

LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

AN ALT & ASSOCIATES NEWSLETTER

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FHA CHANGES LENDER APPROVAL REQUIREMENTS Mortgagee Letter 2011-34

Today, September 23, 2011 the Department of Housing and Urban Development (“HUD”) issued Mortgagee Letter 2011-34. This long promised Mortgagee Letter has made several changes to lender approval requirements. The most significant are as follows:

- The applicant must list all of its corporate officers who will be directly involved in managing, overseeing or conducting the FHA business and include a credit report and resume for each. Corporate refers to a natural person who is an owner, president, vice president, chief operating officer, chief financial officer, director, corporate secretary, chief executive officer, chairman of the board, or a member or manager of a limited liability company.
- Applicants for FHA lender approval must also list their owners which include individuals or entities owning 10 % or more of a publically traded company, 25 % or more of a non-publically traded company, all

members of a limited liability company and all general partners of a partnership.

- A mortgagee may conduct its loan origination activities from its home office, branch office and/or direct lending branch. The office facilities must fully comply with state licensing requirements and the home office must comply with requirements set forth in paragraph 2-11.A of Handbook 4060.1 (main office).
- HUD continues its prohibition of its definition of “net branch” arrangements in which a party, other than the approved mortgagee pays some or all of the branch office expenses.
- Perhaps the most significant change is in the single family origination lending area, in which each home office and registered branch office will now include all HUD field office jurisdictions. Obviously, lenders must continue to meet the state origination requirements.
- Finally, lenders are required to register all DBA’s through the FHA connection which will now allow registration of up to 6 for each home office or branch. Additional DBA’s will need to be submitted, along with their authorizing documentation to the HUD Lender Approval and Recertification division.

All requirements of Mortgagee Letter 2011-34 are effective immediately and the ML can be found at www.hud.gov by clicking Resources then Mortgagee Letters.

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ALT & ASSOCIATES provides regulatory, compliance, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past two decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations.

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