Loan Review System
Best Practices and Common Questions

June 28, 2017

Presented by:
Jack Higgins, Loan Review System Project Manager
Agenda

• Loan Review System (LRS) Best Practices and Common Questions
  — System Access
  — Binder Requests
  — Email Notifications
  — Responding to Material Findings
  — Submitting Self-Reports
  — Reporting Functions
  — Contacting the Resource Center

• Resources

• Q&A
LRS Best Practices
and Common Questions
System Access

• Each lender’s in-house FHA Connection (FHAC) Application Coordinator must grant access to LRS
  — FHAC Registration for new FHAC users
  — User Administration for existing FHAC users
System Access

- Three possible user roles for lenders
  - See LRS User Manual for definitions
System Access

FHA’s Office of Single Family Housing

FHA Connection

Welcome

Single Family FHA Business Areas

- Single Family Origination
- Single Family Servicing
- Property Improvement/Manufactured Housing
- Loan Review System
- Neighborhood Watch
- Physical Assessment
- Mortgagee Letters

Message Boards Updated as of:

- Single Family Origination: Wednesday, February 01, 2017
- Single Family Servicing: Wednesday, February 08, 2017
- Property Improvement/Manufactured Housing: Thursday, December 29, 2016
- Loan Review System: Tuesday, December 01, 2015
- Neighborhood Watch: 
- Physical Assessment: 
- Mortgagee Letters: 

FHA’s Office of Single Family Housing

You Dream, FHA Delivers.

HOMEOWNERSHIP
System Access

• FHA Connection web address (URL) must display “https”
  — Some web browser settings/bookmarks have incorrectly directed users to an unsecured “http” address, which causes an error

• Make sure you are using a supported browser
  — Explorer version 11.0 or higher
  — Google Chrome
  — Mozilla Firefox

• If you encounter errors, capture screen shots of any error messages before contacting the FHA Resource Center

• Be prepared to provide the following:
  — Time and date of attempted log-in
  — Browser type and version
  — User ID (M-ID)
  — Five-digit FHA Lender ID
  — Institution Name
### ALL BINDER REQUESTS (53)

<table>
<thead>
<tr>
<th>Case Number</th>
<th>Borrower Name</th>
<th>HOC</th>
<th>Status</th>
<th>Request Date</th>
<th>Binder Due</th>
<th>Date Sent</th>
<th>Date Received</th>
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<td>Robinson, Lawrence</td>
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<td>08/20/2016</td>
<td>08/20/2016</td>
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Binder Requests

- LRS Binder Request screen has been displaying all requests
  - Non-LI lenders should disregard unless directly contacted by the Homeownership Center (HOC)
  - Upcoming system release will remove cases from lender’s screen if FHA is requesting the binder from its own record center

- LRS does not accept electronic case binders
  - Lenders with approval to submit electronic case binders must continue to submit them per the instructions in the Electronic Case Binder Developer’s Guide

- Binder requests stay open in LRS until receipt is confirmed by the designated review location
  - LRS receipt may not occur on the same day as the binder is logged into FHAC
  - Paper binders received by the HOC mailroom must still be confirmed in LRS
  - Electronic case binders received in FHAC are automatically confirmed in LRS the next business day
Email Notifications

- LRS notification emails are sent to Administrative Contact(s) registered in the Lender Electronic Assessment Portal (LEAP)
  - LEAP allows two email addresses (primary and secondary)
  - Lenders are strongly encouraged to add a secondary email address
  - Refer to LEAP User Manual for instructions
Email Notifications

• Daily summary of any new LRS response requests
  — Same template, regardless of review level or number of requests

  From: FHA.LoanReview@hud.gov
  Sent: Wednesday, June 28, 2017 12:00 PM
  To: Primary Email Address <example.primary@lender.com>
  Cc: Secondary Email Address <example.secondary@lender.com>
  Subject: LRS Response Request Summary – EXAMPLE LENDER NAME

FHA has conducted a quality control review of loans underwritten or serviced by EXAMPLE LENDER NAME, FHA ID 99999. FHA has identified material compliance issue(s) which require a response. Please note that all responses must be submitted through the Loan Review System (LRS).

You must log into LRS for a complete list of outstanding requests and loans under review by FHA: My Active Reviews

Please do not reply to this email. If you have questions or need more information, please contact the FHA Resource Center at 1-800-CALL-FHA.

• Overdue response will result in a push to the next review level
  — New response request/due date at each level

• Must access LRS for complete information
Responding to Material Findings

- All findings are issued through LRS
  - Descriptions may not include policy citations/detailed calculations
  - No letter

- Only unacceptable findings (Tier 1 or 2) require a response

- Deficient findings (Tier 3 or 4) are logged, but no response is accepted
Responding to Material Findings

- You must click "Complete Wrap-Up" on the Findings Overview screen to submit the response to FHA
Submitting Self-Reports

• Lenders must self-report in accordance with the Single Family Housing Policy Handbook 4000.1

• Any lender with access to LRS can report any endorsed case

• Upon receipt of a self-report
  — LRS will initiate a binder request from the lender or from FHA’s record center
  — After the binder is received by FHA, it will be assigned to a reviewer
  — Once assigned, the review will be visible on the lender’s Active Reviews screen
Submitting Self-Reports

• Choose **Underwriting** for issues that occurred at loan origination

• Choose **Servicing** for issues related to servicing or loss mitigation
Reporting Functions

• LRS was designed with robust reporting capabilities

• Beginning in July 2017, lenders will have access to:
  — loan quality reports (material defect rates and details)
  — request processing timelines
  — details on self-reports

• Later releases will include:
  — random sample outcomes
  — downloadable data sets
Reporting Functions

Material Defects

<table>
<thead>
<tr>
<th>Quarter</th>
<th># of Loans</th>
<th>Gross %</th>
<th>Quantile</th>
<th>Net %</th>
<th>Net %</th>
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</thead>
<tbody>
<tr>
<td>2014 Q4</td>
<td>50</td>
<td>10.7%</td>
<td>3</td>
<td>0</td>
<td>0.4%</td>
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<td>2015 Q1</td>
<td>54</td>
<td>17.6%</td>
<td>3</td>
<td>2</td>
<td>5.5%</td>
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<td>2015 Q2</td>
<td>54</td>
<td>17.6%</td>
<td>3</td>
<td>2</td>
<td>5.5%</td>
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<tr>
<td>2015 Q3</td>
<td>20</td>
<td>16.4%</td>
<td>4</td>
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<td>2015 Q4</td>
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<td>14.3%</td>
<td>1</td>
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<tr>
<td>2016 Q1</td>
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<td>9.0%</td>
<td>3</td>
<td>0</td>
<td>0.0%</td>
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<tr>
<td>2016 Q2</td>
<td>150</td>
<td>16.0%</td>
<td>4</td>
<td>0</td>
<td>0.0%</td>
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<tr>
<td>2016 Q3</td>
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<td>16.8%</td>
<td>3</td>
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<td>Total</td>
<td>514</td>
<td>12.5%</td>
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<td>8</td>
<td>1.2%</td>
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</tbody>
</table>

Review Ratings

**Gross Rating - 2 Year Average**

- Conforming: 21.4%
- Deficient: 21.8%
- Mitigated: 56.8%
- Unacceptable: 0%

**Net Rating - 2 Year Average**

- Conforming: 72.4%
- Deficient: 5.8%
- Mitigated: 11.3%
- Indem: 9.3%
- Remediated: 1.2%
- Other: 0%
Contacting the FHA Resource Center

• For questions about a specific case, be prepared to identify the Review Location so that your issue can be routed appropriately

• You can locate this information on the Review Data tab
LRS Information

  — User Manual
  — Fact Sheet
  — Archived Webinars
  — Defect Taxonomy
  — Mortgagee Letters

• Lender Insight Newsletters
FHA Resource Center

<table>
<thead>
<tr>
<th>Option</th>
<th>Point of Contact</th>
<th>Hours Available</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA Knowledge Base – FAQs</td>
<td><a href="http://www.hud.gov/answers">www.hud.gov/answers</a></td>
<td>24/7/365</td>
<td>Knowledge Base web page includes option to email questions.</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:answers@hud.gov">answers@hud.gov</a></td>
<td>24/7/365</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.</td>
<td>8:00 AM to 8:00 PM Eastern M-F</td>
<td>Voicemail is available after hours or during extended wait periods.</td>
</tr>
</tbody>
</table>

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe
Thank You!