

Section B. Loans Involving HUD Employees, Relationships Posing a Possible Conflict of Interest, and Lender Employees

Overview

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1. Loans Involving HUD/FHA Employees

Introduction This topic contains information on loans that involve HUD/FHA employees, including

- applications for HUD/FHA employees or members of their households, and
- underwriting applications from HUD/FHA employees or members of their households.

Change Date March 24, 2011

4155.2 3.B.1.a Applications for HUD/FHA Employees or Members of Their Households The jurisdictional Homeownership Center (HOC) is responsible for underwriting and approval of loan applications for HUD/FHA employees or members of their households.

Reference: For the exception to this policy, see [HUD 4155.2 3.B.1.b](#).

4155.2 3.B.1.b Underwriting Applications from HUD/FHA Employees or Members of Their Households Loan applications from HUD/FHA employees or members of their households are *not* eligible for underwriting by Direct Endorsement (DE) lenders or evaluation by any automated underwriting system, except streamline refinances. For a loan application involving a HUD/FHA employee or a member of his/her household, the lender must

- process the loan application, and
- submit the complete underwriting loan package, marked “*Confidential*,” to the attention of the Processing and Underwriting Division Director for underwriting, commitment processing and approval.

The [HOC](#) reviews the loan package, and approves or denies the application of the HUD/FHA employee or the member of his/her household.

Exception: For streamline refinances *only*, any HUD/FHA employee or member of his/her household (for example, spouse, parent, or child) may have his/her streamline refinance underwritten and approved/denied by a [DE](#) lender.

Reference: For more information on streamline refinances, see [HUD 4155.1 3.C](#) and [HUD 4155.1 6.C](#).

2. Loans Involving a Business Relationship Posing a Possible Conflict of Interest

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4155.2 3.B.2.a DE Program Participation by an Entity With a Possible Conflict of Interest	A lender that has provided a construction loan, or has a financial interest in, owns, is owned by or affiliated with the building or selling entity or real estate firm, may originate mortgages under the Direct Endorsement (DE) Lender program <i>provided</i> that • the appraisal is performed by a qualified, independent, FHA Roster appraiser, and • when required, inspections are performed by fee inspectors on the FHA Inspector Roster. The lender's personnel may perform the mortgage credit analysis.
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3. Loans Involving Lender Employees

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4155.2 3.B.3.a Loans Involving the Lender's Employees	If a lender's employee is the borrower or seller in a mortgage loan transaction • the employee <i>cannot</i> be involved in processing the application • an independent FHA Roster appraiser, who is not affiliated with the lender, must be used • if an inspection is involved, it must be performed by an FHA-approved fee inspector • the application should be processed by a different branch from the one at which the employee works, or by the lender's main office, and • the case must be clearly annotated with "Employee" on the HUD-92900-LT, <i>FHA Loan Underwriting and Transmittal Summary</i>, and the front of the case binder.
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