CHAPTER 5 BRANCH OFFICES, PRINCIPAL-AUTHORIZED AGENT RELATIONSHIPS, AND ADDITIONAL SPONSORS

Part A. Branch Offices

5-1 Introduction. All mortgagees or loan correspondents, except for investing mortgagees may register any of its offices that meet the staffing and office facilities for a branch office as detailed in paragraphs 2-11 and 2-12. This registration must remain active for a branch to conduct FHA related mortgage operations. The mortgagee is fully responsible to HUD for the actions of its branch offices.

5-2 Originating at Branch Offices. If a mortgagee is approved to originate single- family FHA mortgages, it may take loan applications for properties located in the branchs single-family origination ending area. A complete listing of lending area is Table of Lending Areas for Single Family Origination. All other origination functions can be performed in any registered branch without regard to where the property is located.

5-3 Underwriting at Branch Offices. If a mortgagee is approved as a DE mortgagee, it may perform underwriting functions in any of its registered branch locations for any loan application where the mortgagee is identified as the originator, sponsor, authorized agent or principal for the subject loan in the FHA Connection.

5-4 Servicing at Branch Offices. If a mortgagee is approved to service FHA mortgages, it may perform the servicing functions in any registered branch without regard to where the mortgaged properties are located.

5-5 Centralized Centers. Processing and/or underwriting functions may be centralized in any office(s) of the mortgagee or performed at each office of the mortgagee. All centralized locations must be registered branches of the mortgagee.

5-6 Mortgagees Permitted to Maintain Branch Offices. Any mortgagee, except an investing mortgagee, may register branch offices.

5-7 Registration of a New Branch. All mortgagees register their new branches on-line through the FHA Connection as explained in the FHA Connection User Guide located at:

https://entp.hud.gov/pdf/mp_lndapp.pdf. All loan correspondents must register their new branches by submitting HUD form 92001-B, Branch Office Notification. The registration information, in both cases, includes the name and Social Security Number (SSN) of the manager assigned to oversee the operation of the branch. The branch managers SSN is matched against the Credit Alert Interactive Voice Response System (CAIVRS). If a match is found, an error message will display. The Federal debt must be paid, under a repayment plan or cleared by the relevant agency before this individual may be approved as the branch manager

A. Registration Fee. A non refundable \$300 registration fee is required for each branch office and must be mailed to HUDs lock box address shown in paragraph 2 7, together with its transmittal form. The mortgagees 10 digit FHA identification number for its home office must be inserted in the memo section of the check and the transmittal form. B. Mortgagees. Mortgagees, other than a loan correspondents, register new branches electronically through the FHA Connection - Lender Approval - Title II Branch Functions - Add a Branch. All required fields are shown on the screen. If the registration is successful, the branch is electronically assigned an identification number and the number is transmitted back to the mortgagee immediately.

Title I Branch Registration. Title II mortgagees that are also approved a Title I lender, may also register Title I branches using FHA Connection. If the Title I branch is physically located at the same address as the Title II branch, no additional fee is required. If the Title I branch is not located at an address of an already approved Title II branch, then a non-refundable registration fee is required. See HUD Handbook 4700.2, Title I Lender Approval Handbook, regarding the fee amount and lock box address.

C. Loan Correspondents. Loan correspondents must register their branch offices by submitting HUD form 92001-B, Branch Office Notification to the Lender Approval and Recertification Division. In addition, non-supervised loan correspondents must have an adjusted net worth of not less than \$63,000 with an additional net worth of \$25,000 for each registered branch office, up to a combined maximum of \$250,000 already on file with FHA or they will be required to submit such documentation of compliance. If the financial statements submitted show insufficient adjusted net worth, an updated balance sheet, prepared and signed by the CPA, may be submitted to show evidence of compliance.

5-8 Direct Lending Branch Office. A mortgagee may request a separate FHA branch ID number for a traditional type branch that will be used for the sole purpose of direct lending. Each mortgagee will be limited to only one branch ID number for its direct lending operation. This operation must have a separate manager and may be co-located in an existing office or established at a new location. The following is process for registering a direct lending branch:

All requests for approval of a direct lending branch must be submitted to Lender Approval and Recertification Division in FHA and cannot be registered via the FHA Connection. The request must include:

A. A fully executed HUD form 92001-B, Branch Office Notification form;

B. A statement that it agrees to originate only direct mortgages through the branch ID number and not use the ID number to order case numbers for loans that are not originated through any means other than their internet and/or call center operation. This is required so the Department will be able to track and evaluate this type of origination.

C. A list of the States where the mortgagee plans to originate FHA single family mortgages by direct lending. Mortgagees will be granted approval to only originate in the States requested.

D. A certification as of the date of the request that:

1. The mortgagee has updated its quality control plan to include specific elements covering direct market lending.

2. The mortgagee has already obtained the appropriate State license or registration and meets all other State requirements to originate loans in the specific States included in the request. State exemptions that allow FHA approved mortgagees to originate a small number of loans is not acceptable.

3. The mortgagee agrees to notify HUD in writing if it no longer meets the requirements of any of these States. This will result in the State being removed from the lending area of the direct lending branch.

4. Neither the mortgagee nor any of its officers, directors, or principals or employees have been denied a license or otherwise sanctioned by any Federal, State, or Local agency or have been suspended, debarred, or otherwise denied participation in HUD programs.

Mortgagees are reminded that false certifications may subject the mortgagee and/or its agents to sanctions, including but not limited to, debarment, reprimand, withdrawal, and civil money penalties.

E. Each request must include a \$300 check payable to HUD as a non-refundable processing fee.

F. The Department will review all information and certifications provided and will also determine whether the mortgagee is in good standing with the Department, including that it:

1. Has no unresolved issues regarding renewal of its FHA approval.

2. Has no actions pending or unresolved issues with the Mortgagee Review Board; and

3. Has no unresolved audit findings with HUDs Quality Assurance Division or HUDs Office of the Inspector General.

G. A mortgagee may request additional States be added to the lending area of its direct lending branch at any time after its initial registration for no additional fee.

Part B. Principal- Authorized Agent Relationship

5-9 Introduction. The principal-authorized agent relationship provides mortgagees flexibility in the origination of FHA insured single-family loans in situations where a mortgagee wishes to collaborate with another mortgagee. This process provides mortgagees flexibility to offer diversified loan products or programs because of the ability to team with firms that may have more expertise in specialized areas. This includes products such as HECM or 203(k). It also can be utilized to handle unique situations such as when a mortgagee no longer has a DE underwriter on its staff or for some reason does not have a particular expertise or capacity. In almost all cases, mortgagees use this procedure when they need assistance in the underwriting of a loan.

5-10 Principal. The principal in the relationship can only be an FHA approved non-supervised mortgagee, supervised mortgagee or government mortgagee. FHA approved loan correspondents cannot serve as a principal.

5-11 Authorized Agent. The authorized agent can only be an FHA approved non-supervised mortgagee or supervised mortgagee. FHA approved loan correspondents cannot serve as an authorized agent.

5-12 Origination and Underwriting. Either party can originate or underwrite the loan as long as they have the appropriate approval. However, since the authorized agent typically underwrites the loan, its FHA lender ID number is shown in the sponsor field of an FHA case file. Also, since the principal typically takes the application, its ID is in the originator field of the case file. Both mortgagees are responsible for the part of the origination and underwriting processing they perform.

5-13 Mortgagee Name in Loan Closing. Per regulation Section 202.3(a)(3), the loan must close in the name of the principal. Either party can submit the closed loan for insurance for the benefit of the principal.

5-14 Establishing the Relationship. The relationship must be set up by the authorized agent via the FHA Connection as explained in the Lender Approval Section of the FHA Connection User Guide located at: https://entp.hud.gov/pdf/mp_lndapp.pdf.

5-15 Origination Fee. As in all originations, the amount of the origination fee each lender receives is a contractual matter to be determined by the two parties, which in these cases are the principal and authorized agent. The total fees charged to a mortgagor may not exceed the amount allowed for the type of FHA single-family loan as contained in the appropriate handbooks and mortgagee letters.

Part C. Additional Sponsors

5-16 Adding Sponsors for a Loan Correspondent. A loan correspondent may have more than one sponsor. Only supervised mortgagees, non-supervised mortgagees, and Governmental Institutions may sponsor loan correspondents.

5-17 Registration Procedure. The additional sponsor relationship is requested by the sponsor. It is done electronically through FHA Connection - Lender Approval - Sponsor Relations - Add a loan correspondent. An acknowledgment message is returned to the sponsor immediately.