (except supervised institutions)
- An asset due from an officer, stockholder, or related entity
- **An investment in a related entity**
- Any intangible asset
- **Portion of marketable security in excess of lower of cost or market**
- Any asset principally used for the personal enjoyment or benefit of an officer, director, or stockholder
- **The portion of contributed property in excess of the value as of the date of the contribution (The value of contributed property must be reduced by any obligations.)**

Notice of Material Event



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Notice of Material Event

A Notice of Material Event is the method of notifying FHA of a change to the information provided at approval, or a change that affects the lender's FHA-approval status and is submitted via LEAP.

- Bankruptcy
- Business Form Change
- Change In Partnership
- Change in Fidelity Bond or Errors & Omissions Insurance
- Lending License(s) Surrender
- **Liquid Assets Deficiency**
- **Net Worth Deficiency**
- **Operating Loss**
- **Principal Activity Change**
- Change of Principal Owners
- Supervision Change
- **Unresolved Findings/Sanctions**

Net Worth or Liquidity Deficiencies

If at any time during the fiscal year the lender falls below the net worth or liquidity requirements, the lender must:

- Report within 30 business days of the deficiency
- Include evidence of actions taken to cure the deficiency

Operating Loss

- When the lender experiences an operating loss of 20 percent or greater of net worth within a quarter, the lender must:
 - Submit financial statements every quarter until lender shows an operating profit for two consecutive quarters, or until lender submits financial reports as part of its annual recertification.

Mortgagee Review Board Referral



Common Mortgagee Review Board Referral Reasons

Failure to:

- Maintain adjusted net worth
- Maintain liquidity requirements
- Submit timely acceptable financial statements
- Notify HUD of an operating loss in excess of 20 percent of net worth
- Meet principal activity
- Submit timely Notice of Material Events
- Notify HUD of regulatory sanctions or consent orders

Helpful References

- FHA Connection user registration details: <https://entp.hud.gov/clas/reginfo.cfm>
- *Single Family Housing Policy Handbook 4000.1, Doing Business with FHA*: <http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>
- LEAP User Manual
http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_LEAP_user_manual.pdf
- The HUD-OIG Consolidated Audit Guide is available at:
<http://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides>
- *Single Family Housing News* (FHA INFO) emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. To sign up go to:
[http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA INFO subscribe](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe)



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



Questions?



Thank You!

For joining us today

