

Section A. Mortgage Loan Submission and Endorsement Process

Overview

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1. Overview of the Loan Submission and Endorsement Process

Introduction This topic contains an overview of the loan submission and endorsement process, including

- loan submission and endorsement process for non-LI lenders, and
 - loan submission and endorsement process for LI lenders.
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**4155.2 8.A.1.a
Loan
Submission and
Endorsement
Process for
Non-LI
Lenders** The table below describes the steps that a lender that is not eligible for participation in the Lender Insurance (LI) Program must follow when submitting and endorsing a loan for FHA insurance.

Stage	Description
1	After closing a loan with a borrower, the lender completes the Insurance Application function in the FHA Connection (FHAC).

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1. Overview of the Loan Submission and Endorsement Process, Continued

Loan Submission and Endorsement Process for Non-LI Lenders (continued)

Stage	Description
2	The lender • prepares the case binder, making sure all necessary documents are placed in the case binder in the required stacking order, and • submits the case binder to the appropriate Homeownership Center (HOC) in hard copy form in the appropriate FHA case binder (buff-colored for non-LI participants). Reference: For more information on preparation and submission of the case binder, see HUD 4155.2 8.B.
3	Upon receipt of the case binder, the HOC • logs receipt of the binder into the Computerized Home Underwriting System (CHUMS)/FHAC, and • performs a pre-endorsement review, ensuring that all necessary forms are present and executed, and that the binder is acceptable.

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1. Overview of the Loan Submission and Endorsement Process, Continued

Loan Submission and Endorsement Process for Non-LI Lenders (continued)

Stage	Description
4	If the loan/case binder is • <i>acceptable</i>, the HOC issues an electronic Mortgage Insurance Certificate (MIC) in FHAC that the lender may print as needed, or • <i>unacceptable/ineligible</i> for insurance endorsement as received, the HOC – issues an electronic <i>Non-Endorsement Notice</i>, (commonly known as the Notice of Return (NOR)) to the lender – prints a copy for the FHA case binder, and – mails the case binder back to the lender for corrective action. Note: The lender may resubmit the case binder for insurance endorsement reconsideration, in which case the process would begin again at Stage 2. Reference: For more information on the • MIC, see HUD 4155.2 8.C.6 • FHA Connection, see – HUD 4155.2 1.D, and – the FHA Connection User Guide, available at https://entp.hud.gov/idapp/html/mrtg-pkg.cfm.
5	To ensure that lenders understand and comply with FHA requirements, the HOC chooses selected case binders for post endorsement technical review (PETR) by HOC staff. References: For more information on PETRs, see • HUD 4155.2 8.C.1.e, and • HUD 4155.2 9.B.1

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1. Overview of the Loan Submission and Endorsement Process, Continued

4155.2 8.A.1.b Loan Submission and Endorsement Process for LI Lenders

The table below describes the process that Direct Endorsement (DE) lenders approved to participate in the [LI](#) Program must follow to submit and endorse a mortgage loan for FHA insurance.

References: For more information on

- eligibility for the [LI](#) Program, see [HUD 4155.2 2.C.](#)
- endorsement processing for [LI](#) lenders, see [HUD 4155.2 8.C.3.](#)
- the Lender Insurance Guide, see <http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf>.

Stage	Description
1	After closing a loan with a borrower, the lender completes the Insurance Application function in the FHA Connection (FHAC).
2	The lender completes a pre-insurance review to ensure that the loan is in compliance with all applicable HUD requirements. Reference: For more information on lender pre-insurance reviews, see HUD 4155.2 8.A.2

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1. Overview of the Loan Submission and Endorsement Process, Continued

Loan Submission and Endorsement Process for LI Lenders (continued)

Stage	Description
3	As a Lender Insurance (LI) Program participant, after completing the Insurance Application function in the FHAC, the lender • insures the mortgage and stores the origination file as required by regulations, or • receives a severe warning that prevents insurance endorsement, and FHA requests the case binder. Stage 4 provides instructions on preparing the case binder for submission.

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1. Overview of the Loan Submission and Endorsement Process, Continued

Loan Submission and Endorsement Process for LI Lenders (continued)

Stage	Description
4	The lender • prepares the case binder, making sure that all necessary documents are placed in the case binder in the required stacking order, and • submits the case binder to the appropriate Homeownership Center (HOC) either – in hard copy form in the appropriate FHA case binder (yellow for LI participants), or – electronically, if the lender is approved for electronic submission. Reference: For more information on preparation and submission of the case binder, see HUD 4155.2 8.B.7
5	Upon receipt of the hard copy or electronic case binder (eCB), the HOC routes the binder appropriately. If the case binder contains a loan that is • <i>not insured</i> due to a severe warning, the – HOC routes the binder for review and insurance, and – process continues with Stage 6, or • <i>insured</i>, but requires technical review, then the – HOC forwards the binder for underwriting (technical) review, and – process continues with Stage 7. Reference: For more information on loan endorsement processing, see HUD 4155.2 8.C.

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1. Overview of the Loan Submission and Endorsement Process, Continued

Loan Submission and Endorsement Process for LI Lenders (continued)

Stage	Description
6	If, upon review, the case binder is • <i>acceptable</i>, the HOC issues an electronic MIC in the FHAC that the lender may print as needed, or • <i>unacceptable/ineligible</i> for insurance endorsement as received, the HOC – issues an electronic <i>Non-Endorsement Notice</i>, (commonly known as the Notice of Return (NOR)) to the lender – prints a copy for the FHA case binder, and – mails the case binder back to the lender for corrective action. Note: The lender may resubmit the case binder for insurance endorsement reconsideration, in which case the process would begin again at Stage 2. References: For more information on the • MIC, see HUD 4155.2 8.C.5 • FHA Connection, see – HUD 4155.2 1.D, and – the FHA User Guide on the FHA Connection, available at https://entp.hud.gov/idapp/html/mrtg-pkg.cfm, and • Lender Insurance Guide, see http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf.
7	To ensure that lenders understand and comply with FHA requirements, the HOC chooses selected case binders for post endorsement technical review (PETR) by its staff. References: For more information on PETRs, see • HUD 4155.2 8.C.1.e, and • HUD 4155.2 9.B.1

2. Requirements for LI Lender Pre-Insurance Review

Introduction	on requirements for Lender Insurance (LI) lender pre-insurance review, including
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- the FHA policy on LI lender pre-insurance review, and
 - required elements of the lender pre-insurance review.
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4155.2 8.A.2.a FHA Policy on LI Lender Pre- Insurance Review	LI approval does not alleviate a lender's responsibility for completion of a pre-insurance review, nor does the pre-insurance review negate the lender's obligation to ensure that a loan is in compliance with all applicable HUD requirements.
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FHA policy *prohibits* the same staff who originated or underwrote the mortgage for insurance from completing the pre-insurance review.

References: For more information on

- LI Program eligibility & application, see [HUD 4155.2 2.C](#)
 - LI endorsement processing, see [HUD 4155.2 8.C.3](#)
 - LI case binder submission, see [HUD 4155.2 8.B.7](#), and
 - LI lender submission requirements for case binders selected for [PETR](#), see [HUD 4155.2 9.B.1.d](#), and
 - the Lender Insurance Guide, see <http://www.hud.gov/offices/hsg/sfh/lender/guide071907.pdf>.
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2. Requirements for LI Lender Pre-Insurance Review, Continued

4155.2 8.A.2.b Required Elements of the Lender Pre- Insurance Review

In addition to certifying that the lender has retained all origination documents in either electronic or paper format, the pre-insurance review must include

- verification that the loan is current for the month preceding submission, for any loan logged for [LI](#) more than 60 days after loan closing
 - a review of the note and security instrument ensuring that the
 - documents were executed on forms that meet HUD’s requirements
 - mortgage maturity meets the requirements of the applicable program, and
 - stated mortgage amount does not exceed the maximum mortgage amount for the area
 - a review of Page 3 of form [HUD-92900-A](#), *HUD/VA Addendum to Uniform Residential Loan Application*, for execution of all appropriate certifications by the underwriter or lender representative
 - a review of the property appraisal and any additional documentation supporting the appraised value
 - a review of form [HUD-92544](#), *Warranty of Completion*, for proposed construction cases
 - an executed form [HUD-92561](#), *Borrower’s Contract With Respect to Hotel and Transient Use of Property*, for all 2-4 unit properties
 - a certificate of intent to occupy by military personnel, when applicable
 - an approval letter from the local health authority indicating approval of the individual water or sewer system, when applicable
 - on proposed construction, and if the mortgage exceeds 90% loan-to-value (LTV) ratio, evidence that the borrower qualifies for a higher ratio loan under one of the applicable provisions in the appropriate regulations
 - verification that no mortgage insurance premium (MIP), late charge or interest is due, and
 - clearance of all applicable case warning messages.
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