

FHA's

“Lender Insurance”

The Faster, Cheaper,
Smarter Way to Mortgage
Endorsement

FHA's Business in LI

- Nearly 70% of new forward mortgage endorsements in 1st quarter of 2007 versus 42% a year ago.
- 400+ FHA-Approved Lenders participating
- HECM LI in pilot
- Significant cost savings for lenders and for us.

Lender Eligibility

- Approval Criteria:
 - FHA approved lender
 - Unconditional Direct Endorsement approval for 2 years or more
 - Default and claim rate at or below 150 percent of
 - National default and claim rate or
 - State default and claim rate (single state lenders only)

LI Approval Process

- Lenders are approved for LI at the corporate level
- LI approval requested via HUD's FHA Connection (FHAC) system
- Neighborhood Watch is the system used to determine acceptable default/claim rate
- Lender continued eligibility is automatically checked annually

Pre-Insurance Review

- Required for every LI loan
- Review staff must be other than those that originated or underwrote the mortgage
- Review requirements are outlined in Mortgagee Letter 2005-36

Case Binder Submission

- First 5 binders requested after LI approval
- Submit within ten business days of the request date
- eCB approved lenders are required to submit only electronic case binders
- **Yellow** binders are required for paper case binder submissions

Case Binder Submission

- LI lenders submit binders only when the case has:
 - Severe case warning
 - borrower failed SSN validation
 - CAIVRS hit
 - or LI deficiency exits (text case warning message)
 - Selected for
 - Post Endorsement Technical Review (PETR)
 - Appraisal Review
 - QAD or OIG Review
 - Compliance Processing
 - Other Reviews/Audits

Self Insuring

- Lenders submit sufficient loan level data to HUD
- Staff must be other than those that originated or underwrote the mortgage
- Can not be outsourced
- Lenders insure via FHAC or B2G
- Use Insurance Decision field on Insurance Application screen in FHAC
- eMIC generated

Managing LI

- OIG Case-Binder Concerns
- Proposed Rule being developed regarding reasons for requesting indemnification, i.e., failure to submit satisfactory binder
- May adopt procedure for reviewing early claims (<6mos) like VA
- Future: All binders electronic post-insurance?

Maintaining Case Binders

- The LI originator/sponsor must maintain the case binder for two years from the date of insurance
- The servicing lender must maintain the case binder for the life of the loan plus 3 years. If a claim is paid the file must be retained by servicing lender for 3 years after the last claim adjustment