Welcome to...
Mortgagee Review Board
Functionality and Operations

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

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Contact the FHA Resource Center

- Online: www.hud.gov/answers
- Email: answers@hud.gov
- Phone: 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](https://www.hud.gov/program_offices/housing/sfh/lender)

- FHA FAQ page:  
  [https://www.hud.gov/FHAFQAQ](https://www.hud.gov/FHAFQAQ)

- Single Family Housing Archived (On Demand) Webinars page:  
  [https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars](https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars)
Office of Lender Activities and Program Compliance

Mortgagee Review Board
Functionality and Operations
September 22, 2021

Presented by:
Nancy Murray
Director
Mortgagee Review Board

Diane LaDuca
Mortgagee Review Board Specialist
Overview
Overview


- HUD entity authorized to take administrative action against Federal Housing Administration (FHA) approved Mortgagees
- The MRB Division Director serves as the Secretary of the Board
- MRB Division in conjunction with the Office of General Counsel (OGC) Office of Program Enforcement, prepare and present cases to the Board and implement the Board’s decisions
Overview (cont.)

Members of the Board

- Chairperson, Assistant Secretary for Housing/FHA Commissioner
- General Counsel
- President of Ginnie Mae
- Chief Financial Officer of HUD
- Assistant Secretary for Administration
- Assistant Secretary for Fair Housing and Equal Opportunity
- Advisors
  - Director, Office of Lender Activities and Program Compliance
  - Inspector General
Overview (cont.)

Authorized Actions

• Letter of Reprimand
• Probation
• Suspension of FHA Approval
• Withdrawal of FHA Approval
• Assessment of Civil Money Penalties
• Administrative Payments
• Cease and Desist Order
• Settlement
Referral Sources
Referral Sources
Types of Cases and Violations
Types of Cases and Violations

Recertification Deficiencies
• Failure to comply with annual re-certification requirements

Fact Based
• A review of origination or servicing activities
• Violations of statutory, regulatory, and/or program requirements
Preparation and Processing
Preparation and Processing

- Review all case information
  - Certifications
  - Financials
  - Quality Assurance Findings and Mortgagee response
  - Loan Files
  - Review State and Federal Regulator websites
  - HUD/FHA Program Requirements
- Issue Notice of Violation (30-day letter)
- Analyze Mortgagee response and evaluate mitigating and aggravating circumstances
- Conduct Mortgagee meeting
Preparation and Processing (cont.)

Board Meetings

• Bi-Monthly
• Briefing materials provided
• Overview of case facts and other pertinent information presented by the MRB Secretary
• Board members discuss and vote
• Communicate the decision to mortgagee
Preparation and Processing (cont.)

- Process the suspension and/or withdrawal of Mortgagees’ approval through Notices of Administrative Action
- Prepare and file complaint for Civil Money Penalties
- Prepare and execute Settlement Agreement(s)
- Process any Indemnifications of individual cases in FHA Connection
- Appeals
- Federal Register Notice of Board Actions
Case Scenarios
Case Scenario – Recertification

Referred due to failure to complete the Annual Recertification for failure to timely:

- File the annual recertification in Lender Electronic Assessment Portal (“LEAP”)
- Submit acceptable audited financial statement(s) and supplementary reports
- Remit the annual recertification fee

Outcome:

- NOV returned undeliverable to official address of record in LEAP
- Research and verify operating status
  - NMLS
  - Secretary of State
- Staff recommended withdrawal of Mortgagees FHA approval
Case Scenario – Recertification (cont.)

Referred due to deficiencies in completing the Annual Recertification for failure to timely:

• Submit the automated annual certification
• Submit acceptable audited financial statement(s) and supplementary reports via LEAP
• Remit the annual recertification fee

Outcome:

• Mortgagee cured the deficiencies and offered a settlement including:
  – Payment of a Civil Money Penalty
Case Scenario – Financial

Referred due to deficiencies in financials for failure to:

- Maintain Minimum Adjusted Net Worth (ANW)
- Timely notify of minimum ANW deficiency
- Maintain minimum liquid assets
- Timely notify of a liquid asset deficiency
- Timely notify of operating losses exceeding twenty percent in any quarter of the fiscal year
- Principal Activity change (Non-Supervised Mortgagee only)
- Submit an accurate annual certification

Outcome:

- Mortgagee offered a settlement including:
  - Payment of a Civil Money Penalty
  - Submission of quarterly financials to demonstrate compliance
Case Scenario – Origination

Referred as a result of unresolved findings for failure to:

- Cooperate with HUD/FHA during 2017 and 2018 Mortgagee monitoring reviews
- Ensure quality control vendor made accurate loan sample risk assessments
- Complete timely reviews of its early payment defaults in accordance with HUD/FHA requirements

Outcome:

- Mortgagee offered a settlement including:
  - Payment of a Civil Money Penalty
  - Indemnification of certain loans
Case Scenario – Servicing

Referred as a result of unresolved findings from a servicing lender monitoring review for failure to:

- Issue, adopt, and implement an acceptable Quality Control Program and Quality Control Plan that complies with HUD/FHA requirements
- Engage borrowers in Loss Mitigation activities and/or retain required documentation in the loan servicing files
- Provide loss mitigation information to bankruptcy trustee or Mortgagor
- Properly document loss mitigation evaluations and/or failed to complete all the required elements of Loss Mitigation Option Waterfall
- Cooperate with FHA during 2017 and 2018 lender monitoring reviews
- Timely remit periodic Mortgage Insurance Premiums to HUD/FHA and/or timely notify of the termination of the contract of insurance or sale of the mortgage loan
Case Scenario – Servicing (cont.)

Failure to:

• Properly assess inspection fees
• Ensure accurate and timely Single Family Default Monitoring System reporting

Outcome:

• Mortgagee offered a settlement including:
  – Payment of a Civil Money Penalty
  – Remittance of delinquent MIP
  – Indemnification of certain loans
Case Scenario – Servicing (cont.)

- Board rejected the Mortgagees offer and approved a counteroffer of settlement including:
  - Payment of a Civil Money Penalty
  - Remittance of delinquent MIP
  - Indemnification of certain loans
  - Quality Control Plan revised to include all required elements
  - Reimbursement of inspection fees to borrowers
Statistics
## Mortgagee Review Board
### Historical Fiscal Year Activity Chart
**As of September 30, 2020**

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Number of Cases</strong></td>
<td>263</td>
<td>105</td>
<td>51</td>
<td>117</td>
<td>74</td>
</tr>
<tr>
<td><strong>Fact Based Cases</strong></td>
<td>25</td>
<td>21</td>
<td>18</td>
<td>49</td>
<td>57</td>
</tr>
<tr>
<td><strong>Recertification Cases</strong></td>
<td>238</td>
<td>84</td>
<td>33</td>
<td>68</td>
<td>17</td>
</tr>
<tr>
<td><strong>Actions Taken</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawal Of Approval</td>
<td>149</td>
<td>26</td>
<td>9</td>
<td>49</td>
<td>16</td>
</tr>
<tr>
<td>Suspension</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Probation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Letter Of Reprimand</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Settlement Agreement</td>
<td>114</td>
<td>79</td>
<td>43</td>
<td>72</td>
<td>58</td>
</tr>
<tr>
<td>Indemnification - number of loans</td>
<td>155</td>
<td>36</td>
<td>53</td>
<td>11</td>
<td>41</td>
</tr>
<tr>
<td><strong>Monetary Breakdown</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Money Penalties</td>
<td>114</td>
<td>79</td>
<td>43</td>
<td>72</td>
<td>58</td>
</tr>
<tr>
<td>Civil Money Penalties Assessed (in millions) Including Administrative Payments</td>
<td>$371.9 M</td>
<td>$160.2 M</td>
<td>$28.1 M</td>
<td>$45.07 M</td>
<td>$10.4M</td>
</tr>
</tbody>
</table>
Helpful Links

• HUD’s Mortgagee Web Page:
  https://www.hud.gov/program_offices/housing/sfh/lender

Single Family Housing Handbook:

Upcoming Single Family Housing Events and Training:
  https://www.hud.gov/program_offices/housing/sfh/events

Subscribe to FHA Info:
  https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe
Q & A
Q&A Protocol & Open Discussion

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Thank you!