Endorsing a Single Family FHA Case

The Direct Endorsement (DE) process allows FHA-approved lenders to submit a mortgage insurance application for a loan to a single family, low-to-moderate-income homebuyer. The Insurance Application function on the FHA Connection (Figure 1) is used to request mortgage insurance for a DE case and to add or update the request information as needed prior to endorsement.

This FHA Connection Guide module provides the following sections to assist you in obtaining FHA mortgage insurance:

- **Basic Prerequisites and Requirements**

- **Insurance Application Processing**, which includes:
  - **Key Steps in Using Insurance Application**
  - **General Information, Worksheet Information, Borrower Information, Mortgage Information**, and **Endorsement Information** section-by-section illustrations and explanations of each part of the online Insurance Application form. These sections also facilitate data entry by mapping the case binder document data to the fields to be completed on the Insurance Application form.

- **Additional Binder Information Sources** provides a listing of possible information sources for insurance application processing.

- **Lender Insurance (LI) Endorsement Processing** provides a high level overview of the LI lender’s role and their additional use of Insurance Application. LI lenders, lending institutions that apply and qualify for HUD authorization for the Lender Insurance (LI) Forward program, endorse their own traditional (forward) FHA mortgage loans for insurance without a pre-endorsement review by HUD. (In addition to referencing the Lender Insurance Endorsement Processing section, LI lenders should read all sections of this FHA Connection Guide module for full background.)

- **Insurance Application Results (MIC or NOR)** provides an overview of the endorsement process and briefly discusses insurance denial and resolution steps.

**Notes**

- For a DE Home Equity Conversion Mortgage (HECM) (reverse) case, use the HECM Insurance Application function and refer to the FHA Connection Guide module on that topic.

- For training and assistance in using the FHA Connection, refer to the FHA Connection Guide modules: Using the FHA Connection and FHA Connection Training Resources. Specific information pertaining to Insurance Application is also available using What I Need to Know (WINK) accessed via the icon located directly adjacent to the Insurance Application function on the Case Processing menu (Figure 1).
Basic Prerequisites and Requirements

In order for a loan to become FHA-insured, the originating lender (or its sponsor/agent) must:

1. establish a case in HUD’s origination system. For information on establishing a case, see the FHA Connection Guide modules: Case Processing Overview and Case Number Assignment.
2. complete all basic case requirements, including providing complete and accurate borrower information, valid street address, underwriter information, and mortgage credit analysis.
3. provide case-specific “as required” information related to an appraisal, upfront mortgage insurance premium (UFMIP), compliance inspection, firm commitment, and property flipping issues. See Insurance Application WINK (Preparing to Use Insurance Application, Requirements).
4. complete the Insurance Application and submit the case binder (closing package) to the HUD Homeownership Center (HOC) within 60 days after the closing date of the mortgage. For LI lenders, the case binder is only submitted upon request.

Once the Insurance Application is successfully processed, the case is either endorsed by HUD or issued a NOR (see the Insurance Application Results (MIC or NOR) section). LI lenders endorse their own forward mortgage loans for insurance using Insurance Application (see the Lender Insurance Endorsement Processing section).

Insurance Application Processing

This section begins with the basic steps for processing the FHA Connection online Insurance Application form, and is followed by sections with detailed illustration on completing each section of the form.

Key Steps in Using Insurance Application on the FHA Connection

Follow these basic steps to process the Insurance Application form.

1. Access Insurance Application after sign on by following the menu path: Single Family FHA > Single Family Origination > Case Processing > Insurance Application. The FHA Connection menu path appears as a “breadcrumb trail” in the red banner at the top of each function page.
2. On the Insurance Application page (Figure 2), enter the case number in the FHA Case Number field.

---

**Figure 2: Insurance Application query page**
3. Successful entry of the case number opens Insurance Application Update to enter or update case information. Data entry on this very detailed page is done using multiple resources found in the case binder.

Note: The information entered on Insurance Application Update is validated against numerous official sources. Entry of incorrect or invalid data or failure to supply information required for the loan type may result in a denial of insurance with the binder returned to the lender by HUD.

4. To assist you with (a) locating the requisite case binder information to enter on Insurance Application Update and (b) processing the FHA Connection’s online Insurance Application form itself, refer to the following sections of this module: General Information, Worksheet Information, Borrower Information, Mortgage Information, and Endorsement Information. Each section provides processing tips followed by mapping illustrations of the inputs from the three key case binder resources:

- **FHA Loan Underwriting and Transmittal Summary** - form HUD-92900-LT,
  -or-
  **Mortgage Credit Analysis Worksheet (MCAW)** - form HUD-92900-PUR or form HUD-92900-WS *(form use valid until September 30, 2008)*
- **Uniform Residential Loan Application (URLA)** - Fannie Mae Form 1003, Freddie Mac Form 65
- **HUD/VA Addendum to Uniform Residential Loan Application** - form HUD-92900-A

Note: Additional documentation is required for a HOPE for Homeowners loan. See HUD Mortgagee Letter 2008-29, **HOPE for Homeowners Origination Guidance**, and the associated exhibits/attachments that accompany this letter.

For additional data entry assistance, refer to **Insurance Application Help (Steps for Processing** and **Field Descriptions)**. Click at the upper right of the Insurance Application Update page (Figure 3).

Successful processing of Insurance Application Update and subsequent endorsement results in issuance of the Mortgage Insurance Certificate (MIC). View the MIC using **Mortgage Insurance Certificate** on the Single Family Origination Case Processing menu.

or,

If the case is not endorsed, a NOR is issued. Use **Notice of Return** (on the Single Family Origination Case Processing menu) to view and print the NOR.

For more information, refer to the section **Insurance Application Results (MIC or NOR)** at the end of this module.
General Information

The General Information section of Insurance Application Update appears in Figure 3, followed by some processing tips for this section. Key portions of the HUD forms used to complete this section are illustrated in Figures 3a-3c, following.

**Figure 3: General Information section of Insurance Application Update**

**Processing Tips for the General Information Section (Figure 3)**

Refer to the What I Need to Know (WINK) icon next to the Update an Existing Case function on the Case Number Assignment menu for:

- background on updating view-only information entered during case number assignment
- instructions on how to change a Home Equity Conversion Mortgage (HECM) case to a non-HECM case or a non-HECM case to HECM case

**Note:** the ADP Code cannot be changed to a HECM case if the case was not initially established as such (or vice versa).

Mapping of the HUD form sources for completing General Information fields appears in the Case Binder Sources for Entering General Information section that follows (Figures 3a-3c).
Case Binder Sources for Entering General Information

Figures 3a-3c illustrate the source form fields for the specific General Information section fields to which they relate. The callouts (pointing to the form fields) are the field names found on Insurance Application Update.

Refer to the case binder and Insurance Application Help (Field Descriptions) if you need to determine:

- Program ID
- PUD (Appraisal Report)
- Solar (Appraisal Report)
- Escrow (form HUD-92300)
- Escrow Complete Date (form HUD-92300)
- Escrow Amount (form HUD-92300)

ADP Code appears on the Addendum to URLA (VA Form 26-1802a /HUD-92900-A).

Living Units and Borrower Type, e.g., Occupant or Landlord, appear on the URLA (Freddie Mac Form 65/Fannie Mae Form 1003) section II. Property Information and Purpose of Loan.
Building on Own Land, Cash-out, Construction Code, Construction to Permanent, Loan Purpose, and Manufactured Housing field information appears on the top portion of the FHA Loan Underwriting and Transmittal Summary (form HUD-92900-LT).

<table>
<thead>
<tr>
<th>Property Type (Check only 1)</th>
<th>Additional Property Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 unit</td>
<td>2 units</td>
</tr>
<tr>
<td>Condominium</td>
<td>Co-op</td>
</tr>
<tr>
<td>Manufactured Housing</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mortgage Information</th>
<th>Loan Purpose (Check all that apply)</th>
<th>Secondary Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Information</td>
<td>Purchase</td>
<td>No Cash-Out Refinance</td>
</tr>
<tr>
<td>Mortgage w/o UFMIP</td>
<td>Cash-Out Refinance</td>
<td>Gov't</td>
</tr>
<tr>
<td>Total UFMIP</td>
<td>Streamline Refinance</td>
<td>NP</td>
</tr>
<tr>
<td>Mortgage w/ UFMIP</td>
<td>w/appraisal</td>
<td>Family</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>w/o appraisal</td>
<td>Other</td>
</tr>
<tr>
<td>Qualifying Rate</td>
<td>1) Source/EIN</td>
<td>Amount of Gift $</td>
</tr>
<tr>
<td>Loan term (in months)</td>
<td>2) Source/EIN</td>
<td></td>
</tr>
</tbody>
</table>

**Construction Code**

**Manufactured Housing**

**Loan Purpose**

**Construction to Permanent**

**Building on Own Land**

Figure 3c: Other General Information field inputs

**Note:** For 203k (substantial rehabilitation) cases, Construction Code information can be found under Loan Purpose.
Worksheet Information

The Worksheet Information section of Insurance Application Update appears in Figure 4, immediately followed by some processing tips for this section. Key portions of the HUD forms used to complete this section are illustrated in Figures 4a-4e following.

Processing Tips for the Worksheet Information Section (Figure 4)

Tips include:

- in the monetary value fields, dollar signs ($) are not entered (they are “understood” by the system). For the Required Investment and Total Requirements fields, you can use the radio button to indicate either a positive amount, e.g., for new construction, or a negative amount, e.g., for some refinances
- the Scorecard Decision and Decision Date are view-only information based on the underwriting decision provided by the FHA TOTAL Scorecard, used within the lender’s automated underwriting system (AUS) for evaluation of the loan’s credit risk. Values may be:
  - Accepted: Borrower determined to be an acceptable risk for the loan amount
  - Referred: Borrower determined a possible bad risk for the loan amount, requiring full, manual underwriting by the lender
  - Not Scored: FHA TOTAL Scorecard was not used

Mapping of the HUD form sources for completing Worksheet Information fields appear in the Case Binder Sources for Entering Worksheet Information section that follows (Figures 4a-4e).
Case Binder Sources for Entering Worksheet Information

Figures 4a-4c illustrate the source form fields from the URLA (Freddie Mac Form 65/Fannie Mae Form 1003) section fields to which they relate. The callouts (pointing to the form fields) are the field names found on Insurance Application Update.

Unpaid Principal Balance appears on the URLA (Freddie Mac Form 65/Fannie Mae Form 1003) in section II. Property Information and Purpose of Loan.

![Figure 4a: Unpaid Principal Balance field input](image)

Current Housing Expense appears on the URLA (Freddie Mac Form 65/Fannie Mae Form 1003) in section V. Monthly Income and Combined Housing Expense Information.

![Figure 4b: Current Housing Expense field input](image)

Total Requirements and Seller Contribution Amount appear on the URLA (Freddie Mac Form 65/Fannie Mae Form 1003) in section VII. Details of Transaction.

![Figure 4c: Seller Contribution Amount and Total Requirement field inputs](image)
Figure 4d illustrates the source form fields from the FHA Loan Underwriting and Transmittal Summary (form HUD-92900-LT) section fields to which they relate. The callouts (pointing to the form fields) are the field names found on Insurance Application Update.
If energy efficient improvements are a mortgage factor, get the **EEM Improvement Amount** and **Energy Efficient Mortgage Type** from the Home Energy Rating Systems (HERS) report. For a 203k case, get this information from form HUD-92700, line 6.

**HOPE for Homeowners Loans**

Figure 4e illustrates the fields that are displayed for HOPE for Homeowners (H4H) cases. The H4H program is effective for endorsements on or after October 1, 2008 through September 30, 2011. For additional guidance, documentation, and direction pertaining to the H4H Program, see HUD Mortgagee Letters 2008-29, **HOPE for Homeowners Origination Guidance**, 2009-03, **HOPE for Homeowners Origination and Servicing Guidance Supplement**, and the associated exhibits/attachments for both, and 2009-15, **Using First-Time Homebuyer Tax Credits**.

**Borrower Information**

The **Borrower Information** section of Insurance Application Update appears in Figure 6, immediately followed by some processing tips for this section. Key portions of the HUD forms used to complete this section are illustrated in Figures 5a-5d, following.
Processing Tips for the Borrower Information Section (Figure 5)

Tips include:

- if the borrower’s/coborrower’s Name, SSN, and/or Date of Birth are added or updated, the Insurance Application process validates the new identification information overnight with the Social Security Administration (SSA). The following message is displayed on the Update and/or Results page:

  Warning: Pending Borrower Validation; Check Holds Tracking Next Business Day.

  Important: Check Holds Tracking the next business day to determine the status of the borrower validation. If the borrower validation fails, the case cannot be endorsed for FHA insurance without Homeownership Center (HOC) acknowledgment of the warning.

See Insurance Application WINK (Completing the Insurance Application, Tips for Changing Borrower Information) for details.

- if values are not displayed in the Credit Scores field, refer to the case binder for the borrower’s three-digit credit scores and enter as applicable in the appropriate field(s), e.g., Experian/FICO
  - Use Insurance Application Help (Steps for Processing) if the Borrower Type is a corporation/partnership or government agency/nonprofit or if the case is a streamline refinance.
  - FHA TOTAL Scorecard credit risk evaluations for FHA loans submitted via an automated underwriting system using FHA TOTAL Scorecard are automatically entered by the system and cannot be changed.

Mapping of the HUD form sources for completing Borrower Information fields appears in the Case Binder Sources for Entering Borrower Information section that follows (Figures 5a-5d).

Case Binder Sources for Entering Borrower Information

Figures 5a-5d show where to find the Borrower Information form fields’ sources on the URLA, Freddie Mac Form 65/Fannie Mae Form 1003. The callouts (pointing to the form fields) are the field names found on Insurance Application Update.

Figure 5a: Borrower information appears on the left; Coborrower information appears on the right

Figure 5b: Borrower employment information
Figure 5c shows where to find ethnicity, race, and sex information if furnished by the borrower.

The First Time Home Buyer indicator is found on the Addendum to URLA (VA Form 26-1802a/ HUD-92900-A). If counseled, see the Counseling Certificate in the case binder for input for the Counsel Type and Counsel TIN fields.

Refer to the case binder to locate information to determine input for the fields Exempt from SSN and Veterans Preference. Typical documents include the IRS form W-8 for Exempt from SSN and Certificate of Veteran Status for Veterans Preference.
Mortgage Information

The Mortgage Information section of Insurance Application Update (Figure 6) is followed by some processing tips for this section. Key portions of the HUD forms used to complete this section are illustrated in Figures 6a-6c, following.

Processing Tips for the Mortgage Information Section (Figure 7)

Tips include:

- **Mortgage Amount (without financed UFMIP)** must be within FHA mortgage limits. The amount entered should not include UFMIP.

- If UFMIP is included in the mortgage, include the UFMIP in the mortgage amount entered in the Mortgage Amount (with financed UFMIP) and also select Yes in the Upfront MIP Financed field.

  **Note:** If UFMIP is required for the case, the calculated amount due must be paid in full prior to processing Insurance Application.

- If the principal balance was reduced to qualify the mortgage for FHA insurance, be sure to select Yes in the Principal Reduction field and type the amount paid by the lending institution in the Principal Reduction Amount field (not to exceed $20,000). Evidence, such as a copy of the payment ledger showing the principal balance was paid down to an insurable amount, must be provided by your lending institution.

- Although not a prerequisite for endorsement, monthly mortgage insurance premium payments must be made from the beginning of loan amortization for cases requiring monthly MIP.

Mapping of the HUD form sources for completing Mortgage Information fields appears in the Case Binder Sources for Entering Mortgage Information section that follows (Figures 6a-6c).

**Case Binder Sources for Entering Mortgage Information**

Figures 6a-6b illustrate the source form fields found on the FHA Loan Underwriting and Transmittal Summary (form HUD-92900-LT). The callouts (pointing to the form fields) are the field names found on Insurance Application Update.
The information to enter in the Amortization fields in the **Mortgage Information** section is found on the **URLA** (Freddie Mac Form 65/Fannie Mae Form 1003) (**Figure 6b**).

**Figure 6a: Mortgage Information source**

**Figure 6b: Source for Amortization fields**

Refer to the case binder and **Insurance Application Help** (Field Descriptions) if you need to determine:

- 203k Consultant ID (HUD-9746-A)
- Appraiser License ID (Appraisal Report)
- Closing/Disbursement Date (form HUD-1)
- First Payment (Note)
- Maturity Date (Note, Mortgage, or other security instrument)
- Principal Reduction and Principal Reduction Amount (payment ledger showing principal balance was paid down)
- Warranty (warranty certificate, insurance policy, or other document of similar purpose)

**Note:** Loan to Value, Appraiser Name, and 203k Name are system-generated after the application information is processed.
Endorsement Information

HUD completes the Endorsement Information section (Figure 7), except for those organizations participating in the LI Program (described in Lender Insurance Endorsement Processing). See Insurance Application Results (MIC or NOR).

Additional Binder Information Sources

The sources of information for insurance application processing may include, but are not limited to:

- FHA Loan Underwriting and Transmittal Summary - form HUD-92900-LT
- Uniform Residential Loan Application (URLA) - Fannie Mae Form 1003, Freddie Mac Form 65
- HUD/VA Addendum to Uniform Residential Loan Application - form HUD-92900-A
- Appraisal Report
- Mortgage Credit Analysis Worksheet - form HUD-92900-PUR or form HUD-92900-WS (form use valid until September 30, 2008)
- Mortgage (or other security instrument)
- Note
- Settlement Statement - form HUD-1
- Gift letter
- Secondary financing instruments
- Mortgagee’s Assurance of Completion - form HUD-92300
- Draw Request, Section 203(k) - form HUD 9746-A
- Ten-year warranty certificate, or similar document (generally needed for a new construction case with a high loan-to-value ratio)
- Application for Homeownership Assistance (Section 235 of the National Housing Act) - form HUD-93100
- Section 235 Payoff Statement or Assistance Payment Contract/Notice of: (1) Termination, (2) Suspension, or (3) Reinstatement - form HUD-93114 (issued by the servicing lender of the prior Section 235 mortgage)
- Home Energy Rating Systems (HERS) report
- 203k Maximum Mortgage Worksheet - form HUD-92700
- Builder's Certification of Plans, Specifications, & Site - form HUD-92541

These documents, together with any other required documents, are included in the case binder.

Lender Insurance Endorsement Processing

FHA’s Lender Insurance (LI) Forward program enables qualifying lenders to endorse their traditional forward (DE non-HECM) mortgage loans for FHA insurance without a pre-endorsement review by a HUD Homeownership Center (HOC). This expedited procedure is part of HUD’s overall effort to make the processing of FHA loans easier and more cost-efficient so that lenders are better able to offer FHA-insured loans and expand the availability of affordable financing for potential homebuyers.

Lending organizations must meet the following criteria for eligibility in the LI Forward program:

- Be an unconditionally approved Direct Endorsement (DE) lender for at least two years
- Have an acceptable current default/claim rate at or below 150% of either the:
  - national average rate for all insured mortgages for national lenders or
  - state average rate for insured mortgages for lenders operating in a single state

The current default/claim rate is determined at the corporate level (Home office level) of the lender, based on the lender underwriting the loan (see Lender Insurance Guide, section 1.6, for details (www.hud.gov/offices/hsg/sfh/lender/guide011807.pdf)). The lender's default/claim rate is re-evaluated
annually on their LI Authorization anniversary date against performance information displayed in Neighborhood Watch on the FHA Connection. Authorized lenders can view their own information in Neighborhood Watch using the Lender Detail Lender Summary page, which provides lender insurance status and the date associated with the status.

Once approved for the LI Forward program, an LI lender:

- is required to perform a pre-endorsement review of each of its own forward cases before processing the endorsement
- processes the endorsement for all of its forward cases
- is required to send case binders to HUD only when requested. Submission of case binders is done electronically or in paper format.

However, only the HOC can endorse a case or issue a NOR if the:

- LI lender is requested to submit a case binder, or
- Case was issued a NOR and the LI lender resubmitted the case binder.

To find out more about the LI Forward program and applying for approval, refer to the following:

- HUD Housing Lender Insurance Program website (www.hud.gov/offices/hsg/sfh/lender/lendins.cfm)

For more details related to LI processed endorsements, refer to FHA Connection:

- Insurance Application WINK (Figure 1)
- Insurance Application Help

Insurance Application Results (MIC or NOR)

Once the Insurance Application is completed and successfully submitted, an authorized representative (e.g., an authorized HOC staff member for non-LI lenders or an authorized LI-lender employee for the LI lender) endorses the case using the Endorsement Information section of Insurance Application. If there are no problems, the Insurance Application Results page displays a message indicating that processing was successful. Endorsement information appears at the bottom of the page indicating that the case is insured (Figure 7).
After a case is submitted for endorsement, lenders may use the MIC/NOR List function on the Case Processing menu to retrieve a list of their cases that were either:

a. endorsed and issued a MIC, or
b. not endorsed and issued a NOR

From the retrieved list, the lender can view and/or print the MIC or NOR.

**Note:** For more information on MIC/NOR List and resolving a NOR, refer to:

- Insurance Application WINK (Insurance Application – Accepted or Rejected?, Retrieving Mortgage Insurance Certificate (MIC), or Resolving a Notice of Return (NOR)),
- MIC/NOR List Help (Business Background and Steps for Processing)

The electronic MIC serves as evidence of FHA insurance of the mortgage loan. HUD issues the NOR to indicate that a mortgage loan cannot be endorsed for FHA insurance and provides the reason(s) for nonendorsement. The case binder (closing package) is returned to the originator or sponsor/agent of the loan. The lender may address the NOR by resolving the noted problems, updating case information, and resubmitting the case binder for reconsideration and possible endorsement.