



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Welcome to...
FHA Quality Assurance Update: Q3 2020

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.
- Follow instructions in *Q&A Instructions* link found in the **Chat** icon/**Landing Page** and **Q&A Instructions** slide at end of 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 & Training Evaluation

- 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





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Office of Lender Activities and Program Compliance

FHA Quality Assurance Update: Q3 2020

August 26, 2020

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Last Updated: 8/20/2020



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Agenda

Loan Review Results

COVID-19 National Emergency Updates

Resources

Q&A



Loan Review Results



Quarterly Volume

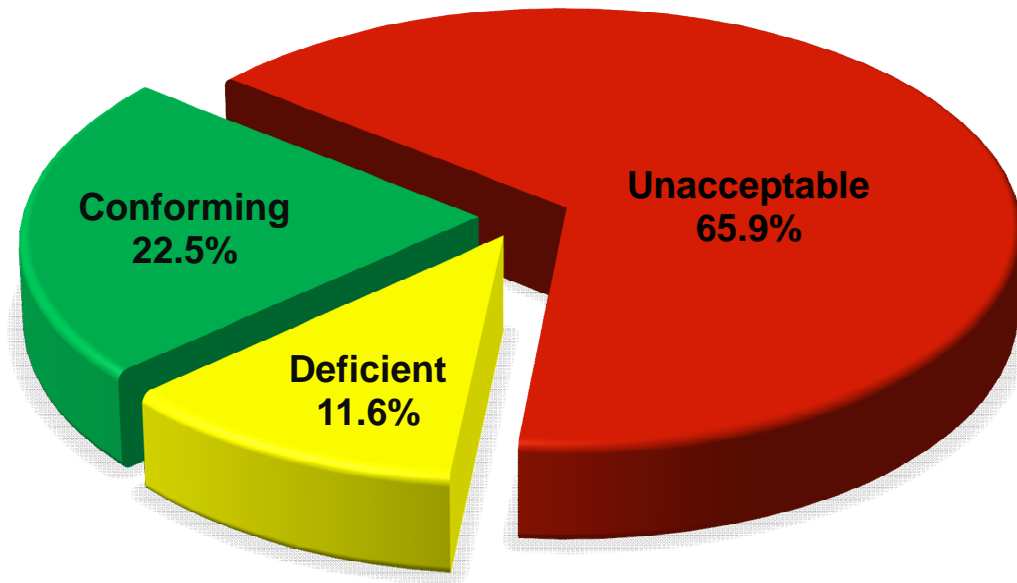
Review Type	# Completed	% Net Material	
Underwriting	5,369	13%	
Servicing	430	5%	
SELECTION REASON	Risk Algorithm	2,387	7%
	Early Payment Defaults	963	19%
	Lender Monitoring	897	10%
	Lender Self-Reports	621	28%
	Random Selections	290	8%
	Review Location Quality Control (QC)	282	5%
	Test Cases	177	5%
	FHA Manual Selections	85	42%
	Early Claims	78	9%
	OIG Audit	19	58%
Quarterly Total	5,799	12%	

Loan Review System (LRS) reviews completed from 4/1/2020 to 6/30/2020

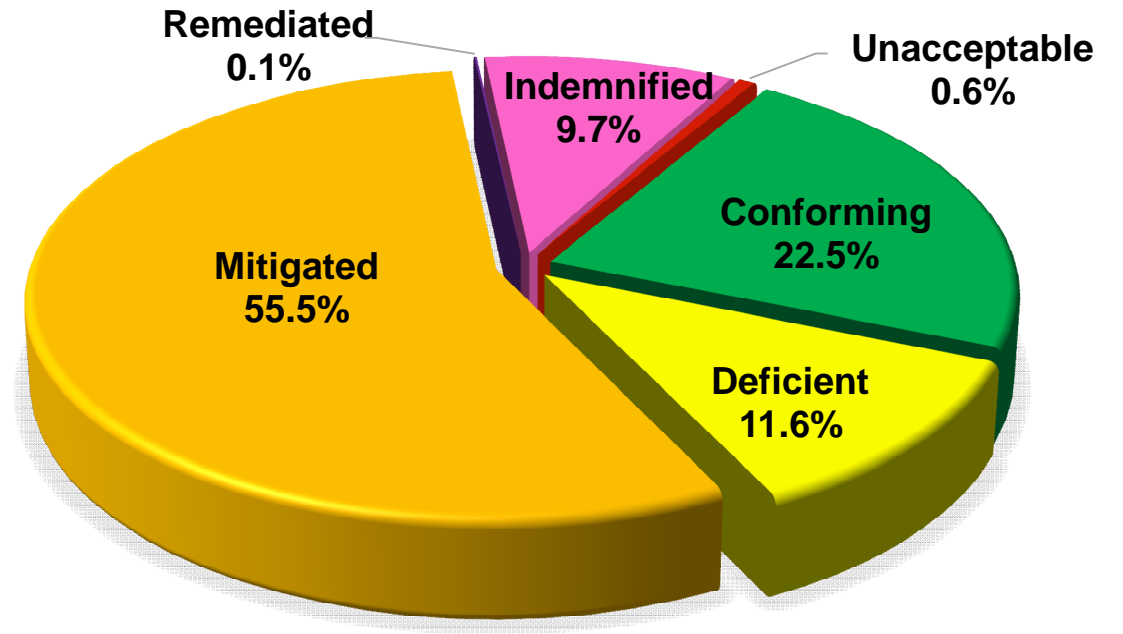


Quarterly Ratings and Outcomes

Initial Ratings (Gross)



Final Ratings (Net)



LRS reviews completed from 4/1/2020 to 6/30/2020 (excluding lender self-reports and internal QC)

Quarterly Loan Review Summary

Quarterly Loan Review Summary

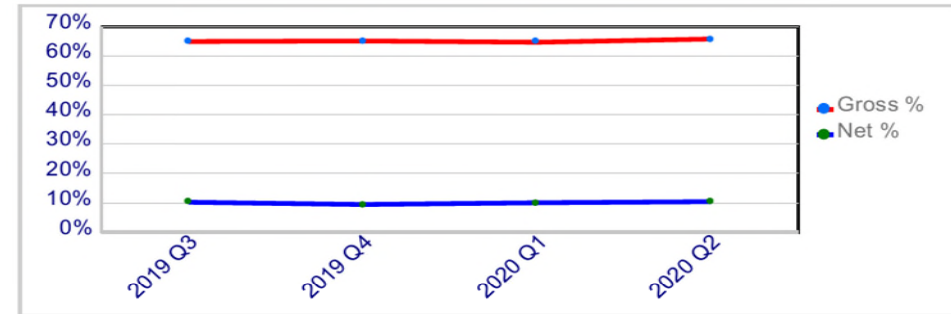
Completed Quarter(s): 2020 Q2, 2020 Q1, 2019 Q4, 2019 Q3

Location(s): All

Sample: Total

Material Defects

Qtr	# of Loans	Gross #	Gross %	Net #	Net%
2019 Q3	8,844	5,750	65.0%	903	10.2%
2019 Q4	8,198	5,346	65.2%	774	9.4%
2020 Q1	8,185	5,301	64.8%	821	10.0%
2020 Q2	4,913	3,236	65.9%	511	10.4%

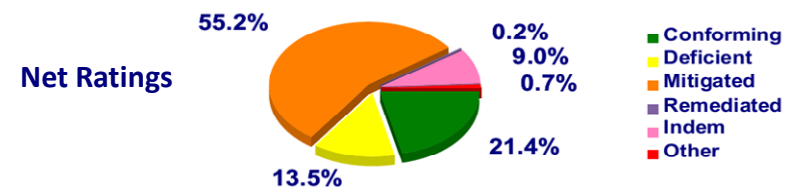
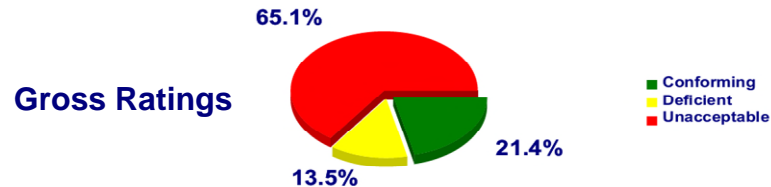


Review Ratings

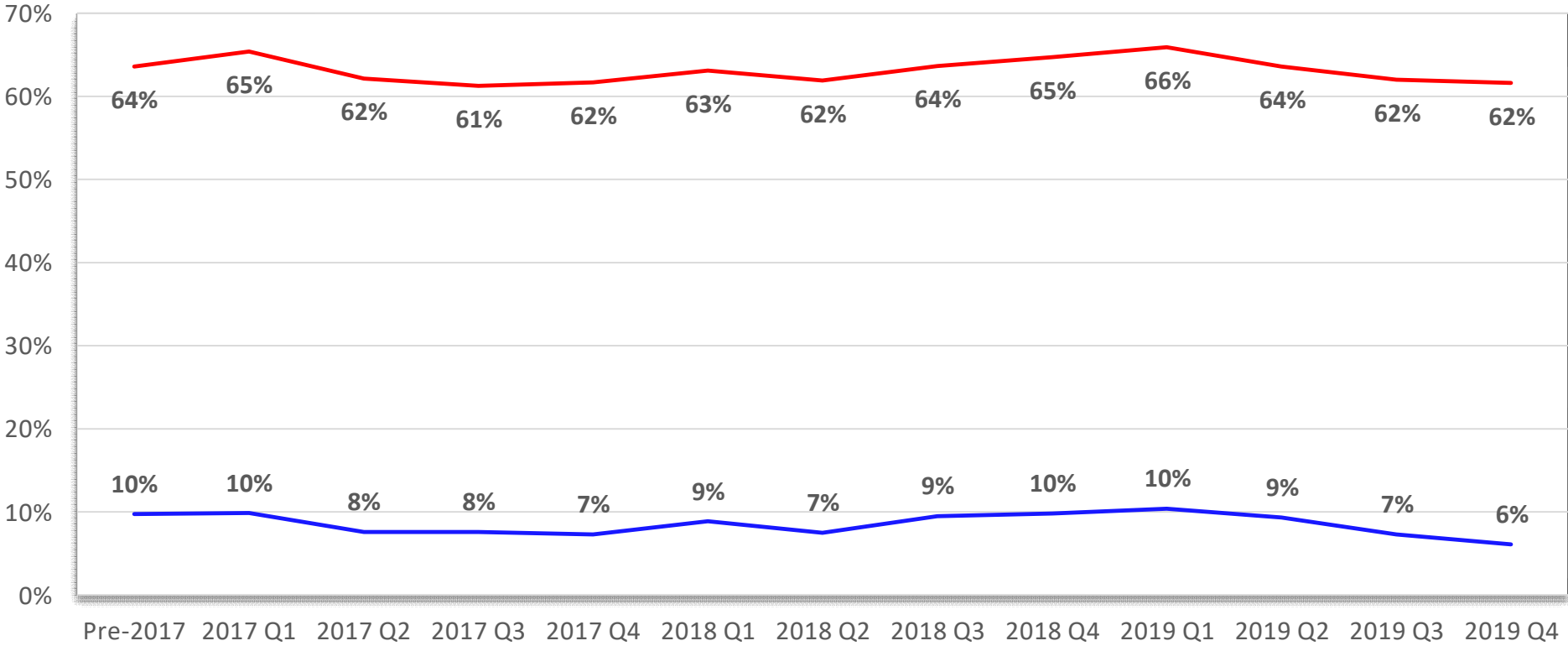
Quarter	Conforming	Deficient	Mitigated	Remediated	Indem	Other
2019 Q3	1,889	1,205	4,847	27	819	57
2019 Q4	1,711	1,141	4,572	12	719	43
2020 Q1	1,745	1,139	4,480	25	712	84
2020 Q2	1,105	572	2,725	6	476	29
Total	6,450	4,057	16,624	70	2,726	213

Review Ratings %

Quarter	Conforming	Deficient	Mitigated	Remediated	Indem	Other
2019 Q3	21.4%	13.6%	54.8%	0.3%	9.3%	0.6%
2019 Q4	20.9%	13.9%	55.8%	0.1%	8.8%	0.5%
2020 Q1	21.3%	13.9%	54.7%	0.3%	8.7%	1.0%
2020 Q2	22.5%	11.6%	55.5%	0.1%	9.7%	0.6%
Total	21.4%	13.5%	55.2%	0.2%	9.0%	0.7%



Outcome Trends by Endorsement Date



*Calendar Year Quarters

— Gross Material Defect Rate — Net Material Defect Rate

LRS reviews completed from 5/15/2017 to 6/30/2020 (excluding lender self-reports, test cases and internal QC)



COVID-19 National Emergency Updates



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COVID-19 National Emergency Updates

Temporary Waivers of Quality Control (QC) Requirements

- Early Payment Default (EPD) Review Flexibility
 - Temporary waiver of Handbook 4000.1 Sections V.A.3.a.i(C) and V.A.3.a.iv(B)(2)
 - QC review not required for EPDs that would have been May, June, or July 2020 QC selections.
 - Review of FHA loans from random and discretionary samples must continue and may include EPDs.
- Alternatives to Field Review of Appraisals
 - Temporary partial waiver of Handbook 4000.1 Section V.A.3.c.ii(C)(1)(b)
 - Third-party valuation tools may be used as an alternative to field reviews.
 - Applicable for reviews in process and cases selected as May, June, or July 2020 QC selections.
 - Must continue to meet all other appraisal QC requirements, including desk reviews of appraisals.



COVID-19 National Emergency Updates

Compare Ratio Impacts

- Significant increase in default and claim rates impacts Compare Ratios.
- FHA is unable to remove loans in forbearance from Neighborhood Watch.
- FHA will consider the impact of the COVID-19 National Emergency as a relevant mitigating factor for Credit Watch Termination and Lender Insurance (LI) Program monitoring processes.
- Lenders should continue monitoring Compare Ratios closely.



COVID-19 National Emergency Updates

Using FHA Catalyst for LRS Binder Requests

- FHA Catalyst: Case Binder Module
 - Expanding to allow electronic delivery of case binders selected for post-endorsement review in LRS.
 - Lenders that would have submitted paper binders must use FHA Catalyst for electronic delivery.
 - Lenders approved for electronic Case Binder (eCB) submission must continue to submit eCBs through FHA Connection.
- LRS Binder Requests through FHA Connection
 - Each lender's LI Contact will continue to receive automated email notifications.
 - FHA Connection Binder Selection screen shows all requested cases.
 - LRS Binder Request function shows subset of cases requested for review in LRS.



Resources



Resources

FHA Catalyst: Case Binder Module Information Page

https://www.hud.gov/program_offices/housing/FHACatalyst/casebinder

- User Guide
- Webinar Training
- Q&A

To submit case binders through the FHA Catalyst: Case Binder Module, Mortgagees must request access by contacting the FHA Resource Center at answers@hud.gov or 1-800-CALL FHA (1-800-225-5342)

HUD.GOV SECRETARY OF HUD WHAT WE DO HUMANS OF HUD FIND SHELTER CORONAVIRUS RESOURCES

HOUSING HOME ABOUT US SINGLE FAMILY HEALTHCARE PROGRAMS MULTIFAMILY HOUSING COUNSELING MORE

Home / Program Offices / Housing / FHA Catalyst / Case Binder Module

FHA CATALYST

FHA CATALYST: CASE BINDER MODULE

Part of FHA's multi-year IT Modernization initiative, the case binder module is one component of FHA Catalyst, FHA's new, flexible cloud-based platform. This module enables lenders to electronically deliver case binders instead of mailing paper binders for single-family forward mortgages and Home Equity Conversion Mortgage insurance endorsements. This state-of-the-art automation eliminates manual, paper-based processes, provides error checks and enhances data integrity, leading to more accurate and efficient submissions. The platform also provides real-time access to case binder submission, status, and other information, which offers new tracking and analysis capabilities for lenders and FHA.

Module Technology Enhancements

FHA-approved mortgagees can submit single family forward and HECM loan origination case binder documents electronically for FHA endorsement.

Who Can Use the Case Binder Submission module:

- All FHA-approved lenders who were previously required to submit paper case binders to FHA's Homeownership Centers for an initial submission to re-submit case binders for reconsideration after a Notice of Return;
- Lenders without FHA Lender Insurance authority who are not approved for electronic Case Binder (eCB) submission through FHA Connection, may use the *FHA Catalyst*. Case Binder delivery module for submission of case binders for Severe Case Warnings;
- Lenders seeking Direct Endorsement Authority who are required to submit Test Cases.

Mortgage Lender Resources

User Guides

The *FHA Catalyst: Case Binder Module User Guide* provides detailed instructions for navigating the new case binder module, including guidance on how to upload different categories of loan documents.

[Access the User Guide](#)

[Review Q and A](#)

User Training



Resources (cont.)

LRS Information Page

https://www.hud.gov/program_offices/housing/sfh/lender/loan_review_system

- LRS User Manual
- Defect Taxonomy
- Webinars



Home / Program Offices / Housing / Single Family / Lenders / Loan Review System

LOAN REVIEW SYSTEM

The Loan Review System (LRS) is the electronic platform for most Federal Housing Administration (FHA) Title II Single Family quality assurance review processes, including:

- Various Post-Endorsement Loan Reviews
- Unconditional Direct Endorsement Authority Test Cases
- Lender Monitoring Reviews
- Lender Self-Reporting of Fraud and Other Material Findings

Functions and Features

Loan Review Resources

Effective January 1, 2020

- [LRS User Manual](#)
- [Defect Taxonomy Version 2](#)

Discontinued December 31, 2019

- [Defect Taxonomy Version 1](#)

Quality Assurance Webinars

Take advantage of FHA's online webinar offerings to stay up-to-date on quarterly



Resources (cont.)

Helpful Links

- FHA Single Family Information Page

https://www.hud.gov/program_offices/housing/sfh

- Single Family Housing Policy Handbook 4000.1

https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1

- Upcoming Events and Training

https://www.hud.gov/program_offices/housing/sfh/events

- Subscribe to FHA INFO Notices

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



Resources (cont.)

FHA Resource Center

- When inquiring about a specific LRS review, lenders must provide FHA case number and review location.
 - Review location is shown on the LRS Search screen, the Binder Request screen, or the Review Data tab.

The screenshot displays the LRS Search interface. On the left, there are search fields and filters. The search fields include a dropdown for 'Case Number(s)' and a search button. The filters are categorized by 'PRODUCT TYPE' and 'SELECTION REASON'. The search results are displayed in a table with the following columns: Case Number, Batch, Product Type, Selection Date, Selection Reason, Selection Status, Review Type, Review Level, Review Status, and Review Location. A red arrow points to the 'Review Location' column in the results table.

Case Number	Batch	Product Type	Selection Date	Selection Reason	Selection Status	Review Type	Review Level	Review Status	Review Location
		Refinance		Early Claims	Received	Underwriting	Initial	Assigned	SNA-QAD
		Refinance		Lender Self-Report	Received	Underwriting	Initial	Assigned	SNA-QAD
		Purchase		Early Payment Defaults	Received	Underwriting	Initial	Completed	SNA-PUD
		Purchase		Early Payment Defaults	Received	Underwriting	Initial	Completed	DEN-PUD
		Purchase		Lender Self-Report	Received	Underwriting	Mitigation 2	Assigned	PHI-QAD

Q&A



Q&A Instructions

Check your audio to ensure it's working correctly:

- Click *Test Speaker & Microphone* option or Microphone icon if image is crossed out.
- Test/change audio settings on computer/smartphone/telephone by selecting *Audio Settings* on toolbar.

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- 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!

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