



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

January 30, 2004

MORTGAGEE LETTER 2004-06

TO: ALL APPROVED MORTGAGEES

SUBJECT: Revision to Chapter 6 (Quality Control Plan) of HUD Handbook 4060.1
REV-1 CHG-1, Mortgagee Approval Handbook

This Mortgagee Letter announces the publication of the revised Chapter 6 (Quality Control Plan) of HUD Handbook 4060.1 REV-1 CHG-1, Mortgagee Approval Handbook. The Department published the revised chapter on November 26, 2003. It is available on the World Wide Web at <http://www.hudclips.org/cgi/index.cgi>.

All FHA-approved mortgagees, including Loan Correspondents, must implement and continuously have in place a Quality Control Plan for the origination and/or servicing of insured mortgages as a condition of receiving and maintaining FHA approval. Chapter 6 sets forth basic requirements that all mortgagees must meet in order to develop a Quality Control program that fits the mortgagee's circumstances while conforming to FHA's requirements. Quality Control must be a prescribed and routine function of each mortgagee's origination and/or servicing operations. The Department views Quality Control as a task which is the ultimate responsibility of a mortgagee's management.

There are several important changes in the revised handbook chapter. Mortgagees must check their employee lists at least every six months to ensure that they do not employ anyone in HUD origination, processing, underwriting or servicing who is restricted in any way from participation in HUD/FHA programs. Also, the revised chapter gives mortgagees more flexibility in determining the frequency of on-site Quality Control visits to their branches. Further, HUD now encourages mortgagees to implement Quality Control at the beginning, as well as the end, of the loan origination process. Finally, the chapter includes guidelines for designing Quality Control programs when the mortgagee uses automated underwriting.

If you have any questions about this revised HUD Handbook chapter, please contact the Office of Lender Activities and Program Compliance, Quality Assurance Division at (202) 708-2830.

Sincerely,

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