



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

August 12, 2015

Mortgagee Letter 2015-16

To: All Approved Mortgagees
Subject: Underwriter Approval Delegation

Purpose

HUD is realigning the underwriter approval process which will result in eligible Multifamily Accelerated Processing (“MAP”) and Section 232 Lenders designating a qualified individual as “Chief Underwriter”, and through this Chief Underwriter, designating and approving MAP and/or Section 232 Underwriters (“Underwriters”) on staff. After implementation, HUD will no longer review and approve MAP and Section 232 Underwriters for Lenders, except as otherwise set forth in this Mortgagee Letter, and will instead rely upon the required certifications from the MAP/Section 232 Lender and Chief Underwriter that the individual Underwriter is qualified per MAP Guide and/or Section 232 Handbook 4232.1 requirements.

Applicability

This guidance applies to the Lender and Underwriter approval process under the MAP and Section 232 programs.

Currently approved (hereafter meaning as of the date of publication of this Mortgagee Letter) “Low Volume Lenders” (defined as MAP or Section 232 lending volume with a trailing-four year average of \$100,000,000 or less in firm commitments annually) may seek approval to participate if they desire to do so, but may also choose to continue to attain Underwriter approvals in the traditional manner.

Currently approved “Moderate and Large Volume Lenders” (defined as MAP or Section 232 lending volume with a trailing four-year average in excess of \$100,000,000 in firm commitments annually) must comply with the requirements of this Mortgagee Letter.

All new MAP Lenders (whether Low Volume or Moderate and Large Volume Lenders) must comply with the requirements of this notice.

If at any time a MAP Lender no longer complies with the requirements for delegation of Underwriter approval due to unforeseeable reasons, the MAP Lender must immediately contact HUD to discuss implementation of corrective action. The MAP Lender must expeditiously act to initiate the agreed upon corrective action within the time frame agreed upon with HUD. If the corrective action is not completed within the permitted grace period, the MAP Lender will be

subject to sanctions, including without limitation, referral to the MAP Lender Review Board for MAP suspension or termination in accordance with 24 CFR Part 200, Subpart Y.

Background

The MAP and Section 232 programs require that FHA mortgage applications be underwritten by staff that have the written approval of Multifamily Asset Counterparty Oversight Division (“MACOD”), formerly the Lender Qualification and Monitoring Division. The process for approval of Underwriters can be found in the following sections of the MAP Guide and Section 232 Handbook:

- MAP Guide Section 2.2 provides the criteria for approval of existing staff as Underwriters at initial MAP Lender approval.
- MAP Guide Section 2.4 details the process of attaining approval for Underwriter trainees.
- Chapter 2 of the Section 232 Handbook details the approval process for Section 232 Underwriters.

Note that Lender approval for the MAP or Section 232 programs remains unchanged, other than the procedures set forth in this Mortgagee Letter.

Participation

Lenders, Chief Underwriters and Deputy Chief Underwriters (as discussed below) must be approved in writing by MACOD per the requirements of this Mortgagee Letter, in order to be delegated authority to review and approve Underwriters.

The Chief Underwriter is the qualified person designated by the Lender and approved by MACOD to oversee, underwrite, review and finalize FHA mortgage insurance applications submitted to FHA on behalf of the Lender. In order to determine a MAP and/or Section 232 Lender’s eligibility to designate and certify Underwriters, the MAP/Section 232 Lender and its Chief Underwriter must submit documentation evidencing the following requirements.

MAP/Section 232 Lender Requirements

- The Lender must be in good standing with the Department and in full MAP and/or Section 232 compliance, defined as:
 - Compliance with all HUD and other applicable financial requirements (liquidity, net worth, etc.).
 - MAP and/or Section 232 disciplinary actions (warning letter, probation, suspension or termination) within the previous eighteen months may be cause for non-participation, based upon HUD’s review of the merits of the individual situation.
- The Lender has on staff a Chief Underwriter, approved in writing by HUD.
- The Lender has satisfactory procedures in place for training and approving Underwriters, detailed in the Lender’s Quality Control Plan.

Chief Underwriter

- Must be approved in writing by HUD.
- Be in good standing with the Department and in full MAP and/or Section 232 compliance. MAP and/or Section 232 disciplinary actions (warning letter, probation, suspension or termination) within the previous eighteen months may be cause for non-participation, based upon HUD’s review of the merits of the individual situation.
- Provide evidence of ten years of prior Multifamily underwriting experience. The Chief Underwriter’s experience may include FHA/MAP, Section 232, Ginnie Mae, Fannie Mae, Freddie Mac, Risk Sharing, or other like-kind underwriting experience. The experience need not be continuous, but must total ten years. The proposed Chief Underwriter’s application must include a listing of FHA loans underwritten and the name(s) of the submitting Lender. At HUD’s discretion, the Chief Underwriter may request that one year’s equivalent experience be granted for evidence of each ten acceptably processed firm commitment applications.
- Provide evidence of experience in the training, development and oversight of Underwriter trainees. The application should include specific experience with a list of all personnel trained.
- Not hold a significant equity position in the Lender or any of the Lender’s affiliates. Employee Stock Ownership Plans and similar forms of compensation are permissible.

Deputy Chief Underwriters

MAP and/or Section 232 Lenders that are not subject to enforcement actions as defined above, may appoint one or more “Deputy Chief Underwriters,” subject to HUD approval. The Lender’s Deputy Chief Underwriter may perform all functions delegated to the Lender’s Chief Underwriter, but the Chief Underwriter remains responsible for all actions of the Deputy Chief Underwriter.

In the event the Chief Underwriter is unable or unwilling to function in that capacity, with proper written notification to HUD by the Lender, the Deputy Chief Underwriter may act as

interim Chief Underwriter to maintain business continuity, but the Lender must obtain HUD approval for the Deputy Chief Underwriter to act for the Chief Underwriter if that person does so for more than sixty days. A replacement Chief Underwriter should be appointed within six months of the Lender's initial notification to HUD.

The proposed Deputy Chief Underwriter must:

- Be approved, in writing, by HUD.
- Be in good standing with the Department and in full MAP and/or Section 232 compliance. MAP and/or Section 232 disciplinary actions (warning letter, probation, suspension or termination) within the previous eighteen months may be cause for non-participation, based upon HUD's review of the merits of the individual situation.
- Provide evidence of five years of prior Multifamily underwriting experience. The Deputy Chief Underwriter's experience may include FHA/MAP, Section 232, Ginnie Mae, Fannie Mae, Freddie Mac, Risk Sharing, or other like-kind underwriting experience. The experience need not be continuous, but must total five years. His/her application must include a listing of FHA loans underwritten and the name(s) of the submitting Lender. At HUD's discretion, the Deputy Chief Underwriter may request that one year's equivalent experience be granted for evidence of each ten acceptably processed firm commitment applications.
- Not hold a significant equity position in the Lender or any of the Lender's affiliates. Employee Stock Ownership Plans and similar forms of compensation are permissible.

Non-Participation

HUD will continue to review and approve Underwriters in the following situations:

- Currently approved Low Volume Lenders that choose not to participate.
- Lenders with suspension or termination enforcement actions within the previous eighteen months.

Roles and Responsibilities for Chief Underwriters

Chief Underwriters are responsible for establishing and maintaining a strong credit risk management and program compliance environment, to include:

- Creation and oversight of the Lender’s training and development program for underwriting personnel.
- Approving MAP and Section 232 Underwriters.
- The Lender’s compliance with statutory, regulatory and programmatic underwriting processes, requirements and standards.
- Establishment and oversight of the Lender’s Quality Control Plan and processes.
- Reviewing, approving and cosigning all HUD mortgage insurance applications.
- The Chief Underwriter may delegate responsibilities to the Deputy Chief Underwriter, but the Chief Underwriter remains responsible for compliance with all HUD requirements.
- Implementation of HUD recommended opportunities for improvement, to include findings and observations gleaned from Lender or property loan reviews as well as Office of Inspector General audit recommendations sustained by FHA managers during the audit resolution process.

Underwriter Approval Process and Certification

The Lender and Chief Underwriter must provide a certification that stipulates that the Underwriter has complied with all experience/training requirements detailed in the MAP Guide and Section 232 Handbook, if applicable. In order for a MAP and/or Section 232 Lender and Chief Underwriter to certify to an Underwriter’s competency to submit loans under the MAP and/or Section 232 program, the MAP/Section 232 Lender and Chief Underwriter will evaluate the prospective underwriter to ensure and commit to the following (“Designation Criteria”):

- Underwriter has completed and complied with HUD’s experience/training requirements and the Lender’s approved training plan.
- Chief Underwriter has extensively reviewed the Underwriter trainee’s underwriting during the training period to ensure it complies with the MAP Guide and/or Section 232 Handbook requirements, as well as accurately represents the risk associated with the proposed loan.
- The Chief Underwriter has reviewed and ensured loan documentation submitted to HUD during the training period was complete, and that the submission did not require significant revision by HUD staff to correct errors or omissions.

No further documentation need be submitted to HUD for the lender to have the underwriter approved. The Lender and Chief Underwriter shall immediately notify HUD and certify that the Underwriter trainee has satisfactorily completed the Designation Criteria, and has been approved and designated to underwrite loans. The Underwriter is not authorized to begin underwriting until HUD is in receipt and provides acknowledgement of the Lenders notification and certification. HUD will not complete a full review of each individual submission. Although HUD will rely upon the lender’s certification, HUD reserves the right, with written notification, to deny or rescind such approval, and otherwise hold the MAP and/or Section 232 Lender and/or Chief Underwriter accountable under any of the following circumstances:

- Evidence that the Underwriter trainee’s work product during the training period was unsatisfactory.
- Prior incidences of poor underwriting that display a lack of knowledge or failure to exercise prudent judgment.
- The Underwriter trainee is listed on HUD’s LDP or debarment list.
- For other good cause.

Compliance

Ongoing eligibility to approve and designate Underwriters will be determined by MACOD, by confirmation of the following:

- MAP and/or Section 232 Lender is in good standing, as defined above
- Chief Underwriter (and Deputy Chief, if applicable) is in good standing, as defined above
- Chief Underwriter or Deputy has co-signed each application submitted by a designated Underwriter.
- Chief Underwriter asserts in the annual certification that lender’s Quality Control Plan and underwriting staff are in compliance.

Quality Control Reviews

Quality Control reviews undertaken and prepared by the Lender must include confirmation that the Chief Underwriter and the designated Underwriter(s) are approved and have satisfactorily completed all Designation Criteria, including, without limitation, the Lender’s approved training and approval requirements. During the Quality Control review, the reviewer will insure that each loan reviewed was underwritten by an approved and designated Underwriter, and, if the Underwriter was approved within the previous four years, the Quality Control review should include a review of the Underwriter’s approval package.

Standard Underwriter Approval

Ineligible or non-participating MAP and/or Section 232 Lenders and Chief Underwriters will continue to submit the documentation required per Section 2.2 and 2.4 of the MAP Guide or Chapter 2 of the Section 232 Handbook for Underwriter approval by MACOD.

Implementation

Currently approved Lenders will have up to twenty-four months from the date of issuance of this Mortgagee Letter to comply. Lenders may request a waiver for additional time to implement, which will be considered by MACOD based upon the merits of the request, such as needed change in personnel, business practices or the Quality Control procedures.

All new MAP Lenders must comply as a condition of MAP approval.

Paperwork Reduction Act

The information collection requirements contained in this document 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 2502-0541. 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

Any questions regarding this Mortgagee Letter should be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at (800) 877-8339. For additional information about this Mortgagee Letter, please visit www.hud.gov/answers.

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