

CHAPTER 1
OVERVIEW

1-1 Approval: The term mortgagee means both mortgagees and loan correspondents in this handbook unless specified otherwise. The requirements for approval vary depending on: (1) the mortgage function(s) that the mortgagee intends to perform, (2) which FHA loan programs it wants to participate in, i.e. single family and/or multifamily, and (3) the mortgagees organizational type. Requirements for approval under the Title I home improvement loan and manufactured home loan programs are contained in HUD Handbook 4700.2.

A. Application for Mortgagee Approval. A mortgagee may become an FHA-approved mortgagee upon meeting the Departments approval requirements, and submitting an acceptable HUD form 11701, Application for Approval, the appropriate non-refundable application fee, and other materials as described in Chapters 2 and 3 of this Handbook.

B. Additional Approvals

1. Single Family Direct Endorsement Authority allows mortgagees (but not loan correspondents) to underwrite single-family mortgages without FHAs prior review and submit them directly for endorsement (i.e. FHA mortgage insurance). This authority may be granted by a FHA Single Family Homeownership Center (HOC). The term DE mortgagee used in this handbook means a mortgagee who has received unconditional DE approval from one of the HOCs and is also commonly known as an underwriting mortgagee. They underwrite loans for a loan correspondent as their sponsor. See HUD Handbook 4000.4 for details.

2. Multifamily Accelerated Processing allows mortgagees to underwrite and close multifamily mortgages for FHA insurance without FHAs review prior to closing. The Office of Multifamily Housing may grant this authority. Refer to the Multifamily Accelerated Processing Guide.

C. Branch Offices, and Principal-Authorized Agent Relationships. Most mortgagees may register branches for conducting their FHA mortgage functions. The most common function is the origination of single-family insured mortgages, which can be done within the lending area of each registered branch. A mortgagee, other than a loan correspondent or an investing mortgagee, may use the principal-authorized agent relationship to originate and underwrite single-family insured mortgages. See Chapter 5 for details.

1-2 Types of Approved Mortgagees. FHA classifies approved mortgagees based on the functions they will perform and type of organization. FHA may approve the following types of mortgagees.

A. Supervised Mortgagee. This designation is limited to financial institutions that are members of the Federal Reserve System, and financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA). Examples of supervised mortgagees are banks, savings associations, and credit unions. Supervised institutions may choose instead to apply as supervised loan correspondents or investing mortgagees. For details regarding approval as a supervised mortgagee, see paragraph 2 26.

A subsidiary or an affiliate of a supervised mortgagee must apply separately for FHA approval as either a non-supervised mortgagee or non-supervised loan correspondent. FHA approval only applies to the legal entity that is the actual applicant and does not cover any of its subsidiaries or affiliates.

B. Non-supervised Mortgagee (i.e., mortgage lenders). This designation applies to non-depository financial entities that have as their principal activity the lending or investment of funds in real estate mortgages. For details regarding approval, see paragraph 2 27.

C. Non-supervised Loan Correspondent (i.e., mortgage brokers). This designation applies to non-depository financial entities that have as their principal activity the origination of FHA-insured mortgages for sale or transfer to one or more Sponsors who underwrite the mortgages. Sponsors must be DE mortgagees. For details regarding approval, see paragraph 2 29.

D. Supervised Loan Correspondent. A mortgagee that qualifies for approval as a supervised mortgagee may be approved as a supervised loan correspondent and must have one or more sponsors who underwrite the mortgages. Sponsors must be DE mortgagees. For details regarding approval, see paragraph 2-28.

E. Investing Mortgagee. This designation applies to an organization, including a charitable or not-for-profit institution or pension fund, which is not approved as another type of institution and that invests funds under its own control. It may purchase, hold, and sell FHA insured mortgages but may not originate them. Investing mortgagees may only service FHA insured mortgages with the prior permission of FHA. For details regarding approval, paragraph 2 30.

F. Governmental Institution, Government-sponsored enterprises, public housing agencies and State housing agencies: A governmental institution may be approved as a mortgagee. For details regarding approval, see paragraph 2 31.

Examples are:

Federal government agency;
State government agency (including a State Housing Agency);
Municipal government agency (including a Public Housing Agency);
Federal Reserve Bank;
Federal Home Loan Bank;
Federal Home Loan Mortgage Corporation (Freddie Mac); and
Federal National Mortgage Association (Fannie Mae).

1-3 Renewal of FHA Approval. Each FHA approved mortgagee must renew its approval annually. The Department reviews information on each mortgagee to determine if continued approval is appropriate. All mortgagees submit an annual verification report. Most pay an annual renewal fee and non-supervised mortgagees and non-supervised loan correspondents must also submit audited financial statements and supplementary reports. See Chapter 4 for details on the renewal process.

1-4 HUDs Lender Web Page. All relevant material needed by mortgagees is available through HUDs lender web page at <http://www.hud.gov/groups/lenders.cfm>. There are links on this page on

how to become a FHA approved lender, information needed by approved mortgagees and links to the various systems used by FHA approved mortgagees who participate in the various FHA insured loan programs. In addition, there is a link to what is commonly known as the starter kit comprising the material a newly approved mortgagee normally needs.

1-5 FHA Connection. Mortgagees participating in FHA mortgage insurance programs must register for the FHA Connection that is the main portal that mortgagees use for online business transactions supporting the entire loan processing life cycle. The FHA Connection home page is at: <https://entp.hud.gov/clas>. It has various links on how to get started using the FHA Connection including how to register, FAQs and the FHA Connection Guide.

1-6 HUDCLIPS. The most recent versions of HUDs laws, regulations, Federal Register publications, handbooks, mortgagee letters and HUD forms are available on line at HUDs web site called HUDCLIPS at: <http://www.hudclips.org/cgi/index.cgi>.

1-7 HUD Handbooks. When handbooks are revised or changed, a suffix is added to the Handbook number such as REV-2 or CHG-5. In order to avoid citing an obsolete version of any handbook, all Handbooks will only be cited by the Handbook number only, such as 4060.1. The most recent versions of all handbooks are available in HUDCLIPS. Active links are provided in this handbook to any handbook that can be downloaded as a single file.

1-8 Frequently Asked Questions. The best FAQs related to this handbook are available on the Frequently Asked Questions page of the FHA Connection web site under the Lender Approval link.

1-9 FHA Lender List on HUDs Web Site. All approved mortgagees and their registered branch offices included on a HUDs web site at: <http://www.hud.gov/ll/code/llslcrit.html>.

1-10 Performance Requirements. Mortgagees must comply with the Fair Housing Act; Executive Order 11063 on Equal Opportunity in Housing; the Equal Credit Opportunity Act (ECOA); the Real Estate Settlement Procedures Act; the Home Mortgage Disclosure Act; and program statutory, regulatory and handbook requirements.

1-11 Reports and Examinations. FHA may, at any time, require a Title II mortgagee to report on any matter related to its FHA operations. This may include the inspection of a mortgagees mortgage loan files, reports, records, books, or accounts. Representatives of the Office of Inspector General and/or Quality Assurance Division may periodically visit a mortgagees office to review its origination and servicing procedures. See Chapter 8 for additional information.

1-12 Home Mortgage Disclosure Act of 1974 (HMDA). All FHA approved mortgagees are subject to HMDA. Reporting criteria and requirements are specified in the A Guide To HMDA Reporting - Getting It Right! and on the Federal Financial Institutions Examination Council (FFIEC) HMDA web site is at <http://www.ffiec.gov/hmda>.

1-13 Administrative Actions, Administrative Sanctions, and Civil Money Penalties. The Departments Mortgagee Review Board (MRB) is authorized

to take administrative action against an approved mortgagee that does not comply with FHA requirements, the Real Estate Settlement Procedures Act (RESPA), or the non-discrimination requirements of the Equal Credit Opportunity Act, the Fair Housing Act, or Executive Order 11063 on Equal Opportunity in Housing. HUD, separately from the Mortgagee Review Board may take various types of administrative action against an approved mortgagee. See Chapter 8 for details.

1-14 Reporting Fraud, Illegal Acts, and Unethical Practices to HUD. Fraud, illegal acts, irregularities, and unethical practices, by any participant (including mortgagees, mortgagors, or any other party that has an interest in the mortgage transaction) must follow the procedures on page 7-5, paragraph J.

1-15 Mortgagees Address for Communication. A mortgagees home office must be its designated facility to which the Department directs all communications about the management affairs of the mortgagee, and from which the public obtains information on the activities of the mortgagee with one exception. If a mortgagee has an administrative office separate from its home office and wants the Department to direct all communications about the management affairs of the mortgagee to that office, it may request that the Department direct communication to that office. Mortgagees must keep all of their addresses current in FHAs automated systems using the FHA Connection.

1-16 Contacting the Department. Go to the home page of the FHA Connection and click on the Contact Us link for a list of contact points by topic

1-17 OMB Approval of Information Collections. All information collections in this handbook are covered under the Office of Management and Budgets (OMB) Control Number 2502 0005. HUD may not collect this information, and you are not required to provide this information, unless it displays a currently valid OMB control number.