



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
SINGLE FAMILY HOUSING



Welcome to...
Mortgagee Review Board Webinar

Today's webinar begins
at 2:00 PM (Eastern)

We will be underway shortly

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Questions and Answers

- Q&A session will follow the presentation.
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Contact FHA Resource Center

- Online at: www.hud.gov/answers
- Via email at: answers@hud.gov
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- Documents/Materials:
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Helpful Links

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- 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 Housing
Mortgagee Review Board Webinar
June 13, 2023

Updated: 6/5/2023

Presented by:
Nancy Murray, Director, Mortgagee Review Board Division
Susan Macias, Mortgage Review Board Specialist



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Agenda

Overview

Referral Sources

Types of Cases and Violations

Preparation and Processing

Case Scenarios

Statistics

Resources

Q & A



Overview



Overview

Established by Regulation in 1975, 24 C.F.R. Part 25 and Statute in 1989 HUD Reform Act 12 U.S.C. 1708 the Mortgagee Review Board Division (MRB Division) supports the Mortgagee Review Board (Board).

- 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:

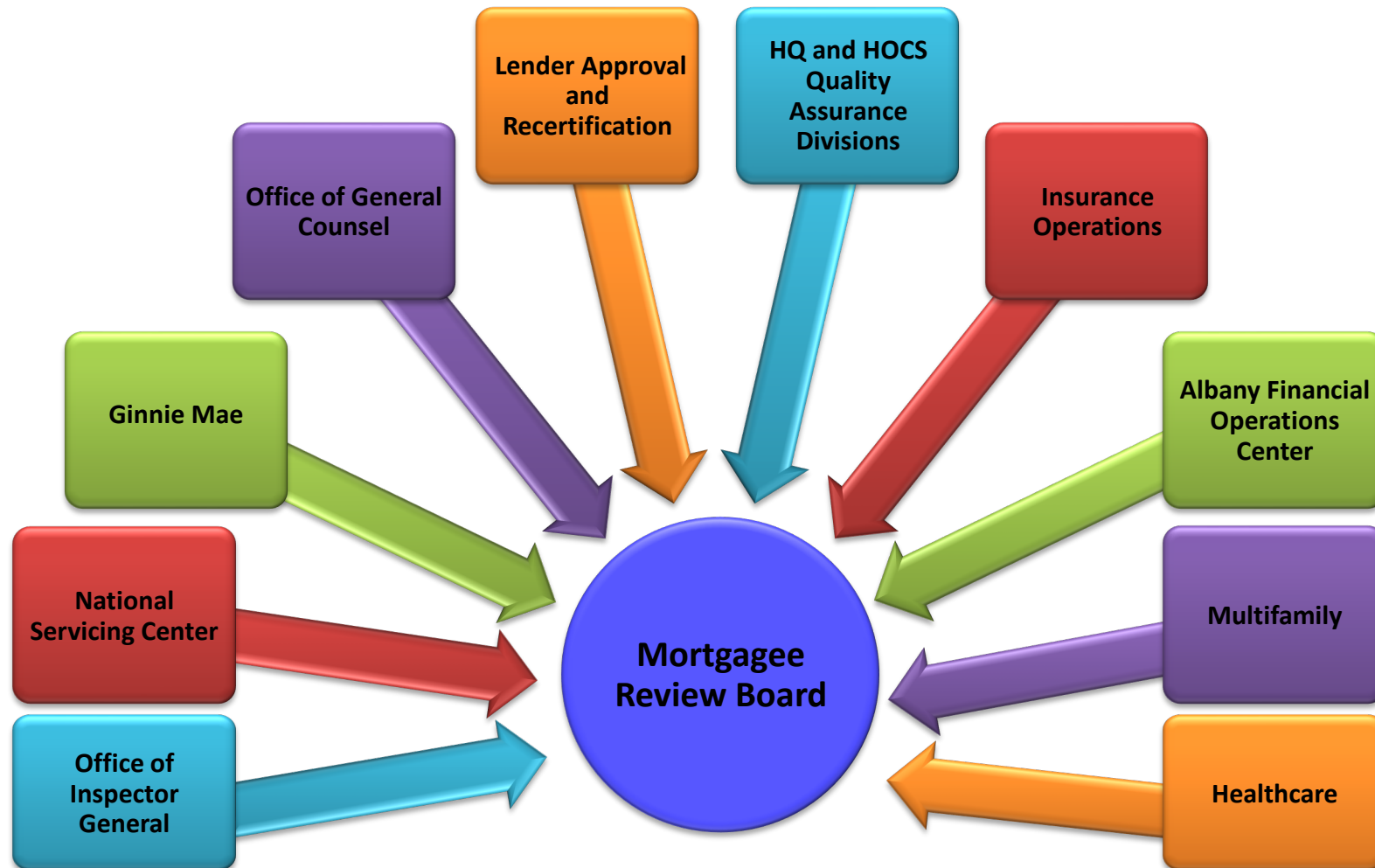
- Letter of Reprimand
- Probation
- Suspension of FHA Approval
- Withdrawal of FHA Approval
- Assessment of Civil Money Penalties
- Administrative Payments
- Cease and Desist Order
- Settlement



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:

- Unresolved findings as a result of an individual loan review
- 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



Q&A



Q&A Instructions

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- 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.

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 Mortgagee's 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 – Notice of Material Event

Referred due to Mortgagees failure to timely report a Material Event via LEAP

- Material Event:
 - Change in the Mortgagees business structure from that which existed at the time of original approval
 - Unresolved Finding or Sanction
 - Mortgagee is assessed a fine/sanction by a regulatory agency/entity
 - Officer, Director, Principal and/or employee is subject to any unresolved finding or sanction
 - Updates to reported unresolved findings
 - Mortgagee must submit a Notice of Material Event on a change of status in any unresolved finding or sanction previously reported

Outcome:

- Mortgagee reported the material event via LEAP at the time of completing their recertification
 - Payment of a Civil Money Penalty

Case Scenario – Individual Loan Review

Referred as a result of unresolved finding for failure to:

- Respond to requests made via Loan Review System (LRS) to provide information and documentation to mitigate a finding
 - Severity: Tier 2: Unacceptable
 - Finding Description: An initial occupancy inspection should be performed when the mortgage is in default, a payment has not been received within 45 days of the due date and efforts to reach the borrower or occupant have been unsuccessful
 - Mortgagee performed monthly occupancy inspections during the period of 3/2018-2/2020
 - Documentation in the file indicated that within the preceding 30 days of the inspection the Mortgagee was in contact with the borrower

Case Scenario – Individual Loan Review (cont.)

Referred as a result of unresolved findings associated with an individual loan review, remedies:

- Mortgagee was requested to provide evidence the fees charged to the borrower for unallowed property inspections in the amount of \$ 427.50 were refunded to the borrower
- If a claim had been paid on the loan, the Mortgagee was required to refund the amount of the unallowable fees to FHA
- If the loan was still delinquent, the amount of the unallowable fees were to be applied to the delinquency
- If the loan was current, the Mortgagee was to pay down the principal balance of the loan in the amount of the fees

Case Scenario – Individual Loan Review (cont.)

Referred as a result of unresolved findings associated with an individual loan review:

Outcome:

- Mortgagee offered a settlement including:
 - Payment to the borrower reimbursing the unallowable inspection fees charged
 - Mortgagee provided HUD with evidence of the payment to the borrower
 - Payment of a Civil Money Penalty

Case Scenario – Individual Loan Review (cont.)

Referred as a result of unresolved findings associated with an individual loan review:

- Case Binder Submission / Lender Insurance Mortgagees must submit a case binder upon request by HUD/FHA
 - Severity: Tier 1: Unacceptable
 - Finding Description: LI Mortgagees must submit the case binder to the Jurisdictional HOC (or other HUD office as identified in the notice) when requested by FHA; FHA will request the case binder through a daily email notification to the Mortgagees contact person
 - HUD/FHA made numerous requests for the Mortgagee to submit a case binder for review

Case Scenario – Individual Loan Review (cont.)

Referred as a result of unresolved findings associated with an individual loan review:

Outcome:

- Mortgagee offered a settlement including:
 - Payment of a Civil Money Penalty
 - Indemnification of the subject loan

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 provided information and documentation with their response which mitigated the violation for:

- Failure to timely notify FHA of the termination of the contract of insurance or sale of the mortgage loan
 - The information / documentation resolved incorrect termination dates and board staff was able to mitigate or close some of the loans cited under this violation
- 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: Preparation and Processing



Mortgagee Review Board Activity As of September 30, 2021

FISCAL YEAR	2017	2018	2019	2020	2021
Total Number of Cases	105	51	117	74	103
Fact Based Cases	21	18	49	57	86
Recertification Cases	84	33	68	17	18
BOARD ACTIONS TAKEN					
Withdrawal Of Approval	26	9	49	16	1
Suspension	1	0	0	0	0
Probation	0	0	0	0	0
Letter Of Reprimand	0	0	0	0	0
Settlement Agreement	79	43	72	58	102
Indemnification - number of loans	36	53	11	41	9
CIVIL MONEY PENALTIES					
Civil Money Penalties	79	43	72	58	102
Civil Money Penalties Assessed (in millions) Including Administrative Payments	\$160.2 M	\$28.1 M	\$45.07 M	\$10.4M	\$72.6M

Resources



Resources

Helpful Links

- HUD's Mortgagee Web Page:

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

Single Family Housing Handbook:

<https://www.hud.gov/sites/dfiles/OCHCO/documents/4000.1hsggh.pdf>

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



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.

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Thank you!

