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Policy Changes Should Make Lenders Less Scared of FHA

The FHA has released new **loan-level and annual lender-level certifications** which it said it expects will provide better clarity to lenders about FHA policies, including those that are designed to protect borrowers and ensure quality lending practices. *Lenders who violate certification rules can be forced to buy back loans sold and pay monetary damages.* Edward L. Golding, Principal Deputy Assistant Secretary for the Department of Housing and Urban Development (HUD) and FHA Commissioner, said in a letter to lenders that FHA wanted to make clear that they will be held accountable by the agency for only those mistakes that would have altered the decision of a loan's approval when those loans are backed with FHA guarantees.

Golding's letter said the new certifications were produced **because of comments from lenders** that helped FHA "navigate through difficult issues and provided alternative views that led to a balanced and thoughtful policy." While the language changes affect both certifications, the loan level certification rule is final; the lender-level certifications are only a proposal and remain in the 30-day public comment period.

The new language, Golding said, should make it very clear that **minor mistakes** that do not affect the decision to approve a loan are **not** the focus of FHA's compliance efforts and that the clarification should reinforce that position and put to rest any confusion about compliance policy.

There are also changes that clarify that the lender is certifying what they know to be true **to the best of their knowledge**. It is not intended to hold them responsible for mistakes or fraud committed by a third party that they should not be expected to be aware of. The goal, Golding said, is to make sure lenders make every effort to obtain and validate accurate information but also to recognize minor errors may occur from time to time.

With these changes, he said, "we anticipate lenders will be able to **more confidently participate** in our program and offer access to a wider number of FHA-eligible borrowers."

The primary revision to the proposed annual certification rule which was communicated last September is the addition of language requiring lenders to certify they have not been involved in fraud or other serious criminal or civil liability over the given time frame.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.72	+0.02
10 YR Treasury	5.1260	-0.0082
30 YR Treasury	5.4741	-0.0017

Pricing as of: 11/16 7:32PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Mike Calhoun, President of the Center for Responsible Lending President, said, "These common-sense rules **should be welcomed by prospective homebuyers**, lenders and taxpayers. The rules provide increased clarity for lenders on the proper standards for making loans to qualified buyers. Previously, lenders feared that they would be liable for any minor errors that had little or nothing to do with the risk of the loan and this was discouraging lending. The rules announced today provide lenders more direction and greater confidence when making these loans. FHA will need to continue to provide guidance as the new rules are applied so that its goals will be fully achieved."

Mortgage Bankers Association President and CEO David Stevens told the Wall Street Journal that the changes could **"stop the bleeding"** of lenders pulling back from the FHA program.

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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