Features

- Consolidates most quality control functions into one system

- Automates manual quality control processes and communications between lenders and FHA

- Organizes and prioritizes FHA requests for lender responses

- Streamlines submission of required documents

- Offers enhanced loan quality reporting and analytics

Resources

- View the LRS Information Page on HUD.gov at:
  https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/loan_review_system to find:
  - LRS user role information
  - Mortgagee Letters pertaining to FHA policy and requirements related to LRS

- Access recorded LRS webinars from the Single Family Housing Archived Webinars page on HUD.gov at:
  https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/events/sfh_webinars

Loan Review System

More Precise and Transparent FHA Loan Reviews

The Loan Review System (LRS) is the Federal Housing Administration's (FHA) newest technology that makes it easier for lenders to do business with FHA. LRS is an electronic platform that provides a more precise and transparent methodology for FHA loan reviews for Single Family Title II mortgages. Because it automates many manual processes and consolidates functions previously performed in multiple systems, LRS streamlines quality control processes for both lenders and FHA.

Functions

Lenders use LRS to interact with FHA on the majority of Title II Single Family quality control processes, including:
- Various post-endorsement loan reviews
- Unconditional Direct Endorsement authority test cases
- Lender monitoring reviews
- Lender self-reporting of fraud and other material findings

LRS and the "Defect Taxonomy"

LRS allows FHA to implement the Single Family Housing Loan Quality Assessment Methodology (Defect Taxonomy), which was posted to HUD.gov in June 2015. The Defect Taxonomy provides a streamlined method of identifying and capturing information about defects revealed through individual loan reviews. Through LRS, review results will be presented using:
- Defect categories supported by reason codes that identify the source and cause of the defect, and offer insight into the significance of a given defect within each category.
- Severity tiers that communicate the severity of the defect. Severity is driven by the size and nature of the deviation from FHA's requirements and the impact to loan insurability.

Access and Use

All users access LRS through FHA Connection (FHAC) via the "Loan Review System" link on FHAC's Single Family FHA Business Areas screen. **To access LRS, all users must have and maintain a valid FHAC user ID. FHAC user IDs expire after 90 days of inactivity.**

For information on registering users in FHAC, please reference the online FHA Connection Guide at https://entp.hud.gov/idapp/html/mrtg-pkg.cfm.

LRS User Roles

For any FHAC user ID that requires access to LRS, the organization's FHAC Application Coordinator must grant specific LRS authorizations in the "Loan Review System" section of the FHAC ID Administration screen. LRS has three user roles that may be assigned to users, each with different access levels and authority to perform specific functions:

- **Read Only:** Provides access to the Active Reviews, Completed Reviews, and Reports menu items. Users with this role can view detailed review results, but they cannot edit or submit responses, upload documents, manage binder requests or create self-reports.
- **Response Submission:** Provides access to the Active Reviews, Binder Request, Create Self-Report, Completed Reviews, and Reports menu items. Users with this role can view detailed review results, edit and submit responses to review findings, upload documents, and/or create self-reports.
- **Indemnification Submission:** Provides access to all functions included in the Response Submission role, and allows the user to electronically sign and submit indemnification agreements in response to unacceptable findings. Users with this role must have the authority to legally bind the institution.

Other Important User Roles

Onboarding to LRS requires lenders to perform certain functions in other FHA systems:

- **Designate or update the Administrative Contact in the Lender Electronic Assessment Portal (LEAP).** Each lender's designated Administrative Contact, as recorded in LEAP, will be the individual that receives daily email notifications summarizing any new LRS response requests.
- **Assign or update FHAC login IDs through the FHAC Application Coordinator**. Users will be able to access FHAC within one day of the FHAC Application Coordinator assigning or reactivating an FHAC user ID.