Applying for Lender Insurance Authority

A lender approved for Lender Insurance (LI) authority is permitted to perform its own pre-insurance review and endorse its forward (traditional) mortgages for FHA insurance. The lender also agrees to indemnify HUD in accordance with 24 CFR 203.255. The Single Family Housing Policy Handbook (Handbook 4000.1) provides information on HUD’s requirements for LI authority in Section I.A.5.b, Title II Single Family Lender Insurance Authority and Section V.E.3.a.iv, Suspension or Termination of Title II Lender Insurance Authority.

An eligible lender’s FHA Connection Application Coordinator applies for LI authority through the FHA Connection. The application for LI authority is a two-part process. First, Lender Insurance Contact information is entered. Then, the Acknowledgment of Terms and Conditions for LI is entered.

1. After signing on to the FHA Connection, select Lender Functions from the Main Menu and then Lender Insurance Acknowledgment from the Lender Functions menu (Figure 1). This displays the Lender Insurance Contact page (Figure 3).

   Figure 1: Lender Functions menu

   -OR-

   After signing on to the FHA Connection, select ID Maintenance from the menu in the header above the red banner. On the FHA Connection ID Maintenance Request page that appears (Figure 2), Lender Insurance Acknowledgment is selected to display the Lender Insurance Contact page (Figure 3).

   Figure 2: FHA Connection ID Administration Request page
2. Enter the lender’s primary and secondary contact information on the Lender Insurance Contact page (Figure 3). Secondary contact information is optional.

3. Click Send. The Acknowledgment of Terms and Conditions for LI page appears when processing is successful (Figure 4). It serves as both the application for LI authority and the acknowledgment of its terms and conditions.
Figure 4: Acknowledgement of Terms and Conditions for LI page

4. On the **Acknowledgment of Terms and Conditions for LI** page, click the checkbox next to **I wish to apply for LI Forward**, if the lender agrees to the terms (Figure 4).

5. **Click Send**. The lender is checked in HUD's systems to determine if it qualifies for LI Forward authority. If the lender qualifies, the **Acknowledgment of Terms and Conditions for LI Results** page appears with a message stating: **Lender Insurance Acknowledgment Successfully Completed**. The lender now has LI authority for its forward mortgages.

-OR-

If the lender does not qualify, the **Acknowledgment of Terms and Conditions for LI** appears with an error message. The **Error(s) Detected** field in the **Details** section near bottom of page provides specific information about the error.

A lender with LI authority must meet the requirements of the program on an ongoing basis. If the lender cannot meet the program requirements, the lender’s LI authority is terminated. While HUD reserves the right to address lender performance at any time, two-year claim and default rates of lenders with LI authority are reviewed quarterly based on data as of March 31, June 30, September 30, and December 31. Lenders newly approved for LI authority are reviewed quarterly starting in the first full quarter following the quarter in which they were approved.

The LI program is not currently available for Home Equity Conversion Mortgages (reverse mortgages).

**Note:** From the **Lender Functions** menu (Figure 1), you can select:

- **Lender Insurance Contact** to view, add, or update LI contact information for the lender.
- **Lender Insurance History** to track and maintain the lender's LI activity, including case binder type authorization and LI actions or sanctions (see the **Lender Insurance History** module of the **FHA Connection Guide** for details).