



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

February 25, 2003

MORTGAGEE LETTER 2003-03

TO: ALL APPROVED MORTGAGEES

SUBJECT: Mandatory Electronic Submission of Financial Statement Package for Annual Mortgagee Recertification

As part of HUD's commitment to make the Federal Government more efficient and more responsive to customers, and in order to comply with the Paperwork Elimination Act, the Department is pleased to announce the publication of the Final Uniform Financial Reporting Standards Rule (24 CFR Part 5) requiring electronic submission of the financial statement package required for annual mortgagee recertification. The Rule was published on August 15, 2002, and became effective on September 16, 2002. A copy of the Rule is attached to this Letter.

The Rule requires all Nonsupervised Title I Lenders and Title II Mortgagees and Loan Correspondents to submit required annual financial and compliance data electronically beginning with mortgagees whose fiscal year ends September 30, 2002. A mortgagee's annual audit report is due no later than 90 days after the end of its fiscal year and must be submitted electronically. The submissions will be sent using the Lender Assessment SubSystem (LASS) via the FHA Connection (<https://entp.hud.gov/clas>), the interactive Federal Housing Administration (FHA) internet system with which all mortgagees are familiar. Mortgagees currently registered with FHA Connection do not need to re-register. Mortgagees who are not registered should apply for the Coordinator User ID via the FHA Connection. Paper audit reports for fiscal years ending on or after September 30, 2002 will no longer be accepted. However, when a Title II mortgagee is also a Ginnie Mae Issuer, a separate paper copy of the audited financial statements must also be submitted to Ginnie Mae for review.

In order to ensure the integrity of this audited information with the advent of electronic submission, mortgagees' auditors are required to attest to the data electronically. Electronic submission and auditor attestation of audited financial data has been in place for HUD's Public Housing Authorities and Multifamily Project Owners and Agents since 1998. The process has been a huge success and we are pleased to be able to extend this innovation to the mortgagee community. Auditors will access LASS through the Public and Indian Housing-Real Estate Assessment Center (PIH-REAC) Secure Systems Internet connection (https://hudapps.hud.gov/HUD_Systems). Auditors currently registered with PIH-REAC to complete PHA or MF submissions will not need to re-register, but must convert to an "Independent User" role type in order to perform audit attestations. Auditors that are not registered should apply for the Secure Systems ID via the HUD REAC website at http://www.hud.gov/offices/reac/online/online_registration.cfm. Detailed instructions are

available when you click on "On-Line Systems" on this site. Mortgagees shall require their auditors to apply for the Secure Systems ID.

The substance of the annual recertification requirements has not changed. The only change is in the submission process. In general, the new process will be as follows.

1. Auditor registers on the PIH-REAC Secure System (http://www.hud.gov/offices/reac/online/online_registration.cfm).
2. Auditor completes the audit report.
3. Mortgagee accesses LASS (<https://entp.hud.gov/clas>) after obtaining a username and password.
4. Lender enters the audit and compliance data.
5. Auditor reviews and attests to the data entries.
6. Mortgagee transmits the data to HUD via LASS.

The LASS system has been available for voluntary electronic submissions since September 30, 2001. Information sources regarding LASS include the on-line user guides available on the LASS web site: <http://www.hud.gov/offices/reac/products/prodlass.cfm>, a Technical Assistance Center HotLine, detailed information and frequently asked questions (FAQs) on both the HUD Single Family and LASS websites and a direct e-mail connection to LASS at lass@hud.gov. In addition, Mortgagees can always continue to contact the Office of Lender Activities at 202-708-3976 (this is not a toll-free number).

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachment