



TO: All FHA-Approved Mortgagees

NEWS AND UPDATES

FHA's Loan Quality Assessment Methodology ("Defect Taxonomy") Posted Today

Today, the Federal Housing Administration (FHA) posted its Single Family [Loan Quality Assessment Methodology](#), also known as "Defect Taxonomy", which explains how FHA intends to categorize loan defects found in Single Family FHA-endorsed loans. The taxonomy is part of FHA's effort to provide greater clarity and transparency to Single Family FHA-approved lenders, and to encourage lending to qualified borrowers across the credit spectrum. The schedule for implementation has not been determined.

The Loan Quality Assessment Methodology centers on three core concepts:

1. Identifying a defect;
2. Capturing the sources and causes of a defect; and
3. Assessing the severity of a defect.

Currently, FHA uses 99 different codes to describe defects in loans. The taxonomy, once implemented, will bring this down to nine distinct defects, supported by codes that will identify the source and cause of the defect, and offer some new insight into the significance of a given deficiency within each category. This new approach will give lenders additional information that helps identify where their challenges are in originating FHA loans and allows them to make changes to reduce errors.

[Quick Links](#)

- Review the Loan Quality Assessment Methodology at:
http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_LQA_Methodology.pdf

Resources

Contact the FHA Resource Center:

- Visit our online knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail the FHA Resource Center at answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.

- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Information Relay Service at 1-800-877-8339.

RESOURCE INFORMATION

FHA INFO Archives:	Visit the FHA INFO Archives to access FHA INFO messages issued from 2012 to the present.		
Subscribe/Unsubscribe Instructions:	<p>To subscribe to the Single Family FHA INFO mailing list you can use this link: FHA INFO or send a request by email to: answers@hud.gov</p> <p>Bulk subscriptions: To sign up your entire office or a large group, send the list of email addresses (in the format below) to: answers@hud.gov</p> <p style="margin-left: 20px;">aaa@xyz.com bbb@xyz.com ccc@xyz.com</p> <p>To Unsubscribe follow the unsubscribe instructions on that page.</p>		
Resource Links:	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> Archived Webinars Career Opportunities Contracting Opportunities Events & Training FHA Forms FHA Homeownership Centers FHA Mortgage Letters </td> <td style="width: 50%; vertical-align: top;"> Foreclosure Assistance Grant Opportunities HUD Homes Property Listings HUD.gov Making Home Affordable Presidentially Declared Disaster Areas Visit our Single Family Home Page </td> </tr> </table>	Archived Webinars Career Opportunities Contracting Opportunities Events & Training FHA Forms FHA Homeownership Centers FHA Mortgage Letters	Foreclosure Assistance Grant Opportunities HUD Homes Property Listings HUD.gov Making Home Affordable Presidentially Declared Disaster Areas Visit our Single Family Home Page
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