



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



**Welcome to...**  
**Defect Taxonomy Version 2 Implementation**

Today's webinar begins  
at 2:30 PM (Eastern)

**We will be underway shortly**

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**OFFICE OF SINGLE FAMILY HOUSING**



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- Online at: [www.hud.gov/answers](http://www.hud.gov/answers)
- Via email at: [answers@hud.gov](mailto:answers@hud.gov)
- Via phone at: [1-800-Call-FHA](tel:1-800-Call-FHA) (1-800-225-5342)

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- FHA FAQ page:  
<https://www.hud.gov/FHAFAQ>
- Single Family Housing Archived (On Demand) Webinars page:  
[https://www.hud.gov/program\\_offices/housing/sfh/events/sfh\\_webinars](https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars)





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SINGLE FAMILY HOUSING



Office of Lender Activities and Program Compliance  
**Defect Taxonomy Version 2 Implementation**

January 8, 2020

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Last Updated: 1/7/2020



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# Agenda

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Defect Taxonomy Version 2

Loan Review System Updates

Resources

Q&A



# Defect Taxonomy Version 2

## Purpose

### *What is the Defect Taxonomy?*

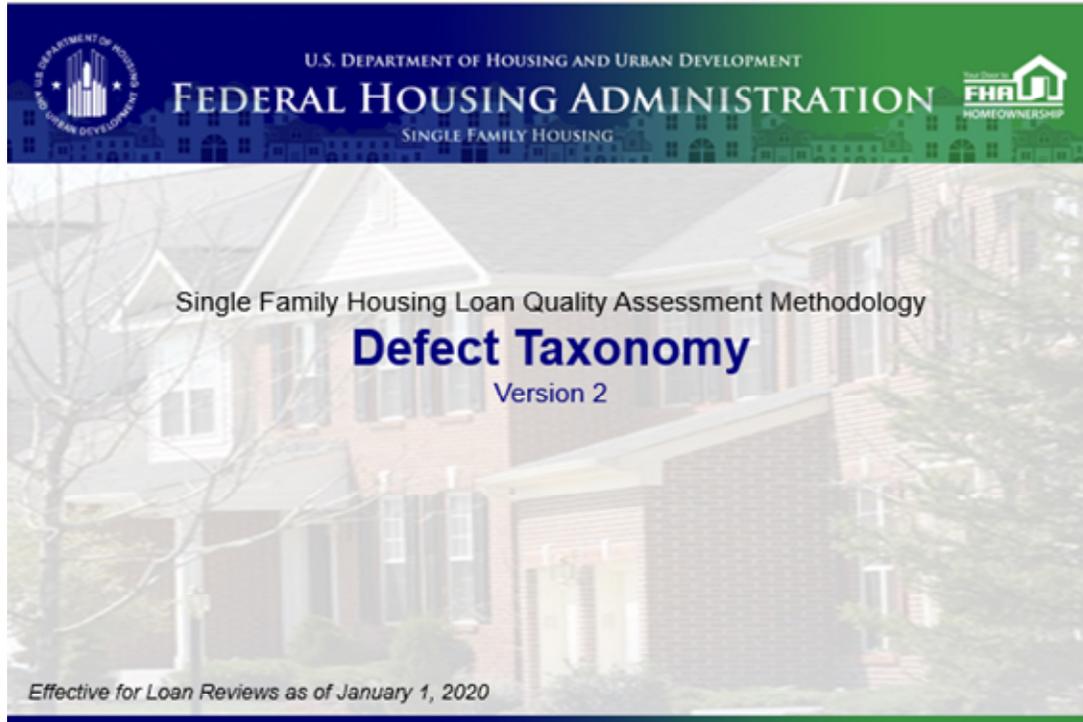
- It is the method that the Federal Housing Administration (FHA) uses to identify defects at the loan level.
- It provides useful data and feedback through structured categorization of defects and their sources, causes and severities.
- It balances FHA's risk management and quality assurance business processes.

### *The Defect Taxonomy Does Not:*

- Establish a universal statement on all monitoring or enforcement efforts by FHA.
- Address FHA's response to patterns of loan-level defects, regardless of severity.
- Limit FHA's actions with regard to fraud or misrepresentation.
- Establish standards for administrative or civil enforcement action, which are currently set forth in law.
- Preclude FHA from referring any violation of any severity to HUD's Mortgagee Review Board, the Departmental Enforcement Center, or other HUD offices for defects that, in FHA's judgment, warrant such referral.
- Affect or override FHA's normal process for referral of cases of fraud, waste, or abuse to the Office of Inspector General.

# Defect Taxonomy Version 2 (cont.)

Effective for Loan Reviews as of January 1, 2020



*Access from HUD.gov Loan Review System webpage*

# Defect Taxonomy Version 2 (cont.)

## Summary of Updates



### *includes...*

- streamlined underwriting defect areas
- clarified severity tier definitions
- potential remedies for Tier 1 & 2 findings
- revised sources & causes
- references to specific HUD policy



### *... but does not change*

- number & order of defect areas
- number & order of severity tiers
- how findings are identified
- fundamental characteristics
- HUD policy

# Defect Taxonomy Version 2 (cont.)

## Defect Areas

Underwriting loan reviews are categorized into nine defect areas that represent fundamental characteristics of a loan's eligibility for FHA insurance.

**Sources and Causes** describe findings in greater detail based on HUD policy. An individual finding is identified in the Loan Review System (LRS) by its specific Defect Area, Source, and Cause.

Sources		Causes				
1		A	B	C	D	F
2						
3		HUD Policy References				
4		<ul style="list-style-type: none"> <li>Single Family Housing Policy Handbook 4000.1</li> <li>Home Equity Conversion Mortgage (HECM) Mortgagee Letters</li> </ul>				
5		*References are subject to change and may not be all-inclusive.				

There are four potential **Severity Tiers**, one of which is assigned to each finding based on the size and nature of the deviation from FHA requirements. Severity tiers indicate whether a lender response is required in LRS.

Severity Tiers		Remedies	
1		Unacceptable	
2			
3		Deficient	No response required in LRS
4			



# Defect Taxonomy Version 2 (cont.)

## Unacceptable Findings

- Lenders may rebut any unacceptable finding by responding in LRS with supporting information and/or documentation.
  - FHA will **adjust** the severity of an unacceptable finding that is determined to have been cited in error.
  - When FHA sustains a **Tier 1** finding, **life-of-loan indemnification** is the only loan-level remedy in LRS.
- Alternatives to indemnification for **Tier 2** findings are shown in each defect area as a waterfall based on degree of impact.
  - FHA may request a multi-part remedy when necessary to resolve a finding with compound issues.

Tier	Remedies
1	Life-of-Loan Indemnification
2	Mitigating Documentation <i>OR</i> Financial Remediation <ul style="list-style-type: none"><li>• Type of adjustment allowed</li><li>• Subject to restrictions/tolerances</li></ul> <i>OR</i> Indemnification <ul style="list-style-type: none"><li>• Term of agreement required</li><li>• Program variations, if applicable</li></ul>

# Defect Taxonomy Version 2 (cont.)

## Fraud or Misrepresentation

- Findings are identified with **cause F** and can fall into one of two severity tiers:
  - **Tier 1:** the lender knew or should have known; or
  - **Tier 4:** the lender did not know and could not have known.
- FHA determines if the lender knew or should have known based on whether:
  - An employee of the lender was involved; and/or
  - Red flags in the loan file should have been questioned by the underwriting lender.
- Regardless of the LRS severity tier or remedy provided by the lender, all findings of fraud or materially misrepresented information are referred to HUD's Office of Inspector General (OIG).
  - **Life-of-loan indemnification** is the only loan-level remedy available in LRS for Tier 1 findings.

# Defect Taxonomy Version 2 (cont.)

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## Loan-Level Remedies

### Mitigating Documentation

- Unacceptable findings in any defect area may be mitigated with the submission of a response and/or additional documentation that adequately addresses the source and cause of the finding.
  - Demonstrates compliance with HUD policy
  - Supports loan approval as underwritten
  - Confirms eligibility for FHA insurance

# Defect Taxonomy Version 2 (cont.)

## Loan-Level Remedies

### Financial Remediation

- Some Tier 2 findings that meet certain criteria may be remedied with a monetary payment/change.
- Must be supported with documentation of the corrective action, not just a statement that the action was completed.
  - **Refunds** must be made to the party affected by the violation as specified by HUD policy.
  - **Principal reductions** must be applied to the unpaid principal balance.
    - May be applied to a suspense account for delinquent/defaulted loans.
    - When a termination claim has already been paid, the required amount must be submitted to FHA via Claims Remittance.

# Defect Taxonomy Version 2 (cont.)

## Loan-Level Remedies

### Indemnification

- In the absence of any alternative remedy, or when such alternatives have been exhausted, unacceptable findings must be resolved by indemnifying HUD against the risk of financial losses through a 5-year or life-of-loan indemnification agreement, as specified.
- Indemnification agreements must be signed electronically in LRS by users with the “Indemnification Submission” role in FHA Connection.
  - Indemnified loans are still insured and FHA requirements for servicing and payment of mortgage insurance premiums remain in force.
  - The lender that signs an indemnification must adhere to its terms, but other eligible parties may still submit claims.

# Defect Taxonomy Version 2 (cont.)

## Borrower Income (BI)

Sources		Causes				
		A	B	C	D	F
1	Salary or Hourly Wages from Primary Employment	Qualifying income amount not supported or not calculated according to policy	History, stability, and/or continuance not supported	Unacceptable source of income	Required documentation or verifications missing, illegible, or incomplete	Evidence of Fraud or Misrepresentation
2	Part-Time (Secondary) or Seasonal Employment					
3	Overtime and Bonus					
4	Self-Employment					
5	Retirement- Pension, IRA/401 (k), or SSI					
6	Rental Income from Subject Property					
7	Disability from SSA, VA, or Public/Private Source					
8	Commission					
9	Rental Income from Other Real Estate					
10	Other Income Source					

### HUD Policy References

- Single Family Housing Handbook 4000.1:
  - Underwriting with an Automated Underwriting System: Section II.A.4.a
  - Final Underwriting Decision (TOTAL): Section II.A.4.e
  - Income Requirements (TOTAL): Handbook 4000.1 Section II.A.4.c
  - Income Requirements (Manual): Handbook 4000.1 Section II.A.5.b
  - Final Underwriting Decision (Manual): Handbook 4000.1 Section II.A.5.d
- Home Equity Conversion Mortgages
  - HECM Financial Assessment and Property Charge Guide: Mortgagee Letter 2016-10 [Attachment] Chapter 3, Cash Flow/Residual Income Analysis and Chapter 4, Extenuating Circumstances and Compensating Factors

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Borrower Income (BI)			Remedies
Severity Tiers			
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to substantiate the income necessary to support loan approval due to missing documentation; <b>or</b> borrower income was not supported based on documentation.</li> <li>Effective Income not supported or miscalculated <b>AND</b> <ul style="list-style-type: none"> <li><i>Underwritten with TOTAL Scorecard</i>: When corrected, TOTAL risk assessment is a "Refer" <b>and loan does not meet</b> Manual Underwriting guidelines.</li> <li><i>Manually Underwritten – Referred/Downgraded</i>: When corrected, debt ratios exceed max allowed for manually underwritten loans or increase is not supported by sufficient compensating factors.</li> </ul> </li> <li>HECM: Issues with Financial Assessment or residual income, compensating factors not documented, and/or minimum Life Expectancy Set-Aside was not applied as required or HECM approval is not supported based on documentation.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Indemnification                             <ul style="list-style-type: none"> <li>Forward: 5 Year</li> <li>HECM: Life-of-Loan</li> </ul> </li> </ul>
3	<ul style="list-style-type: none"> <li>Required income documentation is out of compliance in some way, however, sufficient information exists to substantiate income necessary to approve the loan.</li> <li>Effective Income not supported or miscalculated <b>AND</b> <ul style="list-style-type: none"> <li><i>Underwritten with TOTAL Scorecard</i>: When corrected, TOTAL risk assessment is a "Refer" <b>but loan meets</b> Manual Underwriting guidelines.</li> <li><i>Manually Underwritten – Referred or Downgraded</i>: When corrected, debt ratios do not exceed max allowable <b>and</b> increase is supported by sufficient compensating factors.</li> </ul> </li> <li>HECM: Issues with Financial Assessment or residual income, compensating factors not documented, but minimum Life Expectancy Set-Aside was applied and HECM approval is supported based on documentation.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Minor errors which have no impact on borrower's ability to repay and when corrected, TOTAL risk assessment remains an "Accept"</li> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Defect Taxonomy Version 2 (cont.)

## Borrower Credit (BC)

Sources		Causes				
		A	B	C	D	F
1	Credit Report and/or Non-Traditional Credit Verification	Required documentation missing, illegible, insufficient, and/or contains unresolved inaccuracies or issues	FHA standards not met – credit approval not supported/ borrower ineligible	Amount of qualifying debt not supported, omitted, undisclosed, or not calculated according to policy	Other Policy Violation	Evidence of Fraud or Misrepresentation
2	Minimum Decision Credit Score					
3	Monthly Obligations					
4	Housing and/or Mortgage Payment History					
5	Non-Purchasing Spouse SSN, Credit Report, and/or Liabilities in Community Property State	<h3>HUD Policy References</h3> <ul style="list-style-type: none"> <li>Single Family Housing Handbook 4000.1:                             <ul style="list-style-type: none"> <li>General Borrower Eligibility Requirements: Section II.A.1.b.ii.(A)</li> <li>Underwriting with an Automated Underwriting System: Section II.A.4.a</li> <li>Final Underwriting Decision (TOTAL): Section II.A.4.e</li> <li>Final Underwriting Decision (Manual): Section II.A.5.d</li> <li>Credit Requirements (TOTAL): Section II.A.4.b</li> <li>Credit Requirements (Manual): Handbook 4000.1 Section II.A.5.a</li> </ul> </li> <li>Home Equity Conversion Mortgages                             <ul style="list-style-type: none"> <li>HECM Financial Assessment and Property Charge Guide: Mortgagee Letter 2016-10 [Attachment] Chapter 2, Credit History and Property Charge Payment History Analysis and Chapter 4, Extenuating Circumstances and Compensating Factors</li> </ul> </li> </ul>				
6	Bankruptcy, Foreclosure, Deed-in-Lieu, Short Sale, and/or Credit Counseling/Payment Plan	<p>*References are subject to change and may not be all-inclusive.</p>				
7	Delinquent Federal Debt					
8	Collections, Charge-Offs, Judgements, and/or Disputed Derogatory Accounts					
9	Maximum Debt Ratios and Compensating Factors					
10	Other Credit or Liability Issue					

# Defect Taxonomy Version 2 (cont.)

Borrower Credit (BC)		
Severity Tiers		Remedies
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to determine acceptability, eligibility, underwriting compliance, and/or cannot calculate monthly debt/obligations based on documentation.</li> <li>FHA is able to conclude that the borrower was ineligible and/or aspects of credit were unacceptable to the degree that approval can not be supported.</li> <li>Amount of qualifying debt not supported, omitted, or miscalculated <b>AND</b> <ul style="list-style-type: none"> <li><i>Underwritten with TOTAL Scorecard</i>: When corrected, TOTAL risk assessment is a "Refer" <b>and loan does not meet</b> Manual Underwriting guidelines.</li> <li><i>Manually Underwritten– Referred/Downgraded</i>: When corrected, debt ratios exceed manual underwriting maximums, or increase not supported by sufficient compensating factors.</li> </ul> </li> <li>HECM: Financial Assessment or credit/property charge payment history does not adhere to FHA standards, extenuating circumstances were not documented, and/or minimum Life Expectancy Set-Aside was not applied as required or HECM approval is not supported based on documentation.</li> </ul>	<div style="writing-mode: vertical-rl; transform: rotate(180deg);">Unacceptable</div> <ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Indemnification                             <ul style="list-style-type: none"> <li>– Forward: 5 Year</li> <li>– HECM: Life-of-Loan</li> </ul> </li> </ul>
3	<ul style="list-style-type: none"> <li>Required credit documentation is out of compliance in some way, however, sufficient documentation or information exists to substantiate loan approval.</li> <li>Amount of qualifying debt not supported, omitted, miscalculated <b>AND</b> <ul style="list-style-type: none"> <li><i>Underwritten with TOTAL Scorecard</i>: When corrected, TOTAL risk assessment is a "Refer" <b>but loan meets</b> Manual Underwriting guidelines.</li> <li><i>Manually Underwritten– Referred or Downgraded</i>: When corrected, debt ratios do not exceed max allowed <b>and</b> increase is supported by compensating factors.</li> </ul> </li> <li>HECM: Errors/issues with Financial Assessment data, credit/property charges, or extenuating circumstances, but minimum Life Expectancy Set-Aside was applied and HECM approval is supported based on documentation.</li> </ul>	<div style="writing-mode: vertical-rl; transform: rotate(180deg);">Deficient</div>
4	<ul style="list-style-type: none"> <li>Minor errors/inconsistencies which have no impact on borrower's ability to repay; or when TOTAL risk assessment remains an "Accept" when corrected.</li> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>

# Defect Taxonomy Version 2 (cont.)

## Loan to Value and Maximum Mortgage Amount (LM)

Sources		Causes				
		A	B	C	D	F
1	Purchase	Required documentation missing, illegible, or insufficient	Violation of maximum mortgage amount or LTV/CLTV limitation	Minimum Required Investment not met	Principal Limit or Maximum Claim Amount, or Life Expectancy Set-Aside violation	Evidence of Fraud or Misrepresentation
2	Rate/Term or Simple Refinance					
3	Streamline Refinance					
4	Cash-Out Refinance	HUD Policy References				
5	HECM	<ul style="list-style-type: none"> <li>• Single Family Housing Handbook 4000.1:                             <ul style="list-style-type: none"> <li>• Maximum Mortgage Amounts: Section II.A.2.a</li> <li>• Loan-to-Value Limits: Section II.A.2.b</li> <li>• Required Investment: Section II.A.2.c</li> <li>• Interested Party Contributions (TOTAL): Section II.A.4.d.iii.(G)</li> <li>• Interested Party Contributions (Manual): Section II.A.5.c.iii.(G)</li> <li>• Inducements to Purchase (TOTAL): Section II.A.4.d.iii.(H)</li> <li>• Inducements to Purchase Manual): Section II.A.5.c.iii.(H)</li> <li>• Programs and Products: Section II.A.8</li> </ul> </li> <li>• Home Equity Conversion Mortgages                             <ul style="list-style-type: none"> <li>• Handbook 4235.1 REV-1, as modified by Mortgagee Letter 1996-15</li> <li>• Policy Guidance and Certifications for Eligible and Ineligible Non-Borrowing HECM Spouses (Principal Limit): Mortgagee Letter 2015-02</li> <li>• Disbursement Limits: Mortgagee Letter 2014-21</li> <li>• HECM Financial Assessment and Property Charge Guide: Mortgagee Letter 2016-10 [Attachment] Chapters 1 and 5</li> </ul> </li> </ul>				
6	203(k)					
7	New Construction – Proposed, Under Construction, or Existing <1 Year					
8	Build-on-Own Land or Construction to Permanent					
9	HUD REO					
10	Other					

\*References are subject to change and may not be all-inclusive.

# Defect Taxonomy Version 2 (cont.)

Loan to Value and Maximum Mortgage Amount (LM)			Remedies
Severity Tiers			
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to determine compliance with applicable policies for maximum mortgage amount and/or LTV/CLTV requirements (or HECM Principal Limit/Maximum Claim Amount) based on available information and loan file documentation.</li> <li>FHA is able to conclude that the maximum mortgage amount and/or LTV exceeds allowable limits or was not calculated according to applicable FHA policies <b>and</b> the loan is over-insured as a result.</li> <li>The borrower <b>did not make</b> the full Minimum Required Investment (MRI) at closing in compliance with statutory requirements.</li> <li>HECM: Principal Limit, Maximum Claim Amount, Disbursement Limit, and/or Life Expectancy Set-Aside exceeds allowable limits, amount is insufficient, and/or the loan is over-insured as a result of violation.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Principal Reduction Allowed for all <b>Tier 2</b> findings <b>EXCEPT</b></li> <li>- Statutory National Loan Limit violations</li> <li>- HECM violations</li> <li>- Minimum Required Investment not met on a purchase <b>and</b> shortage exceeds 10% of MRI</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
3	<ul style="list-style-type: none"> <li>Violations exist; however, FHA can conclude that mortgage amount and/or LTV does not exceed allowable limits <b>and</b> loan is not over-insured.</li> <li>Error in the maximum mortgage amount or LTV identified by lender post-endorsement and an appropriate principal reduction was made <b>prior to loan review</b>.</li> <li>HECM: Error or miscalculation related to Principal Limit, Maximum Claim Amount, Disbursement Limit, and/or Life Expectancy Set-Aside, but allowable limits not exceeded, amount is not insufficient, and the loan is not over-insured as a result.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Defect Taxonomy Version 2 (cont.)

Sources		Causes				
		A	B	C	D	F
1	Checking/Savings Accounts	Asset not sourced, input improperly, or required documentation missing, illegible, or insufficient	Minimum Required Investment (MRI) not verified by underwriter or unacceptable source of funds	HECM monetary investment not verified or from unacceptable source	Other funds required to close and/or assets used to support approval not verified or supported	Evidence of Fraud or Misrepresentation
2	Gifts					
3	Secondary Financing					
4	Earnest Money or Other Deposits on sale					
5	Large Deposits	HUD Policy References				
6	Collateralized Loans or Unsecured Borrowed Funds	<ul style="list-style-type: none"> <li>Single Family Housing Handbook 4000.1:                             <ul style="list-style-type: none"> <li>Underwriting with an Automated Underwriting System: Section II.A.4.a</li> <li>Asset Requirements (TOTAL): Section II.A.4.d</li> <li>Asset Requirements (Manual): Section II.A.5.c</li> <li>Final Underwriting Decision (TOTAL): Handbook 4000.1 Section II.A.4.e</li> <li>Final Underwriting Decision (Manual): Handbook 4000.1 Section II.A.5.d</li> </ul> </li> </ul>				
7	Retirement Accounts	<ul style="list-style-type: none"> <li>Home Equity Conversion Mortgages                             <ul style="list-style-type: none"> <li>HECM for Purchase Program: Mortgagee Letter 2009-11</li> <li>HECM Financial Assessment and Property Charge Guide: Mortgagee Letter 2016-10 [Attachment] Chapter 3, Cash Flow/Residual Income</li> </ul> </li> </ul>				
8	Sale of Personal Property					
9	Sale of Real Estate					
10	Other Asset Type					

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Borrower Assets (BA)			
Severity Tiers			Remedies
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<p>The amount of the borrower's full MRI, Cash to Close (non-MRI), or HECM monetary investment, not fully <b>verified by the underwriter</b>; and/or</p> <p>Funds to payoff debts, reserves required for 3-4 unit properties and Manually Underwritten loans, funds supporting the amount entered to TOTAL, or other assets required on a HECM were not verified by the underwriter; <b>AND</b></p> <ul style="list-style-type: none"> <li>Based on loan documentation, FHA determines that the borrower <b>was not likely</b> to accumulate sufficient funds by the closing date, there is a strong indication the funds were from an unacceptable source, and/or the borrower would not have otherwise qualified.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Indemnification                             <ul style="list-style-type: none"> <li>– Forward: 5 Year</li> <li>– HECM: Life-of-Loan</li> </ul> </li> </ul>
3	<ul style="list-style-type: none"> <li>The amount of the borrower's full MRI, Cash to Close (non-MRI), or HECM monetary investment, not fully <b>verified by the underwriter</b>; and/or</li> <li>Funds to payoff debts, reserves required for 3-4 unit properties and Manually Underwritten loans, funds supporting the amount entered to TOTAL, or other assets required on a HECM, were not verified by the underwriter; <b>BUT</b></li> <li>Based on loan documentation, FHA determines that the borrower <b>was likely</b> to have accumulated sufficient funds from an acceptable source by the closing date, or would have otherwise qualified.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Errors/inconsistencies exist which have no impact on qualification; or Assets used for reserves were not supported or improperly input to TOTAL, but when reduced, the TOTAL risk assessment remains an "Accept"</li> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Defect Taxonomy Version 2 (cont.)

Property Eligibility (PE)		Causes				
Sources		A	B	C	D	F
1	Property Acceptability and/or Eligibility	Missing, illegible, or incomplete documentation to support acceptability or eligibility	Unallowable Property Type, Use, and/or Zoning	Repairs or Rehabilitation not complete and/or inspections not properly documented	Restrictions on Resales/Flipping and/or owner of record requirements not met	Evidence of Fraud or Misrepresentation
2	Minimum Property Requirements / Minimum Property Standards					
3	Flood Certification and/or Special Flood Hazard Area Requirements					
4	Manufactured Housing					
5	Legal Restrictions on Conveyance (Free Assumability)					
6	Property Ownership and/or Transfer History					
7	Condo – Project Approval or Loan Level Certifications					
8	Program & Product Specific Property Eligibility Requirements					
9	Presidentially Declared Major Disaster Area Requirements					
10	Other Property Eligibility Issues					

### HUD Policy References

- Single Family Housing Handbook 4000.1:
  - Property Eligibility and Acceptability Criteria: Section II.A.1.b.iv
  - Property Acceptability Criteria: Section II.A.3.a
  - Legal Restrictions on Conveyance (Free Assumability): Section II.A.1.b.v
  - Appraiser and Property Requirements: Section II.D
  - Mortgage Closing Requirements: Section II.A.6.a
  - Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in Presidentially-Declared Major Disaster Areas: Section II.A.7.c
  - Programs and Products: Handbook 4000.1 Section II.A.8
- Home Equity Conversion Mortgages
  - Appraiser and Property Requirements: Handbook 4000.1 Section II.D
  - Handbook 4235.1 REV-1, as modified by Mortgagee Letter 1996-15
  - Property Analysis: Chapter 3
  - HECM for Purchase Program: Mortgagee Letter 2009-11
  - Existing Property Eligibility Requirements: Mortgagee Letter 2007-06
  - Property Standards – Repair Work: 24CFR206.47(e)

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Property Eligibility (PE)			
Severity Tiers			Remedies
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to determine acceptability, eligibility, or compliance with applicable policies for Property Eligibility due to absence of required documentation.</li> <li>FHA is able to conclude that the property did not meet Property Eligibility requirements based on documentation in the loan file.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Principal Reduction Allowed for Tier 2 violations where                             <ul style="list-style-type: none"> <li>- repairs or rehabilitation not completed as required</li> <li>- unused escrow funds exist</li> </ul> </li> </ul> <p><b>Note:</b> In any case where FHA Minimum Property Requirements and Standards are not met as a result of incomplete repairs or rehab, principal reduction must be made before, <b>and</b> in addition to, life-of-loan indemnification.</p> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
3	<ul style="list-style-type: none"> <li>Compliance errors, inconsistencies, or missing information identified within the Property Eligibility documentation, but FHA is able to conclude that the property is eligible.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Defect Taxonomy Version 2 (cont.)

Sources		Causes				
		A	B	C	D	F
1	Appraiser	Form(s) missing, expired, invalid, illegible, contains errors, or incorrect form used	Valuation & Reporting Protocols not met (Appraiser Responsibilities)	Appraised Value is not supported	Other Policy Violation	Evidence of Fraud or Misrepresentation
2	Appraisal Report – including all required forms/exhibits/addendums					
3	Comparable Sales	<div style="background-color: #0070C0; color: white; padding: 5px; border-radius: 5px;"> <b>HUD Policy References</b> </div> <ul style="list-style-type: none"> <li>Single Family Housing Handbook 4000.1:                             <ul style="list-style-type: none"> <li>Appraiser and Property Requirements: Section II.D</li> <li>Programs and Products: Handbook 4000.1 Section II.A.8</li> </ul> </li> <li>Home Equity Conversion Mortgages                             <ul style="list-style-type: none"> <li>Handbook 4235.1 REV-1, as modified by Mortgagee Letter 1996-15</li> <li>Property Analysis: Chapter 3</li> <li>Property Standards – Repair Work: 24CFR206.47(e)</li> <li>Existing Property Eligibility Requirements: Mortgagee Letter 2007-06</li> </ul> </li> </ul>				
4	New Construction Documentation					
5	Second Appraisal					
6	Appraisal Update					
7	Other Appraisal, Collateral, or Valuation Issue					

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Property Appraisal (PA)			
Severity Tiers			Remedies
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to determine appraiser and/or underwriter compliance with applicable policies for the appraisal, collateral valuation, or property acceptability due to absence of valid documentation.</li> <li>FHA is able to conclude that the property was not appraised and/or underwritten in compliance with applicable policies and the appraised value is not supported or the property is not acceptable as a result.</li> <li>Documentation required for specific property types, programs/products, or by construction status was not obtained to support FHA max insurable loan amount.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> <li><b>OR</b></li> <li>Life-of-Loan Indemnification</li> </ul>
3	<ul style="list-style-type: none"> <li>Compliance errors, inconsistencies, or missing information identified within the Property Appraisal documentation, but FHA is able to conclude that there is no impact on the valuation or property acceptability.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Defect Taxonomy Version 2 (cont.)

Sources		Causes				
		A	B	C	D	F
1	Borrower SSN and/or Identity	Documentation of eligibility missing, illegible, improperly documented, or not validated	Ownership and/or Occupancy Requirements not met	Borrower is ineligible for FHA insurance	Other Policy Violation	Evidence of Fraud or Misrepresentation
2	Borrower citizenship, lawful residency status, or Employment Authorization Document (EAD)					
3	Borrower Age Restrictions	HUD Policy References				
4	Borrower has another property already under HECM rule	<ul style="list-style-type: none"> <li>Single Family Housing Handbook 4000.1:                             <ul style="list-style-type: none"> <li>General Borrower Insurance Eligibility: Section II.A.1.b.ii(A)</li> <li>Occupancy Types: Section II.A.1.b.iii</li> <li>Programs and Products: Section II.A.8</li> </ul> </li> <li>Home Equity Conversion Mortgages                             <ul style="list-style-type: none"> <li>Handbook 4235.1 REV-1, as modified by Mortgagee Letter 1996-15</li> <li>General Information: Chapter 1</li> <li>Borrower Counseling: Chapter 2</li> <li>Borrower Age: Chapter 4, Paragraph 4-4A</li> </ul> </li> </ul>				
5	Program/Product Specific Borrower Eligibility Requirement					
6	Borrower on Exclusionary List(s)					
7	Multiple FHA Loans/Exceptions					
8	Non-owner Occupant Co-borrower or Co-Signer					
9	General Borrower Eligibility					

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Borrower Eligibility (BE)			
Severity Tiers			Remedies
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to determine acceptability, eligibility, or compliance with applicable eligibility policies due to absence of required documentation, authorizations, and/or validations.</li> <li>FHA is able to conclude that borrower(s) was ineligible based on loan file documentation or other available information.</li> <li>Borrower ownership and/or occupancy requirements, including program and policy specific policies, were not met.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
3	<ul style="list-style-type: none"> <li>Compliance errors, inconsistencies, or missing information identified within the documentation, but FHA is able to conclude that the borrower was eligible based on other loan file documentation or validating information.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Defect Taxonomy Version 2 (cont.)

Sources		Causes			
		A	B	C	F
1	Mortgage Term	Acceptability/Eligibility not supported – documentation missing, illegible, improperly completed/incomplete, or incorrect form used	Improper Application of FHA Policy	Other Mortgage Eligibility Issue	Evidence of Fraud or Misrepresentation
2	Mortgage Insurance Premiums				
3	Program & Product Specific Requirements	HUD Policy References			
4	Title and/or FHA Lien Position	<ul style="list-style-type: none"> <li>Single Family Housing Handbook 4000.1:                             <ul style="list-style-type: none"> <li>General Mortgage Insurance Eligibility: Section II.A.1.b</li> <li>Valid First Liens: Handbook 4000.1 Section II.A.1.b.ii(A)(13)</li> <li>Maximum Mortgage Term: Handbook 4000.1 Section II.A.2.d</li> <li>Mortgage Insurance Premiums: Handbook 4000.1 Section II.A.2.e</li> <li>Closing Requirements: Handbook 4000.1 Section II.A.6</li> <li>Post-Closing &amp; Endorsement/Pre-endorsement Requirements: Section II.A.7.iii</li> <li>Programs and Products: Handbook 4000.1 Section II.A.8</li> <li>203(k) Consultant Requirements: Handbook 4000.1 Section II.A.9</li> </ul> </li> </ul>			
5	Non-Profit, Government Agency, Living Trust, or Power of Attorney	<ul style="list-style-type: none"> <li>Home Equity Conversion Mortgages                             <ul style="list-style-type: none"> <li>Handbook 4235.1 REV-1, as modified by Mortgagee Letter 1996-15</li> <li>General Information: Chapter 1</li> <li>Closing and Endorsement: Chapter 6</li> <li>Policy Guidance and Certifications for Eligible and Ineligible Non-Borrowing HECM Spouses and Required Determination: Mortgagee Letter 2015-02</li> <li>HECM for Purchase Program: Mortgagee Letter 2009-11</li> </ul> </li> </ul>			
6	Mortgage, Note, Riders, and Allonges				
7	Sales Contract, Addendums, Amendments, and Related Certifications				

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Mortgage Eligibility (ME)		
Severity Tiers		Remedies
<b>1</b>	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
<b>2</b>	<ul style="list-style-type: none"> <li>FHA is unable to determine mortgage acceptability or compliance with applicable policies due to absence of required documentation.</li> <li>FHA is able to conclude that the mortgage is not in compliance with applicable policies based on loan file documentation or other available information.</li> <li>Mortgage does not comply with the program/product specific requirements for which it was approved and would not have been eligible under any other FHA program/product.</li> </ul>	
		<b>Unacceptable</b>
<b>3</b>	<ul style="list-style-type: none"> <li>Compliance errors, inconsistencies, or missing information identified within the documentation, but FHA is able to conclude that the mortgage was eligible based on other loan file documentation or validating information.</li> <li>Mortgage does not comply with the program/product specific requirements for which it was approved but it would have been eligible under another FHA program/product.</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating Documentation</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>Indemnification                             <ul style="list-style-type: none"> <li>– Forward: 5 Year</li> <li>– HECM: Life-of-Loan</li> </ul> </li> </ul>
<b>4</b>	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>	
		<b>Deficient</b>
		<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>

# Defect Taxonomy Version 2 (cont.)

Sources		Causes				
		A	B	C	D	F
1	NMLS Registration Issues	<p>Required documentation missing, illegible, improperly completed, or incorrect form used</p> <p>Unallowable, undisclosed, or excess Closing Costs and/or Fees</p> <p>Loan closed or endorsed out of compliance with underwriting approval</p> <p>Other Policy Violation</p> <p>Evidence of Fraud or Misrepresentation</p>				
2	Loan Estimate(s), Closing Disclosure, and/or Certifications					
3	Escrow accounts not properly established					
4	Late Endorsement or Pre-Endorsement Delinquency					
5	Unresolved Data Integrity Issues					
6	Application & Underwriting Forms – URLA/1003, 92900a, 92800.5b, 92900LT					
7	HECM Loan Agreement or Financial Assessment					
8	FHA Program Participation/ Exclusionary List(s)					
9	TOTAL Scorecard/AUS Feedback Certificate					
10	Loan Review Case Binder Submission					
11	Other					

### HUD Policy References

- Single Family Housing Handbook 4000.1:
  - Applications and Disclosures: Section II.A.1.a
  - Underwriting the Property: Section II.A.3
  - Appraiser and Property Requirements: Section II.D
  - Underwriting with an Automated Underwriting System: Section II.A.4.a
  - Final Underwriting Decision (TOTAL): Section II.A.4.e
  - Final Underwriting Decision (Manual): Section II.A.5.d
  - Closing Requirements: Section II.A.6
  - Post-Closing and Endorsement: Section II.A.7
- Home Equity Conversion Mortgages:
  - HECM Handbook 4235.1 REV-1 as modified by Mortgagee Letter 1996-15; Chapter 6, Closing and Endorsement; and Chapter 7, Payment of Mortgage Insurance Premiums
  - HECM Financial Assessment and Property Charge Guide; ML 2010-39
  - HUD-1 Settlement Statement Closing Certification: Mortgagee Letter 2016-10
  - Amended Late Requests for Endorsement Procedures: Mortgagee Letter 2013-02

\*References are subject to change and may not be all-inclusive.



# Defect Taxonomy Version 2 (cont.)

Lender Operations (LO)			
Severity Tiers			Remedies
1	<ul style="list-style-type: none"> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>knew or should have known</b>.</li> </ul>	Unacceptable	<ul style="list-style-type: none"> <li>Life-of-Loan Indemnification</li> </ul>
2	<ul style="list-style-type: none"> <li>FHA is unable to determine loan-level compliance with operational policies and procedures due to absence of required information/documentation.</li> <li>FHA is able to conclude that the loan is uninsurable due to non-compliance with operational policies and procedures based on documentation in the loan file.</li> </ul>		<ul style="list-style-type: none"> <li>Mitigating Documentation</li> <li>OR</li> <li>Refund                             <ul style="list-style-type: none"> <li>- Allowed unless FHA policy specifically prohibits a <b>post-endorsement</b> refund</li> </ul> </li> <li>OR</li> <li>Indemnification                             <ul style="list-style-type: none"> <li>- Forward: 5 Year</li> <li>- HECM: Life-of-Loan</li> </ul> </li> </ul>
3	<ul style="list-style-type: none"> <li>Compliance errors, inconsistencies, or missing information related to operational policies and procedures, but sufficient documentation/information exists to substantiate approval.</li> </ul>	Deficient	<ul style="list-style-type: none"> <li>No response required in LRS</li> </ul>
4	<ul style="list-style-type: none"> <li>Minor data integrity issues, errors, or inconsistencies exist which have no impact on TOTAL "Accept"/do not invalidate approval.</li> <li>Evidence of fraudulent or materially misrepresented information about which the lender <b>did not know and could not have known</b>.</li> </ul>		

# Loan Review System Updates



# Loan Review System Updates

- Recent LRS changes allow lenders to submit optional responses/documents for:
  - Tier 3 and Tier 4 deficient findings.
  - Tier 1 and Tier 2 findings that FHA has mitigated or remediated.
  - Findings of any severity/outcome on all completed reviews.
- Changes do not impact most current processes.
  - Optional responses are preserved in LRS for later consideration only.
  - Lenders will not receive response requests for cases without unacceptable findings.
  - Optional responses will not be assigned to FHA staff for review.
  - FHA reviewers do not have the ability to adjust or mitigate deficient findings in LRS.

*Access the updated LRS Lender User Manual from the Loan Review System webpage on HUD.gov.*



# Loan Review System Updates (cont.)

## Optional Response Submission

### 4 LM.1.D - DEFICIENT

[Go to Current Response](#)

Source: Maximum Mortgage amount

Cause: Other incorrect application of policy

#### INITIAL

Severity: Tier 4: Deficient (Lowest)

Finding Description: Example comment to lender at the initial review level.

#### LENDER RESPONSE TO FHA (OPTIONAL)

Example optional lender response to a deficient finding at the initial review level.

#### RESPONSE DOCUMENTS (OPTIONAL)

 ExampleResponseDocument.jpg



#### SELECT PREVIOUSLY UPLOADED DOCUMENTS

None

Choose File...

Findings Overview

Save Response



# Loan Review System Updates (cont.)

## Optional Response Submission

**MITIGATION 1**  
Severity: **Tier 4: Deficient (Lowest)**  
Finding Description:

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**LENDER RESPONSE TO FHA (OPTIONAL)**

Example optional lender response to a deficient finding in a completed review.

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**RESPONSE DOCUMENTS (OPTIONAL)**

 ExampleResponseDocument.tif  

**SELECT PREVIOUSLY UPLOADED DOCUMENTS**

- ExampleResponseDocument.tif

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[Choose File...](#) [Findings Overview](#) [Save Response](#)

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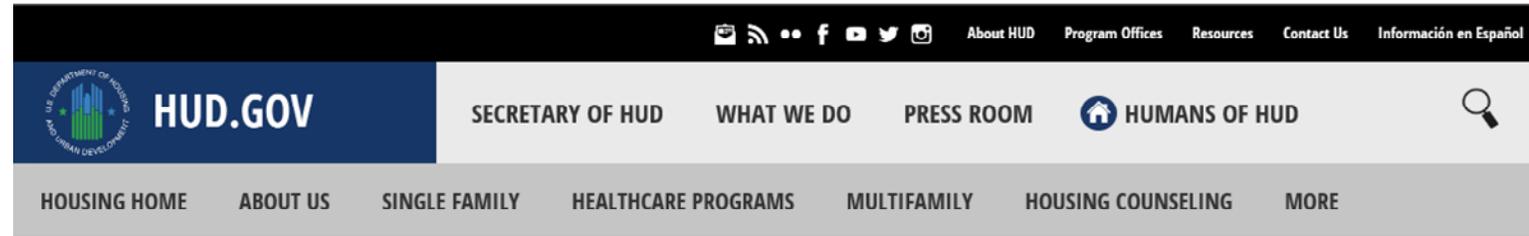
# Resources



# 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



[Home](#) / [Program Offices](#) / [Housing](#) / [Single Family](#) / [Lenders](#) / Loan Review System

### LOAN REVIEW SYSTEM

The Loan Review System (LRS) is the electronic platform for Federal Housing Administration (FHA) Title II Single Family quality control processes.

#### Functions and Processes

Lenders use LRS to interact with FHA on the majority of Title II Single Family quality control processes, including:

- Various Post-Endorsement Loan Reviews
- Unconditional Direct Endorsement Authority Test Cases
- Lender Monitoring Reviews

#### LRS Policy and Information

- March 23, 2017, [Mortgagee Letter 2017-08](#) – LRS May 15th effective date; change to effective date for Mortgagee Letter 2016-21.
- January 11, 2017, [Mortgagee Letter 2017-03](#) – process change details.
- December 14, 2016, [Mortgagee Letter 2016-21](#) – Unconditional Direct Endorsement Authority test case release



# Resources (cont.)

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## Helpful Links

- Single Family Housing Policy Handbook Information  
[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_4000-1](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1)
- Upcoming Single Family Housing Events and Training  
[https://www.hud.gov/program\\_offices/housing/sfh/events](https://www.hud.gov/program_offices/housing/sfh/events)
- Subscribe to FHA INFO  
[https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/FHA\\_INFO\\_subscribe](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe)



# Resources (cont.)

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.

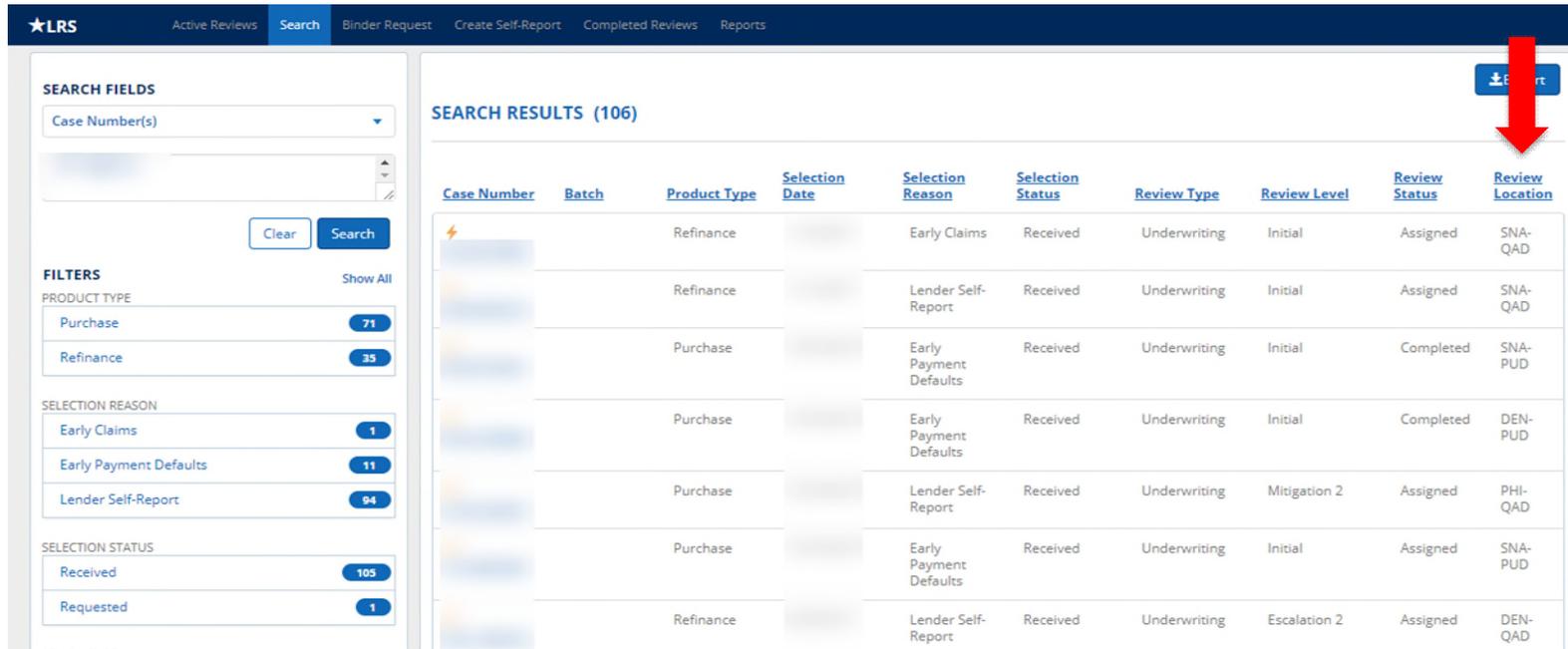
*FHA INFO* emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/FHA\\_INFO\\_subscribe](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe)



# Resources (cont.)

## FHA Resource Center

- 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 tab.



The screenshot displays the LRS Search interface. On the left, there are search fields and filters. The search fields include a dropdown for 'Case Number(s)' and a 'Search' button. The filters section includes 'PRODUCT TYPE' (Purchase: 71, Refinance: 33), 'SELECTION REASON' (Early Claims: 1, Early Payment Defaults: 11, Lender Self-Report: 94), and 'SELECTION STATUS' (Received: 105, Requested: 1). The main area shows 'SEARCH RESULTS (106)' with a table of results. A red arrow points to the 'Review Location' column header.

Case Number	Batch	Product Type	Selection Date	Selection Reason	Selection Status	Review Type	Review Level	Review Status	Review Location
		Refinance		Early Claims	Received	Underwriting	Initial	Assigned	SNA-QAD
		Refinance		Lender Self-Report	Received	Underwriting	Initial	Assigned	SNA-QAD
		Purchase		Early Payment Defaults	Received	Underwriting	Initial	Completed	SNA-PUD
		Purchase		Early Payment Defaults	Received	Underwriting	Initial	Completed	DEN-PUD
		Purchase		Lender Self-Report	Received	Underwriting	Mitigation 2	Assigned	PHI-QAD
		Purchase		Early Payment Defaults	Received	Underwriting	Initial	Assigned	SNA-PUD
		Refinance		Lender Self-Report	Received	Underwriting	Escalation 2	Assigned	DEN-QAD

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# Q&A



# Q&A Protocol

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## Check your audio to ensure it's working correctly:

- Click *Test Speaker & Microphone* option or click Microphone icon if image is crossed out.
- Test/change audio settings on computer/smartphone/telephone by selecting *Audio Settings* on toolbar.

## Access audio using one of the following options:

### Option A:

Audio source is computer or smartphone

- If viewing webinar through computer or smartphone, click *Raise Hand* icon. You will receive onscreen message to unmute yourself - click *Unmute Myself* button. When prompted by moderator, provide your name, company affiliation, then ask your question.

### Option B:

Audio source is standard telephone line

- To ask a question, press \*9 to be placed in queue. Webinar moderator will unmute your phone and you will hear an automated voice message stating *You Are Unmuted*. When prompted by moderator, provide your name, company affiliation, then ask your question.

# Thank You!

For joining us today

