

CHAPTER 3. SPECIAL APPROVAL REQUIREMENTS FOR  
DIFFERENT LEDGER TYPES

3-1 ELIGIBILITY REQUIREMENTS. A financial institution may be approved to participate in HUD/FHA's Title I insurance programs as one of the lender types discussed in this Chapter. The financial institution must meet the general approval requirements of Chapter 2 of this Handbook as well as the specific requirements discussed below for each lender type.

3-2 APPLICATION FORMS AND MAILING ADDRESSES. Application forms are available from local HUD field offices as well as the Lender Approval and Recertification Division at the address and telephone number listed below. Sample copies of the forms are attached to this handbook as Appendix 4.

A. SUBMISSION OF APPLICATION. The completed application forms and exhibits should be sent to:

U.S. Dept. of Housing and Urban Development  
Lender Approval and Recertification Division  
Room 9146  
451 Seventh St. SW  
Washington, DC 20410

Telephone: (202)708-3976

B. SUBMISSION OF APPLICATION FEE. The required application fee and Transmittal Form contained in the Application Form must be sent to the Department's lockbox at the following address:

HUD  
P.O. Box 198608  
Atlanta, GA 30384

3-3 TITLE I APPLICANTS WITH CURRENT TITLE II APPROVAL. A mortgagee currently approved under Title II (approved to participate in HUD/FHA's single family mortgage insurance programs), that wishes to participate in the Title I program may be eligible to use a streamlined approval process for approval of its main and branch offices provided that:

A. THE FINANCIAL INSTITUTION is currently HUD/FHA-approved

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under Title II as a Supervised, Nonsupervised or a Supervised Loan Correspondent mortgagee; or

B. THE FINANCIAL INSTITUTION has been approved as a Loan Correspondent for less than 6 months. Any Loan Correspondent whose approval is over 6 months old MUST provide full documentation as noted in Paragraph 3-SC.

C. REQUIRED DOCUMENTATION FOR STREAMLINE APPLICATIONS:

1. Either:
  - a. Form HUD 92001-L - Application for Approval as a Title I Lender if the application is for a Supervised or Nonsupervised institution; or
  - b. Form HUD 92001-LE - Application for Approval as a Title I Loan Correspondent.
2. Form HUD 92001-LD - Supplement To Application for Approval as a Title I Lender.
3. A Certification that the institution is in compliance with all HUD/FHA lender approval requirements, and has not been denied an operating license or otherwise sanctioned by any licensing or regulatory body.
4. A floor plan and photographs of the office space will be required when the applicant's address differs from the address in the Department's records.
5. There is no application fee for the streamline method of approval.

3-4 EXPEDITED PROCESSING FOR LOAN CORRESPONDENTS. Supervised Lenders and Nonsupervised Lenders that wish to sponsor a Loan Correspondent may submit the financial institution's application to HUD and receive expedited processing. Under this procedure the Lender Approval and Recertification Division will rely on the certifications provided by the sponsor and will expedite the processing of the application. In order to take advantage of this procedure, a sponsor must comply with the following:

Certify that the sponsor has an adjusted net worth of at least \$1,000,000.

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Certify that the loan correspondent's application meets all requirements of this handbook.

Certify that the accompanying documentation is accurate and complete and complies with the provisions of Paragraph 3-5C.4.

Certify that the applicant meets all HUD/FHA requirements for a Title I Loan Correspondent as set forth in this Handbook and in 24 CFR 202.3 and 202.6.

A Sponsor that does not have an adjusted net worth of at least \$1,000,000 or that does not wish to take advantage of expedited processing may still have its prospective loan correspondents

submit applications directly to HUD/FHA.

3-5 SPECIFIC APPROVAL REQUIREMENTS BY LENDER TYPE. Approval requirements, application forms and exhibits vary by type of institution. All forms must be completed and signed by an authorized senior corporate officer. The following paragraphs provide the documentation which must be submitted for approval consideration, by institution type. Additionally, the application form contains a checklist to assist applicants in assuring that the documentation noted below is included in the submission. Additional documentation, not included on the checklist, may be requested to complete the processing of the application. This may be necessary to assure sufficient documentation or clarification to confirm compliance with HUD/FHA's requirements.

A. SUPERVISED LENDERS. A Supervised Lender is a financial institution that is a member of the Federal Reserve System or an institution whose accounts are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

1. PERMISSIBLE LENDING ACTIVITIES. Supervised Lenders may originate, purchase, hold, service and sell Title I direct and dealer loans.
2. APPROVAL OF A SUPERVISED LENDER AS A LOAN CORRESPONDENT. A financial institution that meets HUD/FHA's definition of a Supervised Lender may apply for and receive approval as a Loan Correspondent type lender (note Paragraph 1-6C). A supervised Loan Correspondent can perform only those lending activities permitted for Loan Correspondents in Paragraph 3-5C.1.

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3. TERMINATION OF SUPERVISION. A Supervised institution shall provide notification to HUD/FHA, at the address noted in Paragraph 3-2A., within 10 days of the termination of its supervision by its supervisory agency.
4. DOCUMENTATION REQUIRED FOR APPROVAL. The following documentation must be submitted to the Lender Approval and Recertification Division at the address noted in 3-2A.
  - a. Form HUD 92001-L - Application for Approval as a Title I Lender.
  - b. Form HUD 92001-LD - Supplement to Application for Approval as a Title I Lender.
  - c. A copy of the check for the application fee and a copy of the transmittal form which was attached to the check. Note Paragraph 3-2B concerning submission of the application fee.

B. NONSUPERVISED LENDERS. A Nonsupervised Lender is a financial institution which has as its principal activity the lending or

investing of funds in mortgages, consumer installment notes, or similar advances of credit, or the purchase of consumer installment contracts, and which is not a Supervised or Government Institution.

1. PERMISSIBLE LENDING ACTIVITIES. Nonsupervised Lenders may originate, purchase, hold, service and sell Title I direct or dealer loans.
2. WAREHOUSE LINE OF CREDIT REQUIREMENT. A Nonsupervised Lender shall have and maintain a reliable warehouse line of credit or other funding program acceptable to HUD/FHA of not less than \$500,000 for use in originating or purchasing Title I loans.
3. DOCUMENTATION REQUIRED FOR APPROVAL. The following documentation must be submitted to the Lender Approval and Recertification Division at the address noted in Paragraph 3-2A.

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- a. Form HUD 92001-L - Application for Approval as a Title I Lender.
- b. Form HUD 92001-Lb - Supplement to Application for Approval as a Title I Lender.
- c. Evidence of a warehouse line of credit or other funding program of not less than \$500,000.
- d. The financial institution's most recent audited financial statements. The financial statements must be prepared by a certified public accountant or licensed independent public accountant according to Generally Accepted Accounting Principles, Generally Accepted Auditing Standards and Government Auditing Standards. They must also comply with HUD Handbook 2000.04 REV-1, Consolidated Audit Guide for Audits of HUD Programs. The financial statements must contain a computation of adjusted net worth, prepared by the accountant, in accordance with HUD Handbook 2000.04 REV-1. Refer to Appendix 1 for a list of unacceptable assets.

The audited financial statements cannot be more than twelve months old. When a lender's financial statements are more than six months old, the lender must also submit a current balance sheet and computation of adjusted net worth certified to by management.

- e. Photographs of the office space, including pictures of the financial institution's sign on the front door or building directory, as appropriate, and a floor plan of the office space. (This may be hand-drawn.)

- f. A Residential Mortgage Credit Report (RMCR) must be obtained and paid for by the applicant, for each senior corporate officer and stockholder owning more than 25% of the stock. The credit report must be submitted to the Lender Approval and Recertification Division by the credit bureau without passing through the hands of the applicant.
- g. A business credit report for the applicant.
- h. A copy of the financial institution's Quality Control Plan or a copy of the Checklist in Appendix 2. If the

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checklist is submitted, it must be accompanied by a certification by a senior corporate officer that the Quality Control Plan meets the requirements discussed in Chapter 6 of this Handbook.

- i. A copy of the check for the application fee and a copy of the transmittal form which was attached to the check. Note Paragraph 3-2B concerning submission of the application fee.
- j. Resumes of senior corporate officers and stockholders owning more than 25% of the stock of the company.
- k. A copy of the financial institution's state operating license or a certification that the state has no licensing requirement.
- l. A certification that the financial institution is not currently under administrative sanction by any federal agency or state in which it does business.

C. LOAN CORRESPONDENTS. A Loan Correspondent is a financial institution approved by HUD/FHA to originate Title I direct loans only for sale or transfer to a sponsoring financial institution which holds a valid Title I Contract of Insurance and is not under suspension. A loan correspondent may be either a Nonsupervised or Supervised institution.

- 1. PERMISSIBLE LENDING ACTIVITY. Loan Correspondents may originate only Title I direct loans for sale or transfer to a Sponsor which holds a valid Contract of Insurance and is not under suspension. Loan Correspondents may not hold or service Title I loans and may not report Title I loans for insurance.

Loan Correspondents must originate, close and fund loans in their own name. Loan Correspondents are expected to process their applications as well, however, Sponsors are permitted to process loans for their Loan Correspondents.

2. SPONSORING LENDER. The Sponsor shall be responsible to the Department for the actions of its Loan Correspondents in the origination of Title I loans. There is no limitation on the number of Sponsors a Loan Correspondent may have. Once

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initially approved, a Loan Correspondent may add additional Sponsors following the procedures in Paragraph 5-4.

3. SPONSOR PROVIDED FUNDING PROGRAM. A Loan Correspondent shall have and maintain a reliable funding program from an approved Sponsor. The Loan Correspondent must submit with its application package a letter from its Sponsor describing the program. The Sponsor must agree to purchase all Title I loans originated by the Loan Correspondent OR at least \$500,000 in loans annually if such quantity is presented for purchase.
4. DOCUMENTATION REQUIRED FOR APPROVAL. The following documentation must be submitted to the Lender Approval and Recertification Division at the address noted in Paragraph 3-2A.
  - a. Form HUD 92001-LE - Application for Approval as a Title I Loan Correspondent.
  - b. Form HUD 92001-LD - Supplement to Application for Approval as a Title I Lender.
  - c. Evidence of a funding program.
  - d. The loan correspondent's most recent audited financial statements. The financial statements must be prepared by a certified public accountant or licensed independent public accountant according to Generally Accepted Accounting Principles, Generally Accepted Auditing Standards and Government Auditing Standards. They must also comply with HUD Handbook 2000.04 REV-1, Consolidated Audit Guide for Audits of HUD Programs. The financial statements must contain a computation of adjusted net worth, prepared by the accountant, in accordance with HUD Handbook 2000.04 REV-1. Refer to Appendix 1 for a list of unacceptable assets.

The audited financial statements cannot be more than twelve months old. When a financial institution's financial statements are more than six months old, the financial institution must also submit a current balance sheet and computation of adjusted net worth certified to by management.

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- e. Photographs of the office space, including pictures of the Loan Correspondent's sign on the front door or building directory, as appropriate, and a floor plan of the office space. (This may be hand-drawn.)
- f. A Residential Mortgage Credit Report (RMCR) must be obtained and paid for by the applicant, for each senior corporate officer and stockholder owning more than 25% of the stock. The credit report must be submitted to the Lender Approval and Recertification Division by the credit bureau without passing through the hands of the applicant.
- g. A business credit report for the applicant.
- h. A copy of the financial institution's Quality Control Plan or a copy of the Checklist in Appendix 2. If the checklist is submitted, it must be accompanied by a certification by a senior corporate officer that the Quality Control Plan meets the requirements discussed in Chapter 6 of this Handbook.
- i. A copy of the check for the application fee and a copy of the transmittal form which was attached to the check. Note Paragraph 3-2B concerning submission of the application fee.
- j. Resumes of senior corporate officers and stockholders owning more than 25% of the stock of the company.
- k. A copy of the financial institution's state operating license or a certification that the state has no licensing requirement.
- l. A certification that the financial institution is not currently under administrative sanction by any federal agency or state in which it does business.
- m. A certification that the financial institution is not currently under administrative sanction by any federal agency or state in which it does business.
- n. A financial institution that meets the definition of a Supervised Lender and is requesting HUD/FHA approval as a Loan Correspondent must submit only Forms HD 92001-LE and LD, the application fee and the transmittal form.

D. GOVERNMENTAL INSTITUTIONS. A Governmental Institution is a

Federal, State or municipal agency, a Federal Reserve Bank, a Federal Home Loan Bank, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

1. PERMISSIBLE LENDING ACTIVITIES. Governmental Institutions may originate, purchase, hold, service and sell Title I loans.
  2. APPLICATION FEE. There is no application fee for Governmental Institutions.
  3. EXPERIENCE REQUIREMENT. Paragraph 2-9A requires a minimum of three years experience in consumer lending by a senior corporate officer. In order to meet this requirement, Government Institutions may identify a senior staff person who has this level of experience.
  4. DOCUMENTATION REQUIRED FOR APPROVAL. The following documentation must be submitted to the Lender Approval and Recertification Division at the address noted in 3-2A.
    - a. Form HUD 92001-L - Application for Approval as a Title I Lender.
    - b. Form HUD 92001-LD - Supplement to Application for Approval as a Title I Lender.
    - c. Resume(s) of senior staff person who will be dealing with the Department on behalf of the Governmental Institution.
- E. INVESTING LENDERS. An Investing Lender is a financial institution, including a charitable or nonprofit organization or pension fund, that is approved by HUD/FHA to purchase, hold, and sell Title I loans.
1. PERMISSIBLE LENDING ACTIVITIES. An Investing Lender may only purchase, hold and sell Title I loans. It may not originate Title I loans in its own name, and it may not service such loans except with the prior approval of the Department.
  2. FUNDING ARRANGEMENT. An Investing Lender must have, or have made arrangements for, funds sufficient to support a

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projected investment of at least \$1,000,000 in property improvement or manufactured home loans.

3. STAFFING. In lieu of the staffing and facilities requirements discussed in Chapter 2 of this Handbook, an Investing Lender shall have officers or employees who are capable of managing its activities in purchasing, holding, and selling Title I loans.
4. SERVICING. An Investing Lender may not directly service loans

which it holds except with the prior approval of the Department. However, it must ensure that all Title I loans it holds are serviced through contractual or other arrangements with another financial institution holding a valid Title I Contract of Insurance.

5. REQUIRED DOCUMENTATION. The following documentation must be submitted to the Lender Approval and Recertification Division at the address noted in 3-2A.
  - a. Form HUD 92001-L - Application for Approval as a Title I Lender.
  - b. Form HUD 92001-LD - Supplement to Application for Approval as a Title I Lender.
  - c. Evidence the financial institution has arranged for funds sufficient for an investment of at least \$1,000,000 in property improvement or manufactured home loans.
  - d. Resumes of senior corporate officers and stockholders owning more than 25% of the stock of the company.
  - e. A copy of the financial institution's state operating license or a certification that the state has no licensing requirement.
  - f. A certification that the financial institution is not currently under administrative sanction by any federal agency or state in which it does business.

3-6 NONPROFIT ORGANIZATIONS. Organizations classified by a Federal, State or municipal agency, as a nonprofit group, may apply to participate in the Title I loan program as a Nonsupervised Lender, Loan Correspondent or Investing Lender. All general approval requirements noted in Chapter

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2 and the specific requirements noted in this Chapter, apply to nonprofit organizations.

- A. DOCUMENTATION REQUIRED FOR APPROVAL. The documentation required by Paragraphs 3-5B3, 3-5C4 or 3-5E5 (whichever is appropriate) must be submitted to the Lender Approval and Recertification Division at the address noted in 3-2A. In addition to the documents required under the applicable lender type, nonprofit organizations must submit evidence of their nonprofit approval or status by the appropriate governmental authority.
- B. APPLICATION FEE. There is no application fee for nonprofit organizations.
- C. EXPERIENCE REQUIREMENT. Paragraph 2-9A. requires a minimum of

three years experience in consumer lending by a senior corporate officer. In order to meet this requirement, nonprofit organizations may identify a senior staff person who has this level of experience.

3-7 PARTNERSHIPS. A partnership seeking approval as a financial institution must include the following documents with its application package in addition to the documentation for the particular lender type for which it is seeking approval:

- A. The names of all general partners.
- B. The identity of the designated managing general partner. The officers and directors of the managing general partner must be listed on the appropriate application form.
- C. A statement explaining the principal business activity of the managing general partner.
- D. A copy of the partnership agreement or a certification that the agreement meets the requirements of Paragraph 2-3A of this Handbook. The Department reserves the right to require submission of the agreement if it is deemed necessary.

3-8 LIMITED LIABILITY COMPANIES. An LLC seeking approval as a financial institution must include the following documents with its application package in addition to the documentation for the particular lender type for which it is seeking approval:

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- A. A list of all members of the LLC having a 25% or more interest in the LLC.
- B. The name of the managing member. The officers and directors of the manager, if any, must be listed on the appropriate application form.
- C. If the manager is a corporation or partnership, include a statement explaining its principal business activity.
- D. A copy of the articles of organization.

3-9 FICTITIOUS OR "DOING BUSINESS AS" NAME. If a financial institution or any of its branch offices is using a fictitious name, or a "Doing Business As" (DBA) name, it must submit a copy of the DBA statement or assumed name certificate filed with the State as part of the lender approval application. The lender's real name must be on all legal documents associated with individual loans.

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