

Section C. Mortgage Lender Letter Exhibits

Overview

In This Section This section contains the topics listed in the table below.

Topic	Topic Name	See Page
1	Exhibit 1: Mortgage Lender Approval Format	12-C-2
2	Exhibit 2: Unconditional Direct Endorsement Approval Letter Format	12-C-4
3	Exhibit 3: Mortgage Lender Disapproval Letter Format	12-C-6
4	Exhibit 4: Mortgage Lender Probation Letter Format	12-C-7
5	Exhibit 5: Pre-Closing Sanction Letter Format	12-C-9
6	Exhibit 6: Withdrawal of DE Lender Approval Letter Format	12-C-12

1. Exhibit 1: Mortgage Lender Approval Format

Change Date March 24, 2011

4155.2 12.C.1.a Purpose of the Mortgage Lender Approval The purpose of the *Mortgage Lender Approval* is to notify applicant mortgage lenders of acceptance into the Direct Endorsement (DE) Program on pre-closing review status.

4155.2 12.C.1.b Who Prepares the Mortgage Lender Approval The Lender Approval Specialist, with appropriate assistance from technical branches, prepares the letter for the signature of the decision maker.

4155.2 12.C.1.c Mortgage Lender Approval Text Format The Lender Approval Specialist uses the following format for the *Mortgage Lender Approval* letter:

[Mortgage Lender Name]
 [Mortgage Lender Address]
 [Mortgage Lender's Ten-digit Lender Number ID]

We have reviewed the qualifications of your organization and have determined that the DE mortgage lender eligibility requirements have been met. With respect to the staff personnel you have nominated, those listed below meet the necessary requirements and have satisfactorily completed the appropriate training sessions.

NAME	EXPERTISE	CHUMS ID
_____	UNDERWRITER	_____
_____	_____	_____
_____	_____	_____

Continued on next page

1. Exhibit 1: Mortgage Lender Approval Format, Continued

4155.2 12.C.1.d
Mortgage
Lender
Approval
Letter Text

The text below is included in the *Mortgage Lender Approval* letter.

Accordingly, the office noted above is approved to submit mortgages in the DE Program on the pre-closing review status to this Home Ownership Center (HOC) Office. During the pre-closing review period, we will perform a complete technical review of each submission. If found to be eligible, a firm commitment will be issued. This pre-closing review will include at least 15 submissions. Should these 15 submissions fail to demonstrate acceptable underwriting, the pre-closing review status will be extended. We will notify you when the pre-closing review period has been successfully completed.

The FHA's receipt and review of the Quality Control Plan are solely for the purposes of determining whether the plan addresses the DE Program requirements. The FHA's review was not for the purpose of approving the adequacy of any other provisions. Please be advised that participation in the DE Program is a privilege accorded only to those mortgage lenders who have demonstrated the ability to originate mortgage loans in accordance with FHA underwriting policy. Accordingly, should the mortgage loans submitted for DE indicate unsatisfactory underwriting, the privilege will be reduced or withdrawn.

2. Exhibit 2: Unconditional Direct Endorsement Approval Letter Format

Change Date	March 24, 2011
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4155.2 12.C.2.a Purpose of the Unconditional Direct Endorsement Letter	The purpose of the <i>Unconditional DE Approval</i> letter is to notify applicant mortgage lenders of successfully completing the pre-closing review.
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4155.2 12.C.2.b Who Prepares the Unconditional Direct Endorsement Letter	The Lender Approval Specialist, with appropriate assistance from technical branches, prepares the Unconditional Direct Endorsement letter for the signature of the decision maker.
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4155.2 12.C.2.c Unconditional Direct Endorsement (DE) Approval Letter Text Format	The Lender Approval Specialist uses the following format for the <i>Unconditional DE Approval Letter</i> :
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[Mortgage Lender Name]
[Mortgage Lender Address]
[Five-digit Lender Number ID]

The purpose of this letter is to inform you YOUR COMPANY has satisfactorily completed the pre-closing review period of the Direct Endorsement (DE) Program.

Accordingly, YOU may now begin to underwrite and close mortgage loans without prior FHA review. Upon submission to the FHA, the case will undergo a pre-endorsement review as outlined in HUD 4155.2, *Single Family Handbook*.

Continued on next page

2. Exhibit 2: Unconditional Direct Endorsement Approval Letter Format, Continued

4155.2 12.C.2.d
Unconditional
Direct
Endorsement
(DE) Approval
Letter Text
Format
(continued)

Please be advised that participation in the DE Program is a privilege accorded only to mortgage lenders who continue to demonstrate the ability to originate mortgage loans in accordance with FHA underwriting policy. Some of the mortgage loans that you submit will be subject to post-endorsement technical reviews. Should the reviews indicate unsatisfactory underwriting, the privilege of participating will be reduced or withdrawn.

Mortgage lenders are required to notify the FHA of any changes to the elements (reduction in net worth; staff underwriter, appraiser, inspector, mortgage credit examiner) upon which this approval was based.

3. Exhibit 3: Mortgage Lender Disapproval Letter Format

Change Date	March 24, 2011
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4155.2 12.C.3.a Purpose of the Mortgage Lender Disapproval Letter	The purpose of the <i>Mortgage Lender Disapproval Letter</i> is to notify applicant mortgage lenders that their applications are not eligible for approval. The Letter describes the reasons for the disapproval.
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4155.2 12.C.3.b Who Prepares the Mortgage Lender Disapproval Letter	The Lender Approval Specialist, with appropriate assistance from technical branches, prepares the <i>Mortgage Lender Disapproval Letter</i> .
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3. Exhibit 3: Mortgage Lender Disapproval Letter Format, Continued

**4155.2 12.C.3.c
Mortgage
Lender
Disapproval
Letter Text
Format**

The Lender Approval Specialist uses the following format for the Mortgage Lender Disapproval Letter:

[Mortgage Lender Name]
[Mortgage Lender Address]
[Ten-digit Lender Number ID]

The purpose of this letter is to inform you that we have received and reviewed your application to participate in the Department's DE Program.

Based on the information you have provided, we have determined that your office is not eligible for approval. The following requirements of the program have not been satisfied:

[List the requirements not met, with appropriate references from the HUD 4155.2 handbook.]

4. Exhibit 4: Mortgage Lender Probation Letter Format

Change Date	March 24, 2011
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4155.2 12.C.4.a Purpose of the Mortgage Lender Probation Letter	The purpose of the <i>Mortgage Lender Probation Letter</i> is to provide official notification from the FHA to the mortgage lender that probationary sanctions are being applied.
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4155.2 12.C.4.b Who Prepares the Mortgage Lender Probation Letter	The Lender Approval Specialist prepares the letter for the signature of the decision maker.
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4155.2 12.C.4.c Sending the Mortgage Lender Probation Letter	The Lender Approval Specialist sends the letter Registered/Certified Mail, Return Receipt Requested.
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4. Exhibit 4: Mortgage Lender Probation Letter Format, Continued

**4155.2 12.C.4.d
Mortgage
Lender
Probation
Letter Text
Format**

The Lender Approval Specialist uses the following format for the *Mortgage Lender Probation Letter*:

[Mortgage Lender Name]
[Mortgage Lender Address]
[Ten-digit Lender Number ID]

The purpose of this letter is to inform you that the above noted mortgage lender office has been placed in probation status in the Department's Direct Endorsement (DE) Program.

As a result of the failure to underwrite mortgage loans in accordance with FHA underwriting policy, the probationary actions described below are being imposed against the office of your company noted above. The probationary action is effective as of your receipt of this letter. This action is taken pursuant to Title 24, Part 200.164(h) of the Code of Federal Regulations, as detailed in HUD 4155.2. *Single Family Handbook*.

[Provide the grounds for actions, including case numbers and deficiencies.]

[If probation involves the pre-closing review of cases, the letter must provide for DE cases in process.]

This action does not affect your eligibility to submit applications for commitments to insure mortgages.

5. Exhibit 5: Pre-Closing Sanction Letter Format

Change Date March 24, 2011

**4155.2 12.C.5.a
Sending the
Sanction Letter** The Lender Approval Specialist sends the *Pre-Closing Sanction Letter* by Certified Mail, Return Receipt Requested.

**4155.2 12.C.5.b
Pre-Closing
Sanction Letter
Text Format
(Pg. 1)** The Lender Approval Specialist uses the following format for the *Pre-Closing Sanction Letter*:

Subject: Placement into Pre-Closing Status
 [Lender ID Number]

Dear:

This is to advise you that effective thirty (30) days after the date of this letter, your company is being placed in pre-closing review status under the Department's Direct Endorsement Program.

As a result of your company's failure to underwrite FHA-insured mortgage loans in accordance with HUD underwriting policies, we are suspending your authority to underwrite loans on an unconditional Direct Endorsement basis. This action is being taken pursuant to Title 24, Part 200.164(h) of the Code of Federal Regulations and as detailed in HUD 4155.2 9.D.3.

The basis for this action are as follows:

1. Our internal post-endorsement technical review system indicates that between _____ and _____ FHA-insured loans originated by your organization were reviewed. Of that total, __ received ratings of Fair and __ received ratings of Poor for the Mortgage Credit underwriting, and __ received ratings of Fair and __ received ratings of Poor for the Valuation underwriting.

Continued on next page

5. Exhibit 5: Pre-Closing Sanction Letter Format, Continued

4155.2 12.C.5.b Pre-Closing Sanction Letter Text Format (Pg. 2)

- The percentage of loans with a default reported during the first twenty-four months for FHA-insured loans originated by your organization, exceed comparable rates for the nation as a whole, the Philadelphia Homeownership Center jurisdiction, and those for the offices and states in which you do the majority of your business, as evidenced by the following:

LOANS WITH A BEGINNING AMORTIZATION DATE BETWEEN _____ AND _____

Area	Area Default/ Claim Rate	Mortgage Lender Default/Claim Rate
United States	_____	_____
HOC	_____	_____
_____ Office	_____	_____

Effective thirty (30) days after the date of this letter, your organization will be returned to pre-closing review status for the Direct Endorsement program. As a result, applications for HUD/FHA mortgage insurance which have not been underwritten and finally approved by your organization on or after this date are subject to technical underwriting review and firm commitment processing by this office prior to closing and endorsement.

Submissions should be placed in yellow case binders (provided under separate cover), and mailed to the following address:

U.S. Department of Housing and Urban Development
 _____ Home Ownership Center
 ATTN: Insuring and Underwriting Branch

Please mark both the envelope and the yellow case binder itself with the words "TEST CASE" in large block letters, to ensure expeditious handling in our office. While we attempt to process all pre-closing review cases within three working days after receipt, workload volume may cause delays. You should allow at least seven workdays from your mailing date for our response.

Continued on next page

5. Exhibit 5: Pre-Closing Sanction Letter Format, Continued

**4155.2 12.C.5.b
Pre-Closing
Sanction Letter
Text Format
(Pg. 3)**

You are encouraged to use the next thirty days to enter into FHA Connection closing information for any loans already underwritten and closed. Following the effective date of your return to pre-closing status, you will be unable to enter closing information into FHA Connection. Closing information must be entered directly by HUD, and cases will then be processed for endorsement. In order to avoid incorrect routing in our offices, please place these cases in the yellow case binders as well, label them in large block letters "TEST CASE - FOR ENDORSEMENT ONLY," and forward them to the address noted above.

The term of your probation will continue until your organization demonstrates satisfactory performance. If you have any questions concerning this matter, you may contact _____, Chief, Insuring and Underwriting Branch, at _____, extension _____.

Sincerely,

Division Director

Processing and Underwriting

6. Exhibit 6: Withdrawal of DE Lender Approval Letter Format

Change Date	March 24, 2011
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4155.2 12.C.6.a Purpose of the Withdrawal of DE Lender Approval Letter	The purpose of the <i>Withdrawal of DE Lender Approval</i> letter is to notify the lender of the withdrawal of DE lender approval status.
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4155.2 12.C.6.b Prepared By who prepares the Withdrawal of DE Lender Approval Letter	The Lender Approval Specialist, with appropriate assistance from the technical branches, prepares the letter for the signature of the decision maker.
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4155.2 12.C.6.c Sending the Withdrawal of DE Lender Approval Letter	The Lender Approval Specialist sends the letter Registered/Certified Mail, Return Receipt Requested.
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6. Exhibit 6: Withdrawal of DE Lender Approval Letter Format, Continued

4155.2 12.C.6.d
Withdrawal
Letter Text
Format

The Lender Approval Specialist uses the following format for the *Withdrawal of DE Lender Approval* letter.

[Mortgage Lender Name]
[Mortgage Lender Address]
[Ten-digit Lender Number (ID)]

The purpose of this letter is to advise you that the approval of the above noted lender office to participate in the Department's Direct Endorsement program is withdrawn. This action is effective as of your receipt of this letter. This action is taken pursuant to Title 24, Part 200.164(h) of the Code of Federal Regulations, as detailed in HUD 4155.2 9.D.3.

[Provide grounds for action, including case numbers and deficiencies.
Also provide for conversion of Direct Endorsement cases in process.]

You have the right to an informal hearing before the decision maker to discuss this matter. You may make documentary and oral presentations and advise what, if any, corrective action you may have taken to address the problems identified. You may be represented by counsel. If requested, the hearing will be arranged within 15 days of your request.
