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







U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION



SINGLE FAMILY HOUSING

Office of Lender Activities and Program Compliance

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

April 13, 2023

Last Updated: 3/29/2023

Presented by:

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





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 <u>all</u> 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.



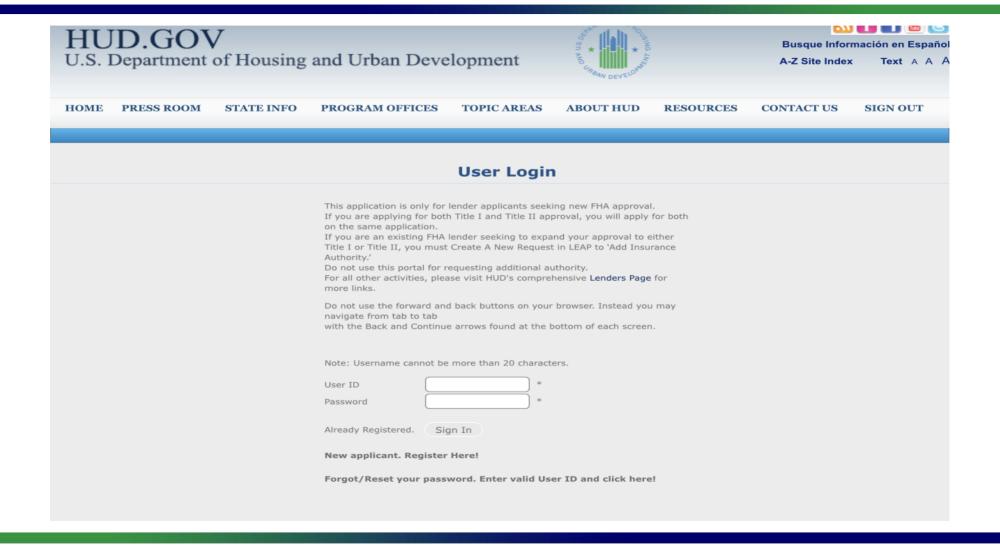


How to Apply





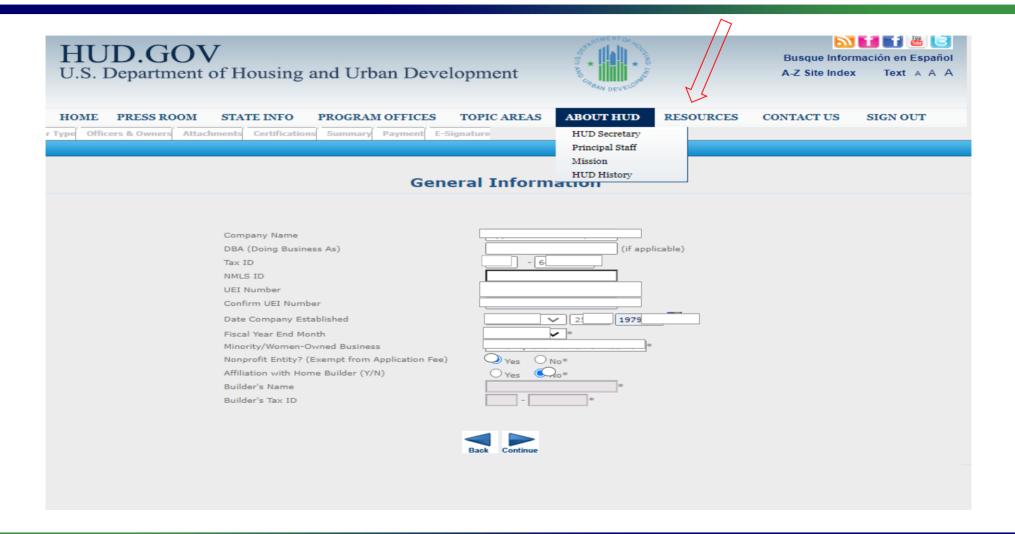
How to Apply







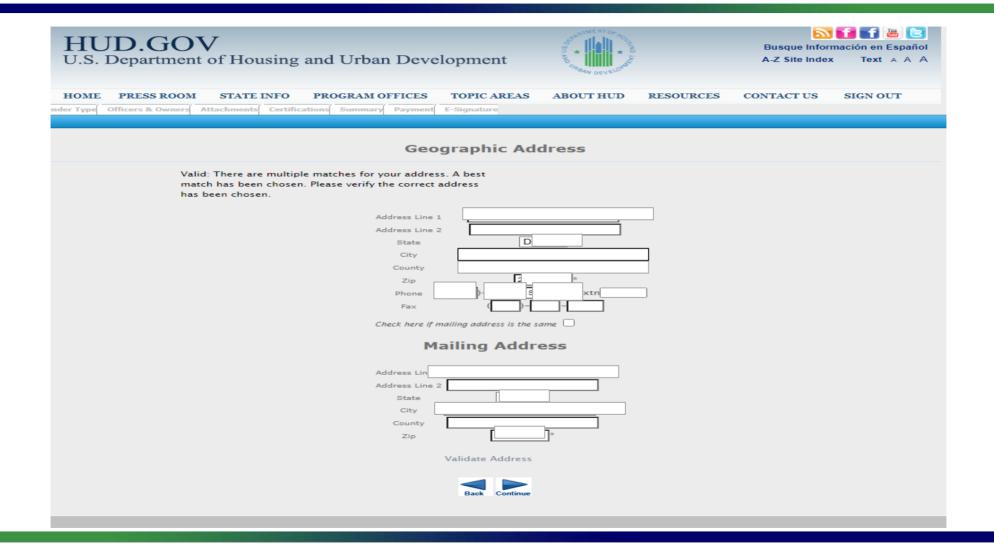
How to Apply (continued)







How to Apply (continued)







How to Apply (continued)







Financial Reporting and Eligibility Requirements





Financial Documentation Requirements

Segment	Financial Documentation Requirements	
Small Supervised	Signed Unaudited Regulatory Report	
Large Supervised Non-Supervised Mortgagees Investing	 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	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 it 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: <u>SFH</u> <u>Handbook 4000.1 | HUD.gov / U.S. Department of Housing and Urban Development (HUD)</u>
- 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, <u>single-click</u> 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!



