Special Attention of: Directors of Housing
Directors, Housing Development Divisions
Field Office Managers
Field Office Chiefs
Direct Endorsement Underwriters

1. This Transmits
Handbook 4000.4 REV-1, Single Family Direct Endorsement Program, dated 9/88

2. Explanation of Changes:
Previously, separate handbooks were issued to mortgagees and HUD staff. This handbook combines those separate instructions and includes changes that have occurred since May 1983.

3. Cancellations:
A. 4000.4 - Mortgagees' Guide to the Direct Endorsement Program, dated May 1983.
B. 4000.5 - Single Family Direct Endorsement Program, dated May 1983.
C. Mortgagee Direct Endorsement Program Updates 87-1 and 88-1.
   Field Office D.E. Update memoranda 1 through 15.

4. Filing Instructions:
Remove                     Insert
Handbook 4000.4               Handbook 4000.4 REV-1
   dated May 1983               dated September 1988
Handbook 4000.5
   dated May 1983

W-3-1, W-2 (H) (P) (OGC) (Z), W-3 (A) (H) (ZAS)
(ZA00), W-4 (H), R-1, R-2, R-3, R-3-1 (H),
Special Attention of:

Directors of Housing

Directors, Housing Development Division

Field Office Managers

Field Office Chiefs

All Approved Mortgagees

1. This Transmits:


CHANGE-1 was issued on December 11, 1992.
2. Explanation of Material Transmitted:

These handbook changes incorporate policy and procedure changes adopted since December 1, 1992.

Highlights:

- Removes references in Chapter 1 to subdivision approval.
- Revises guidelines in Chapter 2 for underwriter approval.
- Implements use of Direct Endorsement Post-Endorsement Technical Review Checklist in Chapter 4 and in Appendix 16 designed to assist technical reviewers in evaluating and assigning ratings of underwriters.
- Implements an improved supervisory review process in Chapter 4 which requires review of a sample from each post-endorsement review rating category.
- Strengthens program management by revising guidelines in Chapter 5 concerning available sanctions and the manner in which they are to be applied.
- Incorporates a new mortgagee certification in Appendix 4 regarding legal restrictions on conveyance.
- Implements use of Pre-Endorsement Review Checklist by HUD staff in Chapter 1 and Appendix 17.

3. File Instructions:

Remove:                                      Insert:

Pages i to iv                                i to iv
Pages 1-1 to 1-4                             1-1 to 1-4
Page 1-6a (CHG-1)                            Page 1-6a
Pages 2-3 to 2-4 (CHG-1), 2-5 to 2-6         Pages 2-3 to 2-6a
Pages 4-5 to 4-8                             Pages 4-5 to 4-8b
Pages 5-1 to 5-10                            Pages 5-1 to 5-14
Appendix 4 (CHG-1)                           Appendix 4
Appendix 16                                  Appendix 17

Nicolas P. Retsinas
Assistant Secretary for Housing
- Federal Housing Commissioner

W-3-1
W-3-1 Directives Management Officers--Headquarters and Regions,
library, ACIR (Advisory Commission on Intergovermental Relations)
1. This Transmits:


2. Explanation of Material Transmitted:

These handbook changes incorporate policy and procedure changes adopted since September 1988. Further changes will be made in the near future.

Highlights:

- Includes an updated list of FHA mortgage insurance programs which are eligible for Direct Endorsement processing based on additions under the mortgagee Approval and Direct Endorsement Expansion Rule.

- Clarifies HUD policy on review and approval of subdivisions, condominiums, or PUDs when the community has received approval from the Veteran's Administration (now Department of Veteran's Affairs).

- Provides new instructions to mortgagees concerning applicants who are HUD employees or members of an employee's household. As a result of a recent investigation, the IG recommended that HUD instruct Direct Endorsement lenders that these applications must be referred to HUD for processing. Similar instructions were provided to HUD employees on June 26, 1990.

- Clarifies HUD policy on lender approval in additional Field office jurisdictions as outlined in Mortgagee Letter 92-15.

- In accordance with Mortgagee Letter 92-24, incorporates requirements concerning notice to the buyer on Lead-Based Paint hazards.

- Clarifies the resources to be used by HUD personnel when reviewing the eligibility of mortgagee staff...
personnel to participate in the Direct Endorsement program.

- Clarifies for HUD personnel how to treat nominations for mortgagee staff personnel to provide for nationwide consistency in accordance with Mortgagee Letter 92-15, dated May 12, 1992.

- Modifies handbook instructions concerning comments or corrections to appraisal reports by Direct Endorsement underwriters. These changes are based on the new instructions contained in Mortgagee Letter 91-43, dated September 16, 1991.

- Corrects references to the application forms required for FHA insured loans to reflect new instructions provided in Mortgagee Letters 91-24 and 92-7.

- Incorporates changes in certifications required by the mortgagee and underwriter under the Mortgagee Approval and Direct Endorsement Expansion Rule.

- Incorporates a reference to simultaneous appraisal and mortgage credit review by the underwriter as provided in Handbook 4155.1, Rev. 4.

- Incorporates changes in HUD policy regarding investor applications as a result of the HUD Reform Act of 1989.

3. File Instructions:

Remove:            Insert:

Pages iii to vi    Pages iii to vi
Pages 1-5 to 1-6   Pages 1-5 to 1-6a
Pages 1-9 to 1-10  Pages 1-9 to 1-10a
Pages 2-3 to 2-4   Pages 2-3 to 2-4
Pages 2-11 to 2-12 Pages 2-11 to 2-12a
Pages 2-15 to 2-16 Pages 2-15 to 2-16a
Pages 3-3 to 3-4   Pages 3-3 to 3-4a
Pages 3-7 to 3-12  Pages 3-7 to 3-12b
Appendices 2 to 4  Appendices 2 to 4
Appendix 15

Assistant Secretary for Housing
-Federal Housing Commissioner
FOREWORD

This Handbook describes HUD's Direct Endorsement program and provides instructions for HUD staff and participating mortgagees.

Questions not addressed in the text should be directed to the Director, Single Family Development Division, Office of Single Family Housing, HUD Headquarters, Washington.

References:
1) 4000.2 Mortgagees Handbook - Application Through Insurance (Single Family)
2) 4020.1 HUD-PHA Underwriting Analysis
3) 4060.1 Mortgagee Approval Handbook
4) 4060.2 Mortgagee Review Board Handbook
5) 4070.1 Construction Complaints and Section 518(a) and (b)
6) 4080.1 Compliance Handbook
7) 4115.1 Administrative Instructions and Procedures for Home Mortgage Insurance
8) 4115.3 Master Conditional Commitment Procedure
9) 4125.1 Underwriting-Technical Directions for Home Mortgage Insurance
10) 4135.1 Procedures for Approval of Single Family Proposed Construction Applications in New Subdivisions
11) 4145.1 Architectural Processing and Inspections for Home Mortgage Insurance
12) 4150.1 Valuation Analysis for Home Mortgage Insurance
13) 4155.1 Mortgage Credit Analysis for Mortgage Insurance on One- to Four-Family Properties
14) 4190.1 Single Family Underwriting Reports and Forms Catalog
15) 4240.1 Home Mortgage Insurance--203(h) Disaster Victims; 203(i) Outlying Area Properties

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16) 4240.2 Graduated Payment Mortgage Program, Section 245
17) 4240.4 Rehabilitation Home Mortgage Insurance, Section 203(k)
18) 4245.1 Section 220(d)(3)(A) and Section 220(h) -- Rehabilitation and Neighborhood Conservation and Housing Insurance Program
19) 4255.1 Home Mortgage Insurance for Servicemen, Section 222
20) 4265.1 Home Mortgage Insurance - Condominium Units
Section 234(c)

21) 4270.1 Processing Instructions for Home Mortgage Insurance Under Section 240, Purchase of Fee Simple Title for Lessors

22) 4905.1 Requirements for Existing Housing, One- to Four-Family Living Units

23) 4910.1 Minimum Property Standards for Housing

24) 24 CFR Part 24 - Debarment, Suspension and Ineligibility of Contractors and Grantees; Administrative Sanctions


26) 24 CFR 3280.8 - Federal Manufactured Home Construction and Safety Standards

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