

Section A. Lender Monitoring Overview

Overview

Introduction

This section contains the topic “*General Information on Lender Monitoring.*”

1. General Information on Lender Monitoring

Introduction	This topic contains general information on lender monitoring, including • the importance of Direct Endorsement (DE) Lender Program monitoring • types of lender monitoring tools, and • types of lender sanctions.
Change Date	December 23, 2010
4155.2 9.A.1.a Importance of DE Lender Program Monitoring	Because the substantive review of a loan occurs after the mortgage is endorsed, Homeownership Centers (HOCs) must continually monitor lender performance and take necessary action as soon as they identify underwriting deficiencies. The objective of the HOC action is to • reduce the risk of defaults, and claims to FHA • improve lender performance, and/or • remove non-complying lenders from the program.

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1. General Information on Lender Monitoring, Continued

4155.2 9.A.1.b Types of Lender Monitoring Tools

[HOCs](#) monitor the performance of lenders by

- conducting on-site and remote lender reviews
- conducting post endorsement technical reviews (PETRs) of insured loans
- analyzing Mortgagee Performance Reports and Underwriting Report System ([URS](#)) reports available through FHA Connection (FHAC)
- analyzing default and claims data from Neighborhood Watch Early Warning System reports available through [FHAC](#)
- following up on construction complaints or consumer complaints, and
- sharing information among themselves, FHA Headquarters, and the Mortgagee Review Board ([MRB](#)).

Important: Lenders must regularly update their information in [FHAC](#) regarding their offices and officers, to facilitate reviews and recertification.

Reference: For more information on the data lenders are required to keep current, see [HUD 4060.1](#), *Mortgagee Approval Handbook*.

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1. General Information on Lender Monitoring, Continued

4155.2 9.A.1.c Types of Lender Sanctions

The [HOCs](#) and/or the [MRB](#) may impose the following sanctions:

- lender probation
- withdrawal of DE status
- withdrawal of FHA approval
- indemnification agreements
- civil money penalties
- sanctions against individual program participants
- return of the lender to pre-closing status, and
- return or reimbursement of servicing lender incentives.

Reference: For more information on lender sanctions, see [HUD 4155.2 9.D](#).
