

## Section A. Mortgage Loan Submission and Endorsement Process

### Overview

---

**In This Section** This section contains the topics listed in the table below.

<b>Topic</b>	<b>Topic Name</b>	<b>See Page</b>
1	Overview of the Loan Submission and Endorsement Process	8-A-2
2	Requirements for LI Lender Pre-Insurance Review	8-A-9

---

## 1. Overview of the Loan Submission and Endorsement Process

---

**Introduction** This topic contains an overview of the loan submission and endorsement process, including

- loan submission and endorsement process for non-LI lenders, and
  - loan submission and endorsement process for LI lenders.
- 

**Change Date** December 23, 2010

---

**4155.2 8.A.1.a  
Loan  
Submission and  
Endorsement  
Process for  
Non-LI  
Lenders** The table below describes the steps that a lender that is not eligible for participation in the Lender Insurance (LI) Program must follow when submitting and endorsing a loan for FHA insurance.

Stage	Description
1	After closing a loan with a borrower, the lender completes the Insurance Application function in the FHA Connection (FHAC).

---

*Continued on next page*

# 1. Overview of the Loan Submission and Endorsement Process, Continued

**Loan Submission and Endorsement Process for Non-LI Lenders (continued)**

Stage	Description
2	<p>The lender</p> <ul style="list-style-type: none"> <li>• prepares the case binder, making sure all necessary documents are placed in the case binder in the required stacking order, and</li> <li>• submits the case binder to the appropriate Homeownership Center (HOC) in hard copy form in the appropriate FHA case binder (buff-colored for non-<a href="#">LI</a> participants).</li> </ul> <p><b>Reference:</b> For more information on preparation and submission of the case binder, see <a href="#">HUD 4155.2 8.B</a>.</p>
3	<p>Upon receipt of the case binder, the <a href="#">HOC</a></p> <ul style="list-style-type: none"> <li>• logs receipt of the binder into the Computerized Home Underwriting System (CHUMS)/<a href="#">FHAC</a>, and</li> <li>• performs a pre-endorsement review, ensuring that all necessary forms are present and executed, and that the binder is acceptable.</li> </ul>

*Continued on next page*

## 1. Overview of the Loan Submission and Endorsement Process, Continued

### Loan Submission and Endorsement Process for Non-LI Lenders (continued)

Stage	Description
4	<p>If the loan/case binder is</p> <ul style="list-style-type: none"> <li>• <i>acceptable</i>, the <a href="#">HOC</a> issues an electronic Mortgage Insurance Certificate (MIC) in FHAC that the lender may print as needed, or</li> <li>• <i>unacceptable/ineligible</i> for insurance endorsement as received, the <a href="#">HOC</a> <ul style="list-style-type: none"> <li>– issues an electronic <i>Non-Endorsement Notice</i>, (commonly known as the Notice of Return (NOR)) to the lender</li> <li>– prints a copy for the FHA case binder, and</li> <li>– mails the case binder back to the lender for corrective action.</li> </ul> </li> </ul> <p><b>Note:</b> The lender may resubmit the case binder for insurance endorsement reconsideration, in which case the process would begin again at Stage 2.</p> <p><b>Reference:</b> For more information on the</p> <ul style="list-style-type: none"> <li>• <a href="#">MIC</a>, see <a href="#">HUD 4155.2 8.C.6</a></li> <li>• FHA Connection, see <ul style="list-style-type: none"> <li>– <a href="#">HUD 4155.2 1.D</a>, and</li> <li>– the FHA Connection User Guide, available at <a href="https://entp.hud.gov/idapp/html/mrtg-pkg.cfm">https://entp.hud.gov/idapp/html/mrtg-pkg.cfm</a>.</li> </ul> </li> </ul>
5	<p>To ensure that lenders understand and comply with FHA requirements, the <a href="#">HOC</a> chooses selected case binders for post endorsement technical review (PETR) by HOC staff.</p> <p><b>References:</b> For more information on <a href="#">PETRs</a>, see</p> <ul style="list-style-type: none"> <li>• <a href="#">HUD 4155.2 8.C.1.e</a>, and</li> <li>• <a href="#">HUD 4155.2 9.B.1</a></li> </ul>

*Continued on next page*

# 1. Overview of the Loan Submission and Endorsement Process, Continued

**4155.2 8.A.1.b  
Loan  
Submission and  
Endorsement  
Process for LI  
Lenders**

The table below describes the process that Direct Endorsement (DE) lenders approved to participate in the [LI](#) Program must follow to submit and endorse a mortgage loan for FHA insurance.

**References:** For more information on

- eligibility for the [LI](#) Program, see [HUD 4155.2 2.C.](#)
- endorsement processing for [LI](#) lenders, see [HUD 4155.2 8.C.3.](#)
- the Lender Insurance Guide, see <http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf>.

Stage	Description
1	After closing a loan with a borrower, the lender completes the Insurance Application function in the FHA Connection (FHAC).
2	The lender completes a pre-insurance review to ensure that the loan is in compliance with all applicable HUD requirements.  <b>Reference:</b> For more information on lender pre-insurance reviews, see <a href="#">HUD 4155.2 8.A.2</a>

*Continued on next page*

## 1. Overview of the Loan Submission and Endorsement Process, Continued

---

### Loan Submission and Endorsement Process for LI Lenders (continued)

Stage	Description
3	<p data-bbox="547 622 1374 689">As a Lender Insurance (LI) Program participant, after completing the Insurance Application function in the <a href="#">FHAC</a>, the lender</p> <ul data-bbox="547 730 1390 898" style="list-style-type: none"><li data-bbox="547 730 1390 797">• insures the mortgage and stores the origination file as required by regulations, or</li><li data-bbox="547 801 1390 898">• receives a severe warning that prevents insurance endorsement, and FHA requests the case binder. Stage 4 provides instructions on preparing the case binder for submission.</li></ul>

---

*Continued on next page*

# 1. Overview of the Loan Submission and Endorsement Process, Continued

**Loan Submission and Endorsement Process for LI Lenders (continued)**

Stage	Description
4	<p>The lender</p> <ul style="list-style-type: none"> <li>• prepares the case binder, making sure that all necessary documents are placed in the case binder in the required stacking order, and</li> <li>• submits the case binder to the appropriate Homeownership Center (HOC) either                             <ul style="list-style-type: none"> <li>– in hard copy form in the appropriate FHA case binder (yellow for LI participants), or</li> <li>– electronically, if the lender is approved for electronic submission.</li> </ul> </li> </ul> <p><b>Reference:</b> For more information on preparation and submission of the case binder, see <a href="#">HUD 4155.2 8.B.7</a></p>
5	<p>Upon receipt of the hard copy or electronic case binder (eCB), the <a href="#">HOC</a> routes the binder appropriately. If the case binder contains a loan that is</p> <ul style="list-style-type: none"> <li>• <i>not insured</i> due to a severe warning, the                             <ul style="list-style-type: none"> <li>– <a href="#">HOC</a> routes the binder for review and insurance, and</li> <li>– process continues with Stage 6, or</li> </ul> </li> <li>• <i>insured</i>, but requires technical review, then the                             <ul style="list-style-type: none"> <li>– HOC forwards the binder for underwriting (technical) review, and</li> <li>– process continues with Stage 7.</li> </ul> </li> </ul> <p><b>Reference:</b> For more information on loan endorsement processing, see <a href="#">HUD 4155.2 8.C</a>.</p>

*Continued on next page*

## 1. Overview of the Loan Submission and Endorsement Process, Continued

### Loan Submission and Endorsement Process for LI Lenders (continued)

Stage	Description
6	<p>If, upon review, the case binder is</p> <ul style="list-style-type: none"> <li>• <i>acceptable</i>, the <a href="#">HOC</a> issues an electronic <a href="#">MIC</a> in the <a href="#">FHAC</a> that the lender may print as needed, or</li> <li>• <i>unacceptable/ineligible</i> for insurance endorsement as received, the HOC <ul style="list-style-type: none"> <li>– issues an electronic <i>Non-Endorsement Notice</i>, (commonly known as the Notice of Return (NOR)) to the lender</li> <li>– prints a copy for the FHA case binder, and</li> <li>– mails the case binder back to the lender for corrective action.</li> </ul> </li> </ul> <p><b>Note:</b> The lender may resubmit the case binder for insurance endorsement reconsideration, in which case the process would begin again at Stage 2.</p> <p><b>References:</b> For more information on the</p> <ul style="list-style-type: none"> <li>• MIC, see <a href="#">HUD 4155.2 8.C.5</a></li> <li>• FHA Connection, see <ul style="list-style-type: none"> <li>– <a href="#">HUD 4155.2 1.D</a>, and</li> <li>– the FHA User Guide on the FHA Connection, available at <a href="https://entp.hud.gov/idapp/html/mrtg-pkg.cfm">https://entp.hud.gov/idapp/html/mrtg-pkg.cfm</a>, and</li> </ul> </li> <li>• Lender Insurance Guide, see <a href="http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf">http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf</a>.</li> </ul>
7	<p>To ensure that lenders understand and comply with FHA requirements, the <a href="#">HOC</a> chooses selected case binders for post endorsement technical review (PETR) by its staff.</p> <p><b>References:</b> For more information on PETRs, see</p> <ul style="list-style-type: none"> <li>• <a href="#">HUD 4155.2 8.C.1.e</a>, and</li> <li>• <a href="#">HUD 4155.2 9.B.1</a></li> </ul>



## 2. Requirements for LI Lender Pre-Insurance Review

---

**Introduction** on requirements for Lender Insurance (LI) lender pre-insurance review, including

- the FHA policy on LI lender pre-insurance review, and
  - required elements of the lender pre-insurance review.
- 

**Change Date** December 23, 2010

---

**4155.2 8.A.2.a  
FHA Policy on  
LI Lender Pre-  
Insurance  
Review**

LI approval does not alleviate a lender's responsibility for completion of a pre-insurance review, nor does the pre-insurance review negate the lender's obligation to ensure that a loan is in compliance with all applicable HUD requirements.

FHA policy *prohibits* the same staff who originated or underwrote the mortgage for insurance from completing the pre-insurance review.

**References:** For more information on

- LI Program eligibility & application, see [HUD 4155.2 2.C](#)
  - LI endorsement processing, see [HUD 4155.2 8.C.3](#)
  - LI case binder submission, see [HUD 4155.2 8.B.7](#), and
  - LI lender submission requirements for case binders selected for [PETR](#), see [HUD 4155.2 9.B.1.d](#), and
  - the Lender Insurance Guide, see <http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf>.
- 

*Continued on next page*

## 2. Requirements for LI Lender Pre-Insurance Review, Continued

---

### 4155.2 8.A.2.b Required Elements of the Lender Pre- Insurance Review

In addition to certifying that the lender has retained all origination documents in either electronic or paper format, the pre-insurance review must include

- verification that the loan is current for the month preceding submission, for any loan logged for [LI](#) more than 60 days after loan closing
  - a review of the note and security instrument ensuring that the
    - documents were executed on forms that meet HUD’s requirements
    - mortgage maturity meets the requirements of the applicable program, and
    - stated mortgage amount does not exceed the maximum mortgage amount for the area
  - a review of Page 3 of form [HUD-92900-A](#), *HUD/VA Addendum to Uniform Residential Loan Application*, for execution of all appropriate certifications by the underwriter or lender representative
  - a review of the property appraisal and any additional documentation supporting the appraised value
  - a review of form [HUD-92544](#), *Warranty of Completion*, for proposed construction cases
  - an executed form [HUD-92561](#), *Borrower’s Contract With Respect to Hotel and Transient Use of Property*, for all 2-4 unit properties
  - a certificate of intent to occupy by military personnel, when applicable
  - an approval letter from the local health authority indicating approval of the individual water or sewer system, when applicable
  - on proposed construction, and if the mortgage exceeds 90% loan-to-value (LTV) ratio, evidence that the borrower qualifies for a higher ratio loan under one of the applicable provisions in the appropriate regulations
  - verification that no mortgage insurance premium (MIP), late charge or interest is due, and
  - clearance of all applicable case warning messages.
-