



## Proposed Changes to FHA Lender Pursuant to 9/18/09 Press Release #09-177

On Friday, September 18th, 2009, Federal Housing Administration (FHA) Commissioner David H. Stevens announced plans to implement policy changes that will enhance the agency's risk management functions. That announcement resulted in the release of four Mortgagee Letters and a notice which pursues additional changes through rule making.

The complete press release is available at the following link:

[http://portal.hud.gov/portal/page/portal/HUD/press/press\\_releases\\_media\\_advisories/HUDNo.09177](http://portal.hud.gov/portal/page/portal/HUD/press/press_releases_media_advisories/HUDNo.09177)

Following is a summary of the proposed changes:

### **Changes being Pursued by Mortgagee Letter, Effective January 1, 2010:**

- Electronic submission of audited financial statements required of Supervised Mortgagees. This change will be pursuant to a Mortgagee Letter and will require supervised mortgagees to submit audited annual financial statements to FHA. The majority of supervised and non-supervised mortgagees are already required to prepare audited financial statements for various regulatory bodies, Government Sponsored Enterprises (GSEs) and investors.

### **Changes being Pursued by Rule Making Process:**

1. Only Supervised and Non-Supervised mortgagees will need FHA approval to process loans. Loan Correspondents (mortgage brokers) will continue to originate FHA loans through their approved sponsor. However, they will no longer receive FHA approval or go through the recertification process. Thus, their sponsor will assume all of the responsibility for their loans with FHA. If this rule passes, it would also mean that mortgage brokers would no longer be required to submit their annual audit through the LASS system. If an audit is

required it would be required by the sponsor.

2. FHA plans to increase the net worth requirement for approved mortgagees (Supervised and Non-Supervised mortgagees) by \$1,000,000. This would raise the minimum net worth to \$1,250,000.

If this proposal is approved it appears that mortgage brokers will no longer be required to be approved by HUD to originate FHA mortgages. Remember that this change is ***only at the proposal stage***. The above changes will need to be made through the rule making process. As we understand it, this will require the proposed rule to be published in the Federal Register. It will then be subject to a comment period of at least 60 days, along with a time period in which to implement the proposed changes. Brokers and auditors with pending financial statement or other compliance issues should continue to work to resolve these issues until notified by HUD that they are no longer required. At this stage, we do not have any estimate on the timing of a final rule. Further, auditors have reported to us that many warehouse lenders are indicating that they will continue to require audits. Although, only hearsay evidence, audits may continue to be required at some level.

#### **Other Changes Being Pursued by Mortgagee Letters**

- ***Appraiser Independence*** - [ML 2009-28](#): There is a new requirement that prohibits mortgage brokers and commission base lender staff from the appraisal process. FHA approved lenders are not prohibited from accepting appraisals prepared by FHA Roster appraisers who are selected, retained or compensated in any manner by a mortgage broker or any member of a lender's staff who is compensated on a commission basis tied to the successful completion of a loan. In addition, lenders are responsible for assuring that the appraiser who actually conducted the appraisal used for the FHA-insured mortgage is correctly identified in FHA Connection.
- ***Revised Streamline Refinance Transaction*** - [ML2009-32](#): Effective 60 days from the date of this letter (9/18/2009). This Mortgagee Letter revised current procedures for streamline refinance transactions to establish new requirements for seasoning, payment history, income verification, and demonstration of net tangible benefit to the borrower; provide for collection of credit score information when available; and to cap maximum LTV at 125 percent. An appraisal will be required in all cases where a borrower wants to add closing costs to the transaction.
- ***Appraisal Portability*** - [ML 2009-29](#): Effective January 1, 2010. This Mortgagee Letter provides new guidelines that allow a second appraisal to be ordered under a limited set of circumstances when a borrower switches from one lender to another and restates the requirement that the first lender must transfer the appraisal to the second lender at the request of the borrower.
- ***Appraisal Validity Periods*** - [ML 2009-30](#): Effective January 1, 2010. This Mortgagee Letter reduces the validity period to four months for all properties including existing, proposed and new construction.

- [Click here](#) for a printable registration form or if paying by credit card you can [register online](#).
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### **Multifamily Financial Update:**

- Dates
  - September 29 - Atlanta
  - October 1 - Kansas City
  - October 1 - Philadelphia
  - October 20 - Baltimore
  - October 22 - New York City
  - October 28 - Minneapolis (Bloomington)
  - November 4 - Dallas/Fort Worth
  - November 9 - Columbus
- 8 hours CPE Credit
- [Click here](#) for a printable registration form or if paying by credit card you can [register online](#).

**Course Fee:** \$350 (\$375 for New York City and Boston)

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### **FHA Lender Update:**

- Dates:
  - September 30 - Atlanta
  - October 2 - Kansas City
  - October 2 - Philadelphia
  - October 21 - Baltimore
  - October 23 - New York City
  - October 29 - Minneapolis (Bloomington)
  - November 5 - Dallas/Fort Worth
  - November 10 - Columbus
  - December 4 - Las Vegas
- 8 hours CPE Credit
- [Click here](#) for a printable registration form or if paying by credit card you can [register online](#).

**Course Fee:** \$350 (\$375 for New York City and Boston)

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### **11th Annual Two-Day Multifamily Conference:**

- December 2 & 3, 2009
- Las Vegas, NV: Planet Hollywood Resort
- Details to be announced
- Industry-recognized speakers covering a variety of relevant topics

- 16 hours CPE Credit
- [Click here](#) for a printable registration form or if paying by credit card you can [register online](#).

**Course Fee:** \$575. *\*Register before November 1st to receive a \$50 early registration discount.*

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