



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

SINGLE FAMILY HOUSING



Welcome to...
FHA Application Workshop Series:
Session 1 - Financial Requirements for FHA Approval

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.

Technical Support

- Recommend Chrome browser.
- Technical issues? Review *Technology FAQs* by clicking **Chat** icon at bottom of screen or **Landing Page**.
- Need additional tech support? Click *Contact Tech Support* icon on **Chat** link or **Landing Page**.



Questions and Answers

- 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 FHA Resource Center

- Online at: www.hud.gov/answers
- Via email at: answers@hud.gov
- Via phone at: 1-800-Call-FHA (1-800-225-5342)

Persons with hearing or speech impairments call Federal Relay Service at 1-800-877-8339.



Documents/Materials & Training Evaluation

- Documents/Materials:
Click **Chat** icon or **Landing Page** – select *Webinar Documents/Materials* link for copy of presentation.
- Training Evaluation:
Click on **Chat** icon or **Landing Page** – select *Survey* link.



Helpful Links

Click **Chat** icon or **Landing Page** – 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 Webinars (On Demand) page:
https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars





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Office of Lender Activities and Program Compliance

FHA Application Workshop Series: Session 1 - Financial Requirements for FHA Approval

April 13, 2023

Presented by:

Lender Approval and Recertification Division
Sherica Achike, Auditor
Robert May, Auditor

Last Updated: 3/29/2023



OFFICE OF SINGLE FAMILY HOUSING



Welcome to the FHA Application Workshop Series

FHA Application Workshop Series - We will address common deficiencies noted in applications and provide tips for submitting a successful application.

- Financial Requirements for FHA Approval
 - We will provide guidance on the information and documentation needed to meet the financial eligibility requirements.
- General Approval Requirements
 - We will focus on approval requirements by mortgagee type and provide a detailed overview of the FHA Lender Approval Application process.



Agenda

Getting Ready to Apply

Types of Mortgagees

Application Process

How to Apply

Financial Reporting and Eligibility Requirements

Common Deficiencies

Resources

Q&A



Getting Ready to Apply

- Determine your mortgagee type (Government, Small Supervised, Large Supervised, Non-Supervised, and Investing) in which you will be applying as.
- Gather documentation specific to your Mortgagee type.
- Create access credentials in the Online Application System.

Reference: Single Family Housing Handbook 4000.1, Section I.A.2 Types of Approved Mortgagees



Types of Mortgagees

Lender	Definition
Government	A federal, state, or municipal governmental agency
Small Supervised	A member of the Federal Reserve System (FRS) or regulated by the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), or the National Credit Union Administration (NCUA), that does not meet the threshold required by those agencies for submitting audited financial statements.
Large Supervised	A member of FRS or regulated by FDIC, OCC, or NCUA, that has the consolidated assets equal to or greater than the prevailing threshold required by those agencies for submitting audited financial statements.
Non-Supervised	A lending institution that has as its principal activity the lending or investing of funds in real estate mortgages, consumer installment notes, or similar advances of credit or the purchase of consumer installment contracts and are not approved as supervised.
Investing	An organization that invests funds to purchase, hold, or sell FHA-insured loans.



Application Process



Application Process

- An applicant seeking FHA approval must submit an online application containing all information and documentation required to demonstrate eligibility for approval.
- The applicant must meet **all** requirements before application approval.
- The application package will be reviewed by FHA staff to determine eligibility for initial approval. The applicant may be required to provide additional supporting documentation.
- If the application is found deficient, it will be rejected. The applicant may appeal the rejection and submit the documentation needed to cure the deficiencies.

Application Process (continued)



- If the application is approved, an approval letter will be issued with an FHA identification number.
- Once approved into the FHA program, a New Lender Briefing will be scheduled.



How to Apply



How to Apply



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User Login

This application is only for lender applicants seeking new FHA approval.
If you are applying for both Title I and Title II approval, you will apply for both on the same application.
If you are an existing FHA lender seeking to expand your approval to either Title I or Title II, you must Create A New Request in LEAP to 'Add Insurance Authority.'
Do not use this portal for requesting additional authority.
For all other activities, please visit HUD's comprehensive [Lenders Page](#) for more links.

Do not use the forward and back buttons on your browser. Instead you may navigate from tab to tab with the Back and Continue arrows found at the bottom of each screen.

Note: Username cannot be more than 20 characters.

User ID *

Password *

Already Registered.

New applicant. Register Here!

Forgot/Reset your password. Enter valid User ID and click here!



How to Apply (continued)

The screenshot shows the HUD.GOV website with the 'ABOUT HUD' menu open. A red arrow points to the 'ABOUT HUD' menu. The 'General Information' form includes the following fields:

- Company Name
- DBA (Doing Business As) (if applicable)
- Tax ID
- NMLS ID
- UEI Number
- Confirm UEI Number
- Date Company Established (dropdown for month, input for year: 2019)
- Fiscal Year End Month (dropdown with checkmark)
- Minority/Women-Owned Business (checkbox)
- Nonprofit Entity? (Exempt from Application Fee) (radio buttons: Yes, No*)
- Affiliation with Home Builder (Y/N) (radio buttons: Yes, No*)
- Builder's Name
- Builder's Tax ID

Navigation buttons: Back, Continue



How to Apply (continued)

HUD.GOV
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Order Type Officers & Owners Attachments Certifications Summary Payment E-Signature

Geographic Address

Valid: There are multiple matches for your address. A best match has been chosen. Please verify the correct address has been chosen.

Address Line 1

Address Line 2

State

City

County

Zip

Phone

Fax

Check here if mailing address is the same

Mailing Address

Address Line 1

Address Line 2

State

City

County

Zip

[Validate Address](#)

[Back](#) [Continue](#)



How to Apply (continued)

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Lender Type Officers & Owners Attachments Certifications Summary Payment E-Signature

Lender Type, Functions and Loan Programs

FHA Lender Type

Supervising Agency

Other Agency Name

Lender Functions (check all that apply)

- Originate/Underwrite
- Service
- Own

FHA Loan Programs (check all that apply)

- Title II Single Family (Forward and Reverse Mortgage Programs)
- Title II Multifamily (Rental Housing, Nursing Homes, Hospitals, etc.)
- Title I (Property Improvement and Manufactured Home Loans)



Financial Reporting and Eligibility Requirements



Financial Documentation Requirements

Segment	Financial Documentation Requirements
Small Supervised	<ul style="list-style-type: none"> • Signed Unaudited Regulatory Report
Large Supervised Non-Supervised Mortgagees Investing	<ul style="list-style-type: none"> • Independent Auditor's Report to include opinions on Financial Statements and Supplementary Information • Audited Balance Sheet • Audited Income Statement • Audited Statement of Cash Flows • Audited Statement of Change in Equity • Notes to the Financial Statements • Audited Computation of Adjusted Net Worth
Government	<ul style="list-style-type: none"> • Not Applicable



Audit Period Covered

- Audited financial statements must cover the most recent fiscal year.
- The end date of the audited financial statements must align with the applicant's fiscal year end period at the time of the application.
- If the end date for the audited financial reports is more than six months old, the Mortgagee must also submit unaudited financial statements for the most recent interim accounting period.



Financial Eligibility Requirements

Adjusted Net Worth

- Minimum adjusted net worth: \$1,000,000.

Liquidity

- No less than 20 percent of its required net worth in liquid assets.

Principal Activity

- An applicant for Non-supervised Mortgagee must derive at least 50 percent of its gross revenue from its activities in lending or investing of funds in real estate Mortgages, consumer installment notes or similar advances of credit, the purchase of consumer installment contracts, or from a directly related field.



Common Deficiencies



Common Deficiencies

- Failure to meet the minimum net worth requirement.
- Failure to provide the computation of adjusted net worth.
- Failure to exclude unacceptable assets when calculating the computation of adjusted net worth.
- Failure to meet the minimum liquidity requirement.
- Audited financial statements do not cover the most recent fiscal year.



Common Deficiencies (continued)

- Cutoff date of audited financial statements do not align with the fiscal year end date.
- Independent Auditor's Report does not include the Auditor's Opinion on the Computation of Adjusted Net Worth relating to "Supplementary Information in Relation to the Financial Statements as a Whole".
- Financial statements are not prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- Financial statements are not audited in accordance with Generally Accepted Auditing Standards (GAAS).

Resources



References

- *FHA Connection user registration details:* <https://entp.hud.gov/clas/reginfo.cfm>
- *Online Application Link -* <https://www5.hud.gov/FHALender/>
- *Single Family Housing Policy Handbook 4000.1, Doing Business with FHA:* [SFH Handbook 4000.1 | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)
- *LEAP User Manual:*
http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_LEAP_user_manual.pdf
- *The HUD-OIG Consolidated Audit Guide is available at:*
<http://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides>



References (continued)

- *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:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/FHA_INFO_subscribe
- *Non-Supervised Mortgagee*
https://www.hud.gov/program_offices/housing/sfh/lender/lendappr/fha_non-supervised_mortgagee
- *Large Supervised Mortgagee*
https://www.hud.gov/program_offices/housing/sfh/lender/lendappr/fha_large_supervised_mortgagee
- *Small Supervised Mortgagee*
https://www.hud.gov/program_offices/housing/sfh/lender/lendappr/fha_small_supervised_mortgagee
- *Government Mortgagee*
https://www.hud.gov/program_offices/housing/sfh/lender/lendappr/fha_government_mortgagee



References (continued)

- *Investing Mortgagee*

https://www.hud.gov/program_offices/housing/sfh/lender/lendappr/fha_investing_mortgagee



FHA Resource Center

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



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.

Access audio using one of the following options:

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!

