



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Welcome to...
FHA-Approved Lender Notifications and Updates:
What FHA Needs to Know and When

Today's webinar begins at 2:00 PM (Eastern).

We will be underway shortly.

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Q&A Session

- Q&A session will follow the presentation.
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Contact the FHA Resource Center

- Online: www.hud.gov/answers
- Email: answers@hud.gov
- Phone: [1-800-Call-FHA](tel:1-800-Call-FHA) (1-800-225-5342)

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- Documents/Materials:
 - Click **Chat** icon or **Landing Page**
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- Training Evaluation:
 - Click on the **Chat** icon or **Landing Page** and select the *Survey* link.



Helpful Links

Click on the **Chat** icon or **Landing Page** and select links to bookmark:

- FHA Lenders page:
https://www.hud.gov/program_offices/housing/sfh/lender
- FHA FAQ page:
<https://www.hud.gov/FHAFAQ>
- Single Family Housing Archived (On Demand) Webinars page:
https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars





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Office of Lender Activities and Program Compliance

FHA-Approved Lender Notifications and Updates: What FHA Needs to Know and When

July 22, 2020

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Agenda

Information Update

Notification to FHA

Resources

Q&A



Information Update



What type of information can we update?

An Information Update is any change to a lender's basic institution or branch information in the Lender Electronic Assessment Portal (LEAP) that can be directly managed by the lender.

Types of Information Updates:

- **Administrative Contact Information**
- Cashflow Account Set-up
- **Electronic Funds Transfer Set-up**
- Change in Branch Personnel

Administrative Contact

FHA-approved lenders must maintain up-to-date information for a primary Administrative Contact in LEAP.

- Contact information must include:
 - Full name;
 - Telephone number;
 - Email address; and
 - Business street address (post office boxes are not acceptable).
- Lenders should add the @hud.gov domain to their servers to ensure timely delivery of emails from HUD.



What is an Electronic Funds Transfer (EFT) Account?

FHA requires lenders to establish and maintain EFT accounts in LEAP (refer to Mortgagee Letter 2020-02).

- EFT accounts allow lenders to receive funds from FHA for insurance claims or mortgage insurance premium refund requests.
- FHA Connection and LEAP have been modified to permit lenders to establish and maintain EFT accounts electronically.
- Lenders must use the EFT Account Setup function in LEAP to provide bank routing number and bank account information.
- EFT accounts are tied to the Main Office FHA identification number and only one EFT account can be active at a given time.



Notifications to FHA



Notifications to FHA

FHA-approved lenders have an ongoing requirement to notify FHA of any changes to the information provided at the time of application for FHA approval, as well as changes that might impact eligibility to participate in FHA programs.

- Most notifications must be submitted using LEAP **within 10 business days** of the change unless otherwise specified in FHA's policy guidance.

Types of Notifications

- Change Request
- Notice of Material Event



What is considered as a Change Request?

A Change Request is the method of submitting information and/or business changes that require FHA review and approval before acceptance.

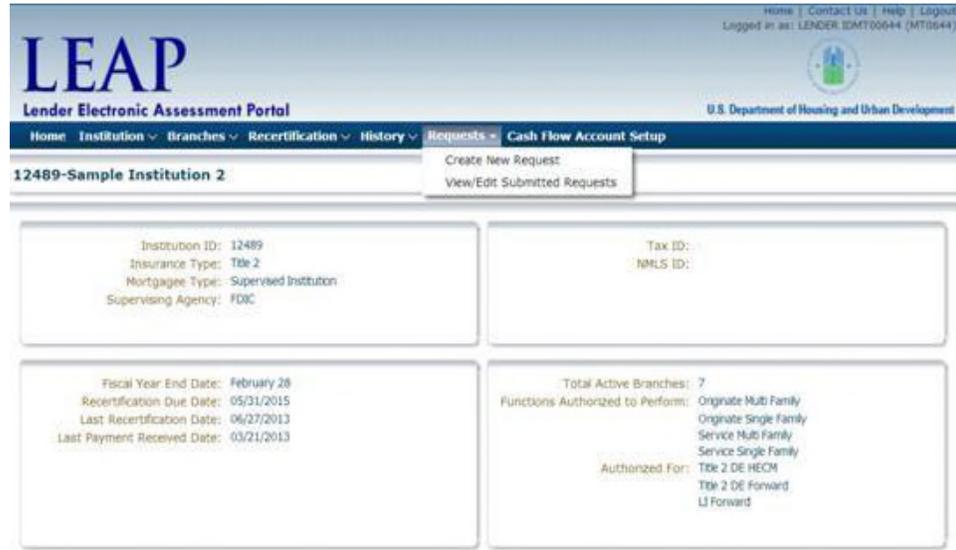
Types of Change Request:

- Add Insurance Authority
- Credit Watch Re-instatement
- Extension Request
- **Lender Org Change**
- **Merger or Acquisition**
- **Voluntary Withdrawal**

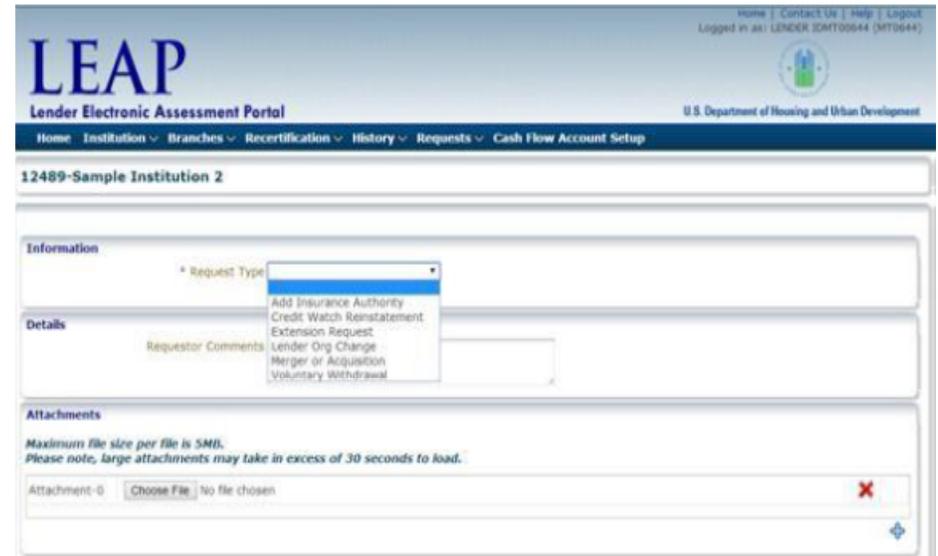


How to submit a Change Request to FHA

1. On the LEAP menu bar, click the Requests drop-down and select “Create New Request.”



2. Choose the type of request to submit by selecting an option from the Request Type drop-down.



Based on the type of request selected, the details section will change to display instructions and requirements specific to that request type, including any required attachments.

When a Request is approved or rejected by FHA, the Institution’s Administrative Contact will receive an e-mail notification. This information also will display in the Notices section of the Institution Summary screen.

Most Common Change Requests

Lender Org Changes include the following sub-types:

Sub-types	
Ad Hoc	Fiscal Year End Change
Add Branch	Geo. Address State Change
Add Branch DBA	Inst. Address Verification
Add Institution DBA	Name Change
Branch Address State Change	New Corporate Officer
Branch Address Verification	Change Branch Insurance Type

When to register a Branch

- All Branch Offices in which lenders conduct FHA business, including originations, underwriting and/or servicing must be registered immediately.
- A Branch registration fee must be paid at the time of submission.



Adding Branches – Most Common Errors

If you receive this error...	Issue	Action
Invalidated geographic address	Address could not be validated by USPS	Correct address and re-submit request
Rejected payment	Invalid account information	Correct account information and resubmit. If funds have already been debited, contact FHA's Resource Center
Branch Manager associated with another FHA institution	Branch Manager's association with another institution will need to be removed	Contact FHA Resource Center



When to notify FHA of a Name Change

- Lenders must submit a Name Change Request in LEAP when the Institution has legally changed its business name, but the Tax Identification Number and organizational structure remains the same.
- The name change must be reflected in the Nationwide Mortgage Licensing System.



When to notify FHA of a Name Change (cont.)

The following required documentation must be provided with the request. The new legal name of the entity must be shown on each document.

- A cover letter signed by a Corporate Officer summarizing the business change. The letter must include the effective date of the change.
- An Amendment to its Articles of Incorporation or Articles of Organization;
- Supervised lenders must provide a charter amendment; and
- Evidence that the change has been approved by the State in which the lender's home office is located.



Is a Corporate Officer necessary?

- Yes. Corporate Officers are persons who will be directly involved in managing, overseeing, or conducting your FHA business. An entity can have as many Corporate Officers as needed.
- One Corporate Officer qualified to be designated as the Officer in Charge (OIC) is necessary. The OIC is the person who will manage and direct FHA operations.

Officer in Charge

The Officer in Charge (OIC) designee must meet the following requirements:

- Employed exclusively by the FHA-approved Lender.
- Possess at least three years of experience in the specific functions or activities that the Lender is approved to perform, which may include:
 - originating or servicing Single Family or multifamily mortgages;
 - investing funds in real estate mortgages; or
 - managing other individuals performing these services.
- Provide a resume that details the relevant experience for the most recent seven-year period.



How to add a New Corporate Officer

- Submit a “New Corporate Officer” Change Request.
- The Change Request must include a detailed letter signed by a Corporate Officer currently authorized in LEAP.
- A separate request must be submitted for each Corporate Officer to be added.
- The following documentation must be included:
 - Cover letter
 - Current resume
 - Current tri-merged residential mortgage credit report
 - Full name
 - Title
 - Social Security Number



What to do when a Corporate Officer leaves

- Submit an Ad Hoc Request in LEAP.
- The Ad Hoc Request must include a detailed letter signed by a Corporate Officer authorized in LEAP.
- The FHA Application Coordinator must terminate the FHA user IDs.

How to Withdraw from the FHA Program

- A request for voluntary withdrawal should be submitted via a letter signed by a Corporate Officer if a lender does not wish to retain or is ineligible to retain its FHA approval.
- Failure to complete the annual recertification process does not constitute a voluntary termination and may result with administrative sanctions.

Common Issues with Voluntary Withdraw

The following are the most common issues that can cause a delay in processing or possible denial of a submitted request:

- Loans that the institution is showing as holder or servicer
- Unpaid Mortgage Insurance Premiums (MIP)
- Open Loan Review System (LRS) Cases
- Indemnification Requests
- Mortgagee Review Board (MRB) Action



What to do if Planning a Merger

- A Change Request for the merger should be submitted via LEAP by the FHA-approved surviving institution as early in the process as possible but not later than 45 days prior to the merger effective date.
- To notify FHA of a merger involving an institution that is not FHA approved, submit an Ad Hoc request in LEAP and include all relevant details and documentation.



What to do if Planning a Merger (cont.)

The initial notification must include:

- A description of the proposed transaction
- Names and FHA IDs of parties involved in the merger
- Description of how the non-surviving entity will dispose of its FHA portfolio and origination pipeline, if applicable
- Anticipated effective date of the merger
- Executed regulatory documents approving the merger
- Legal document evidencing the merger (merger/purchase agreement)
- Interagency Bank Merger Act Application
- Merger approval documentation from the State or Federal regulatory agency

Mergers – What Happens?

Transfer Branches

FHA sends the surviving institution a request via LEAP to identify the non-surviving institution branches that will be transferred during the merger approval process.

Clear Outstanding Portfolio and Origination Pipeline

Before the effective date of the merger, the non-surviving FHA-approved institution must transfer all FHA loans that have not closed to the surviving institution or to another FHA-approved institution.



Mergers – What Happens? (cont.)

Final Steps

- The Certificate of Merger must be provided to FHA immediately following the effective date of the merger.
- FHA completes its processing by terminating the non-surviving lender's approval and all branches not transferred.



What is considered a Notice of Material Event?

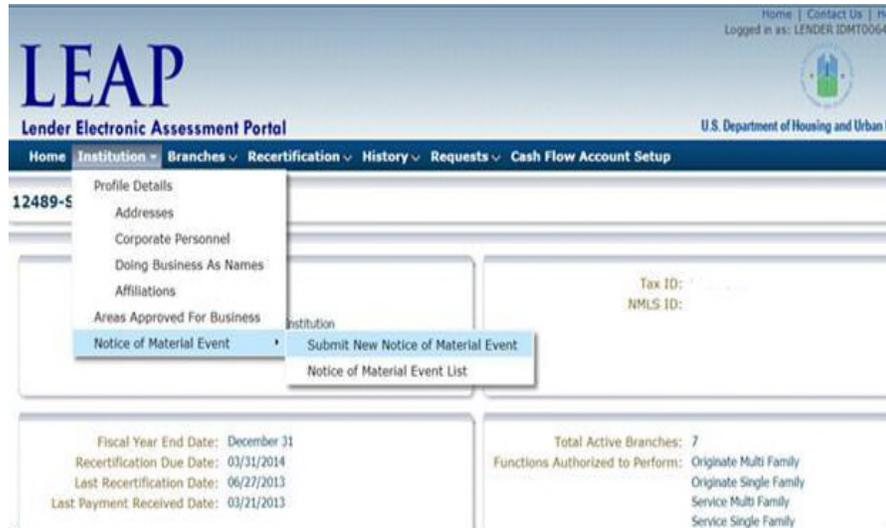
A change to the information provided as evidence of approval eligibility, or a change that affects the FHA-approval status.

Types of Material Events include, but are not limited to:

- Bankruptcy
- Business Form Change
- Cease Operations
- Change in Partnership
- Change of Fidelity Bond or E&O Insurance
- Lending License(s) Surrender
- Liquid Asset Deficiency
- Net Worth Deficiency
- Operating Loss
- Principal Activity Change
- **Change of Principal Owners**
- Supervision Change
- Unresolved Findings/Sanctions

How to submit a Notice of Material Event

1. From the Institution tab on the Menu Bar, select “Notice of Material Event,” and then click “Submit New Notice of Material Event”.



2. The screen will display additional instructions, including any information and/or documents that must be provided. You must also indicate the Event Date and include Additional Comments that will clarify the Notice of Material Event.

A screenshot of the LEAP portal showing the 'Notice of Material Event Details' form. The form includes fields for 'Notice of Material Event Type', 'Event Date', and 'Additional Comments'. Below the form is an 'Attachments' section with a note: 'Maximum file size per file is 5MB. Please note, large attachments may take in excess of 30 seconds to load.' There is a 'Choose File' button and a 'No file chosen' message. At the bottom right of the form, there are 'CANCEL' and 'SUBMIT' buttons. A red arrow points to the 'SUBMIT' button.

3. Once all required fields are completed, Click “Submit”.

How to submit a Notice of Material Event

FHA reviews the notice and determines if the event(s) reported affect the lender's FHA-approval and/or its ability to complete the annual certification.

A Notice of Material Event should include:

- A description of event in the space provided, which is limited to 255 characters.
- Supporting documentation uploaded as an attachment, each attached file size is limited to 5MB.

What to do if there is a change in Control of Ownership

Submit as a “Principal Owners” Notice in LEAP

- Privately-held corporation must notify FHA if an individual or entity that previously owned *less than 25 percent* of the lender’s voting stock acquires additional voting stock resulting in ownership of *25 percent or more*;
- Publicly traded corporation must notify FHA if an individual or entity that previously owned *less than 10 percent* of the lender’s voting stock acquires additional voting stock resulting in ownership of *10 percent or more*;
- Limited Liability Company, any change in Members requires notice to FHA; and
- Partnership, any change in Partners requires notice to FHA.



Control of Ownership / Document Requirements

	Applicable to Non-Supervised or Investing Lenders			
	Supervised	Corporation	Limited Liability Company	Partnership
Cover Letter	•	•	•	•
Executed Purchase Agreement	•	•	•	•
State-issued approval	•	•	•	•
Organization Chart		•	•	•
Bylaws		•		
Articles of Incorporation		•		
Operating Agreement			•	
Articles of Organization			•	
Partnership Agreement				•
Resume		•	•	•
Personal Credit Report		•	•	•
Business Credit Report		•	•	•



Resources



Resources

Helpful Links

- HUD's Lender Web Page
<https://portal.hud.gov/groups/lenders.cfm>
- Single Family Housing Handbook Information
www.hud.gov/program_offices/housing/sfh/handbook_4000-1
- LEAP User Manual
https://www.hud.gov/program_offices/housing/sfh/lender/SFH_Lenders_LEAP
- Upcoming Single Family Housing Events and Training
www.hud.gov/program_offices/housing/sfh/events
- Subscribe to FHA INFO
https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe



Resources (cont.)

Option	Point of Contact	Hours Available	Comments
1 FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2 Email	answers@hud.gov	24/7/365	
3 Telephone	1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.

FHA INFO emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe



Q&A



Q&A Instructions

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Option A: Computer or smartphone

- If viewing webinar through computer or smartphone, click *Raise Hand* icon.
- You will receive an onscreen message to unmute yourself, **single-click the *Unmute Myself* button.**
- When prompted by moderator, provide your name, company affiliation, then ask your question.

Option B: Standard telephone line

- To ask a question, press *9 to be placed in queue.
- Webinar moderator will unmute your phone and you will hear the following automated message, “**You Are Unmuted**” which allows you to begin speaking.
- When prompted by moderator, provide your name, company affiliation, then ask your question.

Thank you for joining us today!

