Welcome to...
FHA-Approved Mortgagee
Annual Recertification Requirements

Today’s webinar begins at 2:00 PM (Eastern).
We will be underway shortly.

Please test your speakers and choose Audio source (computer/smartphone or telephone) by selecting desired option in Audio Settings – see left side of toolbar at bottom of screen.
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• Recommend Chrome browser.
• Technical issues? Review *Technology FAQs* by clicking the **Chat** icon at the bottom of screen or **Landing Page**.
• Need additional tech support? Click **Contact Tech Support** icon on the **Chat** link or **Landing Page**.
Q&A Session

• Q&A session will follow the presentation.
• Follow instructions in Q&A Instructions link found in the Chat icon/Landing Page and Q&A Instructions slide at end of the presentation.
• Test Audio, if asking a question.
• Select one of the two Audio options:
  – Computer/Smartphone
  – Standard Telephone Line
• Send unanswered questions to FHA Resource Center.
Contact the FHA Resource Center

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

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- Documents/Materials:
  - Click **Chat** icon or **Landing Page**
  - Select the *Webinar Documents/Materials* link for a copy of the presentation.

- 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
Office of Lender Activities and Program Compliance
FHA-Approved Mortgagee
Annual Recertification Requirements
September 29, 2021

Presented by:
Nicole Black
Auditor
Lender Approval and Recertification Division

Erikka Young
Management Analyst
Lender Approval and Recertification Division

Last Updated: 09/09/2021
Agenda

System Access
Recertification Process
Financial Eligibility & Reporting Requirements
Common Deficiencies
New Developments
Resources
System Access
FHA Connection User Types

- **Application Coordinator** – is an employee of the FHA-approved Institution that grants or revokes roles/authorizations for the Lender Electronic Assessment Portal (LEAP) and other FHA Connection applications to the institution’s standard users.

- **Standard User** – is also an employee of the FHA-approved institution that has access rights to LEAP and other FHA Connection applications that must be granted by an Application Coordinator.

- **Auditor/Independent Public Accountant (IPA)** – is not an employee of the FHA-approved institution has an “Independent User” ID with specific access rights that must be granted by an Application Coordinator; may be authorized to access financials for multiple FHA-Approved Mortgagees (separate registration process).
Authorization Roles for Recertification

- **Institution View Only**: Has read-only access to all Institution, Branch, Request, Notice of Material Event, and History screens.
- **Certifying Official**: Has access to complete the Annual Certification.
- **Recertification Data Entry**: Has access to complete Lender Data Verification, Audit-Related Questions, Financial Data Template.
- **Recertification Payment**: Has access to submit the recertification payment and submit extension requests.

User Responsibilities

It is prohibited by law to share user IDs and passwords for any purpose. The IDs of all users found sharing information are subject to termination. Evidence of unauthorized use may be used for administrative, criminal or other adverse action.

Authority: Section 203, National Housing Act, Pub. L. 73-479; Section 255, National Housing Act, Pub. L. 100-242; 42 U.S.C. 3543 - Sec. 3543; U.S. Federal Criminal Code 18 USC 1030

- **Mortgagee (M0000)**
  - Enters financial data in the Financial Data Template (FDT) and completes the Audit Related Questions based on the audited financial statements provided by the CPA.

- **Independent Public Accountant (IPA) (I0000)**
  - Verifies the data in the Financial Data Template (FDT) and attests to its accuracy.
## FHA Connection ID Administration-HUD

To update an FHA user ID, fill out the form below and click Send when you are through. Upon verification of the information below, the user ID will be updated.

**Warning:** Misuse of Federal Information at this Website falls under the provisions of Title 18, United States Code, section 1030. This law specifies penalties for exceeding authorized access, alteration, damage or destruction of information residing on Federal Computers.

<table>
<thead>
<tr>
<th>Current Information on file:</th>
<th>User ID</th>
<th>Status</th>
<th>Issue Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The user ID was last updated by WEBID on 09/05/2002</td>
<td>316758</td>
<td>Approved</td>
<td>09/05/02</td>
</tr>
</tbody>
</table>

First Name: JOHN  
Middle Initial: D  
Last Name: SMITH  
Social Security Number:  
Organization Name:  
Telephone Number:  

Provide your e-mail address:  
Include your e-mail user name, the @ sign and [.servicesname.com/sedu/org/net/etc.]. For example: smith@aol.com, johndoe@adv.org, MDb04s@prodigy.com.

E-mail Address: jm_bob@hud.gov  
Re-enter E-mail Address for Verification: jm_bob@hud.gov  

If you would like to reset the password, please click on the link: Reset Password  
For future verification, please provide your Mother’s Maiden Name: NONE  

The following lenders are associated with the Independent user:  
Click on the lender ID number to access specific authorizations.
Recertification Process
2. I certify that, during the Certification Period, the Mortgagee, or any Corporate Officer was not:
   a. Subject to a suspension, debarment, or under a Limited Denial of Participation (LDP); or
   b. Refused or had revoked, any license necessary to conduct normal operations in the mortgage loan industry by any State(s) in which the Mortgagee will originate insured mortgages or Title I loans; except for those ... reported to HUD and ... received explicit clearance from HUD to continue with the certification process.

3. I certify that during the Certification Period the Mortgagee was not Sanctioned by any State(s) in which the Mortgagee will originate insured mortgages, or Title I loans, except for those Sanctions, if any, that the Mortgagee reported to HUD and for which the Mortgagee received explicit clearance from HUD to continue with the certification process.
Unable to Certify

- Any sanctions issued by regulatory agencies with authority over your institution.
- Updates to items previously reported but not been cleared by FHA.
- If the Certifying Official cannot check “Yes” to any of the statements, you must provide the Federal Housing Administration (FHA) with:
  - A detailed explanation of the reasons(s) and/or events; and
  - Pertinent supporting documentation;
  - The explanation and documentation must reference the specific corresponding certification statement.
- The Mortgagee will be notified by email when they are cleared to proceed with the recertification process.
Audit-Related Questions

Responses to Audit-Related Questions should be supported by the financial statements.
## Financial Data Template

### Recertification - Financial Statements

Maximum file size per file is 5MB. Please note, large attachments may take in excess of 30 seconds to load.

#### Financial Data Template

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Cash and Cash Equivalents</td>
</tr>
<tr>
<td>101</td>
<td>Escrow deposit Cash</td>
</tr>
<tr>
<td>102</td>
<td>Restricted Cash / Compensating Balances (section 2-6, chpt 2 handbook 4060.1)</td>
</tr>
<tr>
<td>103</td>
<td>Trading Account Securities</td>
</tr>
<tr>
<td>104</td>
<td>Net Mortgage Servicing Rights</td>
</tr>
<tr>
<td>105</td>
<td>Other Real Estate Owned at Net Realizable Value</td>
</tr>
<tr>
<td>106</td>
<td>Loans Held for Investment</td>
</tr>
<tr>
<td>200</td>
<td>Pledged Assets</td>
</tr>
<tr>
<td>201</td>
<td>Assets Due from an Officer, Stockholder, or Related Entity</td>
</tr>
<tr>
<td>202</td>
<td>Personal Interest Investment</td>
</tr>
</tbody>
</table>

---
IPA Review

If the IPA selects “Does Not Agree” to any procedure, the LEAP sends the Administrative Contact an email, notifying the Mortgagee that the IPA did not attest to the submission.
Submit to HUD as Final
Rejected Recertification

When FHA rejects a recertification package the Administrative Contact will receive an email with the subject *Recertification Rejection Notice*.

- Mortgagees are required to complete a new Financial Data Template.

- Non-Supervised, Large Supervised, or Investing Mortgagees must complete the audit-related questions and resubmit recertification package to the IPA for attestation.
Financial Eligibility & Reporting Requirements
Financial Eligibility Requirements

Adjusted Net Worth

● The Mortgagee must have a minimum adjusted net worth of $1,000,000 plus one percent of the total volume in excess of $25,000,000 of FHA Single Family Mortgages originated, underwritten, serviced, and/or purchased during the prior fiscal year, up to a maximum required adjusted net worth of $2,500,000.

  – Computation of Adjusted Net Worth
    ▪ Large Supervised, Non-Supervised and Investing Mortgagees must provide a Computation of Adjusted Net Worth with the application.
  – Opinion on Supplemental Information
    ▪ The auditor must provide an opinion on any other or supplemental information provided with the financial statements

Liquidity

● The Mortgagee must hold no less than 20 percent of its required adjusted net worth in liquid assets.
# Mortgagee Reporting Requirements

<table>
<thead>
<tr>
<th>Segment</th>
<th>Recertification Steps</th>
<th>Financial Reporting Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Supervised</td>
<td>• Lender Data Verification&lt;br&gt;• Certification&lt;br&gt;• Financial Data Entry&lt;br&gt;• Payment&lt;br&gt;• Submit to HUD as Final</td>
<td>• Signed Unaudited Regulatory Report</td>
</tr>
<tr>
<td>(Total net assets less than $500 million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Supervised</td>
<td>• Lender Data Verification&lt;br&gt;• Certification&lt;br&gt;• Audit Related Questions&lt;br&gt;• Financial Data Entry&lt;br&gt;• Payment&lt;br&gt;• Submit to Independent Public Accountant for Review&lt;br&gt;• Submit to HUD as Final</td>
<td>• Audited Financial Statements&lt;br&gt;• Signed Independent Auditor’s Report on Supplementary Info&lt;br&gt;• Computation of Adjusted Net Worth&lt;br&gt;• Report on Internal Controls&lt;br&gt;• Report on Compliance&lt;br&gt;• Unaudited Regulatory Report or Consolidated Schedules, if applicable</td>
</tr>
<tr>
<td>Non – Supervised Mortgagees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investing</td>
<td>• Lender Data Verification&lt;br&gt;• Certification&lt;br&gt;• Submit to HUD as Final</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>• Lender Data Verification&lt;br&gt;• Certification&lt;br&gt;• Submit to HUD as Final</td>
<td></td>
</tr>
</tbody>
</table>
## Compliance Report Requirements

<table>
<thead>
<tr>
<th>Areas Tested</th>
</tr>
</thead>
</table>
| **Title I and Title II** | • Quality Control Plan  
  – Sponsor Responsibilities for Third Party Originators  
  – Branch Office Operations  
  – Loan Origination  
  – Loan Servicing  
  – Federal Financial and Activity Reports  
• Lender Annual Recertification  
• Adjusted Net Worth  
• Liquidity  
• Licensing|
| **Title I** | • Loan Disbursements  
• Eligible Fees and Charges|
| **Title II** | • Loan Settlement  
• Escrow Accounts  
• Kickbacks|
Common Deficiencies
Recertification Payment

Rejected Payments

But... why?

- Pay.gov could not locate the account
- Account information was incorrect
- Account number did not have enough digits
Recertification Payment (cont.)

Rejected Payments

How to fix it:
Pay.gov Timeout Errors

There could be several reasons for the error:

- Use Google Chrome or Firefox to access LEAP
- Timing
- The account number must be at least 4 digits long
- Notify your bank and provide the LEAP Agency Location Code: 8609030025
Financial Data Template Errors

- Entering truncated numbers in the financial data template.
- Data entered does not tie to the financial statements submitted.
- Supervised Mortgagees entering pledged assets in the financial data template.
- Supervised Mortgagees failing to include total assets in the financial data template.
Adjusted Net Worth Errors

- Does not include total FHA activity.

- Is based on financials of consolidated entity instead of the FHA approved entity.

- Fails to exclude assets that are unacceptable in accordance with Handbook 2000.04, REV-2 Change 22, January 2021, Chapter 7, Section 7-5.
### Adjusted Net Worth Errors (cont.)

**Failure to Complete the Computation of Adjusted Net Worth Template**

<table>
<thead>
<tr>
<th>Formula</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA servicing portfolio* at (end of fiscal year under audit)</td>
<td>(a)</td>
</tr>
<tr>
<td>FHA originations – FHA-insured Title II loan originations during the fiscal year</td>
<td>(b)</td>
</tr>
<tr>
<td>FHA purchases – FHA-insured Title II third-party originator purchases during the fiscal year</td>
<td>(c)</td>
</tr>
<tr>
<td>Total FHA loan activity ([d] = (a)+(b)+(c))</td>
<td>(d)</td>
</tr>
<tr>
<td>FHA-insured Title II loan originations retained at the fiscal yearend</td>
<td>(e)</td>
</tr>
<tr>
<td>FHA-insured Title II third-party originator purchases retained at the end of fiscal year</td>
<td>(f)</td>
</tr>
<tr>
<td>Adjustments ([g] = (e)+(f))</td>
<td>(g)</td>
</tr>
<tr>
<td>Total adjusted FHA loan activity ([h] = (d)-(g))</td>
<td>(h)</td>
</tr>
</tbody>
</table>
Audit-Related Question Errors

- Small supervised Mortgagees fails to include “SIGNED” call report.
- Audited consolidating schedules or call reports are not included when submitting consolidated financial statements.
- All required test areas are not listed in the Compliance Report.
- Incorrect responses to the Audit-Related Questions.
Supporting Documents

Failure to Provide Documents for Acceptable Assets Included in the Computation of Adjusted Net Worth

- **Approved Real Property**
  - Appraisal
  - Recorded Deed
  - Most Recent Mortgage Statement

- **Cash Contributions**
  - Contributor bank statement
  - Mortgagee bank statement showing deposited contribution
New Developments
Handbook 2000.4 Guideline Update


- Excludes real property other than the home office registered with HUD
- Excludes any asset designated to offset future expenses
- Schedule of other assets prepared by a Mortgagee or issuer, and attested to by an Independent Auditor
- Affected Mortgagees must submit a Notice of Material Event in LEAP
- FHA-approved Mortgagees will be expected to comply with the changes on or before December 31, 2021.
Auditor Reporting Standards


<table>
<thead>
<tr>
<th>SAS 134</th>
<th>Impacted Reports</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Audited Financial Statements</td>
<td>• Ordering of Sections</td>
</tr>
<tr>
<td></td>
<td>• Signed Independent Auditor’s Report on Supplementary Info</td>
<td>• Expansion of Auditor and Management Responsibilities</td>
</tr>
<tr>
<td></td>
<td>• Report on Internal Controls</td>
<td>• Basis for Opinion Includes a statement that the auditor is required to be independent</td>
</tr>
<tr>
<td></td>
<td>• Report on Compliance</td>
<td></td>
</tr>
</tbody>
</table>
Resources
References

• FHA Connection user registration details: https://entp.hud.gov/clas/reginfo.cfm


• The HUD-OIG Consolidated Audit Guide is available at: http://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides

• Single Family Housing News (FHA INFO) emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. To sign up go to: https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe
## FHA Resource Center

<table>
<thead>
<tr>
<th>Option</th>
<th>Point of Contact</th>
<th>Hours Available</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA Knowledge Base – FAQs</td>
<td><a href="http://www.hud.gov/answers">www.hud.gov/answers</a></td>
<td>24/7/365</td>
<td>Knowledge Base web page includes option to email questions.</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:answers@hud.gov">answers@hud.gov</a></td>
<td>24/7/365</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>1-800-CALL-FHA (1-800-225-5342)</td>
<td>8:00 AM to 8:00 PM Eastern M-F</td>
<td>Voicemail is available after hours or during extended wait periods.</td>
</tr>
</tbody>
</table>

**FHA INFO emails:** Frequent email notifications of new policies and training opportunities for anyone who signs up. 
Subscribe at: [https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe](https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe)
Q&A
Q&A Instructions & Open Discussion

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**Option A: Computer or smartphone**

- If viewing webinar through computer or smartphone, click *Raise Hand* icon. You will receive onscreen message to unmute yourself – single click *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 an automated voice message stating *You Are Unmuted*. When prompted by moderator, provide your name, company affiliation, then ask your question.
Thank you for joining us today!