



**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**September 23, 2011**

**Mortgage Letter 2011-34**

**To:                   FHA Approved Lenders and Applicants for FHA Lender Approval**

---

**Subject**           Revised Lender Approval Requirements

---

**Purpose of Mortgage Letter**   The purpose of this Mortgage Letter is to announce changes to the requirements for obtaining, maintaining and utilizing an entity’s FHA lender approval.

---

**Effective Date**   All requirements in this Mortgage Letter are effective immediately.

---

**Handbook Requirements Being Modified or Superseded**   The chart below reflects specific sections of HUD Handbooks 4060.1 REV-2, “FHA Title II Mortgage Approval Handbook,” and Handbook 4155.2, “Lenders Guide to Single Family Mortgage Insurance Process” being modified or superseded by this Mortgage Letter.

<i>Type of Requirement</i>	<i>Subject</i>	<i>Handbook Section</i>	
		<b>4060.1</b>	<b>4155.2</b>
Lender Approval Requirements	Identifying Officers	2-9.B	
	Identifying Owners	3-3	
	Office Facilities	2-11.& 3-2.A.9	
	Conversion of FHA Lender Approval Type	6-16	
Lender Operational Requirements	Prohibited Branch Arrangement	2-14.B	
	Single Family Loan Origination Lending Area	2-19.A & B and 5.8.C	12.E.2
	Business Changes Subsequent to Approval	6.1 & 6.26	
	Doing Business As (DBA) Names	6-9	
	Officer Changes	6-11	
	Ownership Changes	6-13	

---

**Lender  
Approval  
Requirements**

- **Identifying Officers.** The applicant must list all of its Corporate Officers on Form HUD 92001-A who will be directly involved in managing, overseeing, or conducting the FHA business of the applicant. It also must provide, for each individual listed, a credit report and a resume in accordance with paragraphs 3-2.A.4 and 3-2.A.5 of Handbook 4060.1. The term “Corporate Officer” refers to a natural person who is an Owner, President, Vice President, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, Chairman of the Board, or Member or Manager of a limited liability company. This definition of Corporate Officer supersedes the definition of “Corporate Officer” which is contained in Mortgagee Letter 2010-38.
- **Identifying Owners.** All applicants for FHA lender approval must list in the Lender Approval Application Form 92001-A the appropriate owners for their business form. The following details the types of owners which must be listed for various business forms.

• <b>Business Form</b>	• <b>Owners</b>
• Publically Traded Company or Corporation	• 10% or more ownership
• Non-Publically Traded Company or Corporation	• 25% or more ownership
• Limited Liability Company (LLC)	• All Members
• Partnerships	• General Partners

- **Office Facilities.** An approved mortgagee may conduct loan origination and/or servicing activities from its home office, branch office, and/or direct lending branch office. All office facilities, regardless of type, must fully comply with all state licensing requirements in effect in the jurisdiction in which the office facility is located. In addition, a mortgagee’s home office must comply with the requirements set forth in paragraph 2-11.A of Handbook 4060.1, but HUD is no longer regulating the branch offices facilities. Applicants are no longer required to submit evidence of acceptable home office facilities; the Department will verify compliance with these requirements through any on-site visits to the home office. Paragraphs 2-11.B, C and D and 3.2.A.9 of Handbook 4060.1 are rescinded.
- **Conversion of FHA Lender Approval Type.** Paragraph 6-16 of Handbook 4060.1 is rescinded. Lenders that wish to convert their FHA approval type must submit a new lender approval application package with all required exhibits and pay a new \$1,000 lender approval application fee.

---

**Lender  
Operational  
Requirements**

- **Prohibited Branch Arrangement.** Approved mortgagees must pay all expenses incurred in the operation of their home, branch, and direct lending offices directly, and may not engage in “net branching” arrangements in which a party, other than the approved mortgagee, pays some or all of the branch office expenses. Paragraph 2-14.B of Handbook 4060.1 is removed for editorial clarity because it duplicates the requirements in paragraph 2-8.
  
  - **Single Family Loan Origination Lending Area.** Paragraphs 2-19.A, 2-19.B and 5-8.C of Handbook 4060.1 are amended to expand the single family origination lending area of each home office and registered branch office to include all HUD field office jurisdictions. Lenders are reminded they also must meet each State’s origination requirements. This origination lending area is also known as a lender’s Area Approved for Business (AAFB) and will be maintained at the HUD field office jurisdiction level in FHA’s system for implementation with any Credit Watch Terminations. In addition, Exhibit 4155.2 12.E.2.a in Handbook 4155.2 titled “Single Family Originating Lending Areas” is rescinded.
  
  - **Business Changes Subsequent to Approval.** In accordance with 24 CFR §202.5, to be approved for participation and to maintain approval, mortgagees **must** meet and **continue** to meet the general requirements of §202.5(a) through (n). Therefore, paragraphs 6.1 and 6.26 of Handbook 4060.1 are amended to require that mortgagees **notify** HUD within 10 business days if the lender or mortgagee, or any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator of the lender or mortgagee:
    - (1) has been suspended, debarred, under a limited denial of participation (LDP), or otherwise restricted under 2 CFR part 2424 or 24 CFR part 25, or under similar procedures of any other federal agency;
    - (2) has been indicted for, or convicted of, an offense that reflects adversely upon the integrity, competency, or fitness to meet the responsibilities of the lender or mortgagee to participate in the Title I or Title II programs;
    - (3) is subject to unresolved findings, as that term is defined in Mortgagee Letter 2010-38, as a result of HUD or other governmental audit, investigation, or review;
    - (4) is engaged in business practices that do not conform to generally accepted practices of prudent mortgagees or that demonstrate irresponsibility;
    - (5) is convicted of, or pled guilty or nolo contendere to, a felony related to participation in the real estate or mortgage loan industry: (i) During the 7-year period preceding the date of the application for licensing and registration; or (ii) At any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust or money
-

---

laundering; or,  
(6) is in violation of provisions of the Secure and Fair Enforcement (SAFE) Mortgage Licensing Act of 2008 (12 U.S.C. 5101 et seq.) or any applicable provision of state law.

Mortgagees must still also report any sanctions, exclusions, fines, or penalties, as described in ML 2009-31. However the reporting deadline listed in ML 2009-31 for such sanctions, exclusions, fines and penalties is amended to 10 business days.

- **“Doing Business As” (dba) Names.** Mortgagee Letter 2009-31 states that lenders may only use business names (including *dba* names) registered with FHA in their advertising and promotional materials related to FHA programs. Paragraph 6-9 of Handbook 4060.1 requires lenders to register their dbas through the FHA Connection. Paragraph 6-9 of Handbook 4060.1 is amended to require a lender to register all of its dbas. The FHA Connection has been modified to allow the registration of up to 6 dbas for each home office or branch. If a lender has more than 6 dbas, its remaining dbas must be registered with FHA by submitting the additional *dba* names, and documentation authorizing their use, to the HUD address provided below.
- **Officer Changes.** Paragraph 6-11 of Handbook 4060.1 is amended to require FHA approved lenders to report to FHA any changes in the identity of Corporate Officers, as defined above in the lender approval requirements section of this mortgagee letter.
- **Ownership Changes.** Paragraph 6-13 of Handbook 4060.1 is amended to require FHA approved lenders to report all ownership changes, including new owners and changes in ownership interests, in accordance with the ownership requirements for their business form as detailed in lender approval requirements section of this mortgagee letter.

---

**HUD’s  
Notification  
Address for  
FHA  
Approved  
Mortgagees**

U.S. Department of Housing and Urban Development  
Office of Lender Activities and Program Compliance  
Attn: Director, Lender Approval and Recertification Division  
451 7<sup>th</sup> Street, SW Room B-133/P3214  
Washington, DC 20410

---

**Information  
Collection  
Requirements**

Paperwork reduction information collection requirements contained in this Mortgagee Letter have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB Control Number 2502-0005. In accordance with

---

the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB Control Number.

---

**Questions**

- Please inquire about information provided in this Mortgage Letter by contacting FHA's Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number via TTY by calling the Federal Information Relay Service at 1-800-877-8339.
- 

**Signature**

Carol J. Galante

Acting Assistant Secretary for Housing-Federal Housing Commissioner

---