Endorsing a Single Family FHA Case

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

This FHA Connection Guide module provides the following sections to assist you in obtaining FHA mortgage insurance for a forward (traditional) mortgage:

- **Online User Aids**
- **Basic Prerequisites and Requirements**
- **Sources of Information** provides the documents that can be used as sources of information for completing the Insurance Application form.
- **Insurance Application Processing** 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.
- **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 forward (traditional) FHA mortgage loans for insurance without a pre-endorsement review by HUD.
- **Insurance Application Results (MIC or NOR)** provides an overview of the endorsement process and briefly discusses insurance denial and resolution steps.

Note: 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.

Online User Aids

The following online user aids are available for processing the Insurance Application form.

- For training and assistance on 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 available from What I Need to Know (WINK), accessed via the icon located directly adjacent to the Insurance Application link on the Case Processing menu (Figure 1).
Basic Prerequisites and Requirements

The originating lender (or its sponsor/agent) must do the following for endorsing a mortgage for FHA insurance:

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), secondary financing, 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.

Note: See the FHA Single Family Housing Policy Handbook (Handbook 4000.1) for more information concerning the case binder, including a complete listing of required case binder documentation.
5. Once the Insurance Application form is successfully processed, the case is either endorsed by HUD for FHA mortgage insurance and issued a Mortgage Insurance Certificate (MIC) or is not endorsed and is issued a Notice of Return (NOR) (see Insurance Application Results (MIC or NOR) herein). LI lenders endorse their own forward mortgage loans for insurance using Insurance Application (see Lender Insurance Endorsement Processing herein).

Sources of Information

The following HUD and Fannie Mae/Freddie Mac forms, which are included in the case binder (closing package), can be used as the basic sources of information for completing the Insurance Application form:

- **FHA Loan Underwriting and Transmittal Summary** - form HUD-92900-LT
- **Uniform Residential Appraisal Report (URAR)** - Fannie Mae Form 1004, Freddie Mac Form 70
- **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

Mapping of the fields in these source forms to the fields on the Insurance Application form are provided in this FHA Connection Guide module.

Additional sources of information may include, but are not limited to, the following documents:

- Mortgage (or other security instrument)
- Note
- Settlement Statement – (Settlement Statement/Closing Disclosure)
- 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-93100s
• 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

Insurance Application Processing

We begin with the basic steps for processing the Insurance Application form on the FHA Connection, followed by detailed illustrations on completing each section of the form.

Key Steps in Using Insurance Application on the FHA Connection

Follow these basic steps to process an application for insurance for a forward mortgage.

1. Access Insurance Application after signing on to the FHA Connection by following this menu path: Single Family FHA > Single Family Origination > Case Processing > Insurance Application. Note: 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, enter the case number in the FHA Case Number field (Figure 2).

3. Successful entry of the case number opens Insurance Application Update, where case information is entered or updated (Figure 3).

4. Insurance Application Update is divided into these sections: General Information, Worksheet Information, Borrower Information, Mortgage Information, and Endorsement Information. Tips on entering the required information in these sections are summarized and illustrated in the next parts of this FHA Connection Guide module.

   Note: The information entered on Insurance Application Update is validated against numerous official systems. Entry of incorrect or invalid data or failure to supply information required for the loan type may result in a denial of insurance and the return of the case binder to the lender.
5. Successful processing of Insurance Application Update and subsequent endorsement results in issuance of the MIC. Use Mortgage Insurance Certificate on the Single Family Origination Case Processing menu to view and print the MIC.

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, see Insurance Application Results (MIC or NOR) at the end of this FHA Connection Guide module.

General Information Section

The General Information section of Insurance Application Update appears in Figure 3, followed by processing tips. Key portions of the forms used as sources of information for completing this section are illustrated in Figures 3a-3d.
General Information Section – Processing Tips

Tips for completing the General Information section of Insurance Application Update (Figure 3) include:

- For a 203(k) Rehabilitation Mortgage case for which 203k Calculator was completed, these fields are pre-filled and view only: Solar/Wind, Solar/Wind Amount, and Escrow Amount.

- 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
  - information on getting a Home Equity Conversion Mortgage (HECM) case changed to a forward mortgage case and vice versa.

  **Note:** Once the case is initially established, the ADP Code cannot be changed to or from a HECM code.

General Information Section - Sources of Information

Figures 3a-3d show the forms used as the sources of information for the General Information section of Insurance Application Update. The callouts pointing to the fields on the source forms are the field names found in the General Information section of Insurance Application Update.

Refer to these additional documents and Insurance Application online Help if you need to determine:

- $100 REO Down Payment Program
- 203k Type
- Credit Qualifying Streamline
- HUD REO Repair Amount
- Escrow, Escrow Amount, and Escrow Complete Date (see Mortgagee’s Assurance of Completion (form HUD-92300))
- Loan Officer Name, Loan Officer NMLS ID
- Program ID
- Property Type
- PUD

ADP Code appears on the HUD/VA Addendum to Uniform Residential Loan Application (form HUD-92900-A) (Figure 3a).

**Figure 3a: ADP Code field input**

Borrower Type, Living Units, and Secondary Residence, appear on the Uniform Residential Loan Application (URLA) - Fannie Mae Form 1003, Freddie Mac Form 65, section II. Property Information and Purpose of Loan (Figure 3b).

**Figure 3b: Living Units, Borrower Type, and Secondary Residence field inputs**
Solar/Wind and Weatherization are included on the URLA - Fannie Mae Form 1003, Freddie Mac Form 65, section VII. Details of Transaction.

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) (Figure 3d).

Note: For 203(k) Rehabilitation Mortgage cases, information for the Construction Code field can be found under Loan Purpose.
Worksheet Information Section

The Worksheet Information section of Insurance Application Update appears in Figure 4, followed by processing tips. Key portions of the forms used as sources of information for completing this section are illustrated in Figures 4a-4e.

After-Improved Value field is displayed instead of Appraised Value for a 203(k) case for which 203k Calculator was completed

Worksheet Information Section – Processing Tips

Tips for completing the Worksheet Information section of Insurance Application Update (Figure 4) 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 Borrower Paid Appraiser Required Repairs field is view only and is applicable only to purchase cases. The amount is pre-filled from Appraisal Logging, where an update can be made.

- Scorecard Decision and Decision Date are view only fields that are based on the underwriting decision provided by FHA TOTAL Scorecard (used within the lender’s automated underwriting system (AUS) for evaluating credit risk). One of the following decisions is displayed:
  - 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

- If a loan is underwritten in accordance with HUD’s Back to Work program, select Yes from the Back to Work drop-down box. In addition, the Counsel Type field (located in the Borrower Information page section (see Figure 5)) must specify HUD Approved and Counsel TIN must be entered. Back to Work loans are only applicable to forward purchase cases assigned an FHA case number on or after August 15, 2013 through September 30, 2016.

- Indicate whether the borrower is receiving secondary financing for the purchase of the property by clicking the Yes or No radio-button beside Secondary Financing Exists? Use the Secondary Financing function available from the Case Processing menu to enter the required secondary financing information (a maximum of five secondary financing sources are permitted).

- For a 203(k) case for which 203k Calculator was completed, the following fields are pre-filled and view only: After-Improved Value (this is the Appraised Value for other cases), Sales Price, Inducements to Purchase, Energy Efficient Mortgage, and EEM Improvement Amount.

- For FHA case numbers assigned between 07/19/2016 through 01/07/2018, indicate whether there is an outstanding obligation under the Property-Assessed Clean Energy (PACE) program by clicking the Yes or No radio-button beside PACE Indicator. If Yes, then you must enter the amount of the outstanding obligation in the adjacent PACE Amount field; otherwise, the amount must be left blank.

Worksheet Information Section – Sources of Information

Figures 4a-4e show the forms used as the sources of information for the Worksheet Information section of Insurance Application Update. The callouts pointing to the fields on the source forms are the field names found in the Worksheet Information section of Insurance Application Update.

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

Current Housing Expense appears on the URLA - Fannie Mae Form 1003, Freddie Mac Form 65 in section V. Monthly Income and Combined Housing Expense Information.
Information for the calculation of **Required Investment** is found on the **URLA** - Fannie Mae Form 1003, Freddie Mac Form 65 section VII. Details of Transaction.

**Interested Party Contributions Amount, Inducements to Purchase, and Total Requirements** may appear on the **URLA** - Fannie Mae Form 1003, Freddie Mac Form 65 in section VII. Details of Transaction.
Information on the **Inducements to Purchase** field is also found on the **Uniform Residential Appraisal Report (URAR)** - Fannie Mae Form 1004, Freddie Mac Form 70 (Figure 4d).

![Figure 4d: Inducements to Purchase](image)

Information for the following **Worksheet Information** fields may be obtained from the **FHA Loan Underwriting and Transmittal Summary** - form HUD-92900-LT (Figure 4e):

- Appraisal Underwriter ID
- Appraised Value
- Borrower Paid Closing Costs
- Energy Efficient Mortgage
- Gift Letters
- Interested Party Contributions (%)
- Months in Reserve
- Sales Price
- Secondary Financing
- Total Fixed Payment
- Total Income
- Total Mortgage Payment
- UFMIP Paid in Cash
- Underwriter Approval Date
- Underwriter ID
- Verified Assets

**Note:** For purchase cases, if the **Interested Party Contributions %** is greater than six percent (6%) (Figure 4), include any amount greater than six percent in the **Inducements to Purchase** field. Use the **Interested Party Contributions Amount** for determining the amount exceeding six percent.
Figure 4f: Other Worksheet Information field inputs
If energy efficient improvements are factored into the mortgage, get the **EEM Improvement Amount** and **Energy Efficient Mortgage** information from the FHA Loan Underwriting and Transmittal Summary - form HUD-92900-LT (Figure 4e), Home Energy Rating Systems (HERS) report, and URLA - Fannie Mae Form 1003, Freddie Mac Form 65, VII Details of Transaction. For a 203(k) case for which **203k Calculator** was completed, these fields are view only and pre-filled with the information from **203k Calculator**.

For an Energy Efficient Home (EEH), get the **Home Energy Score** from the **Home Energy Score Report** for cases with a **Construction Code** of Existing Construction or Substantial Rehabilitation. The **Home Energy Score** is not required for other **Construction Code** types. Note: If the mortgage is being manually underwritten to take advantage of the “stretch” ratios of an EEH, Yes is selected in the **Manual Underwrite Stretch Ratios (EEM)** field (Figure 4).

**Borrower Information Section**

The **Borrower Information** section of Insurance Application Update appears in **Figure 5**, followed by processing tips. Key portions of the forms used as sources of information for completing this section are illustrated in **Figures 5a-5d**.

![Figure 5: Borrower Information section of Insurance Application Update](image)

**Borrower Information Section – Processing Tips**

Tips for completing the **Borrower Information** section of Insurance Application Update (Figure 5) include:

- If the borrower’s/co-borrower’s **Name**, **SSN**, and/or **Date of Birth** are added or updated, the new identification information is validated overnight with the Social Security Administration (SSA). The following message is displayed on the Insurance Application 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.

  **Note:** If the borrower is a Government Entity, the name must be entered in the following format: Government, Entity.
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, enter the three-digit scores provided in the Experian/Fico, Equifax/Beacon®, and/or TransUnion/Empirica® credit score reports.
  - Use **Insurance Application** online 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 are automatically entered by the system and cannot be changed.

**Borrower Information Section – Sources of Information**

**Figures 5a-5d** show the fields on the **URLA** - Fannie Mae Form 1003, Freddie Mac Form 65 (and **URLA Addendum**) that relate to the specific fields of the **Borrower Information** section of Insurance Application Update. The callouts pointing to the fields on the **URLA** are the field names found in the **Borrower Information** section of Insurance Application Update.

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

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

Figure 5c: Borrower information appears on the left; Co-borrower information appears on the right

The First Time Home Buyer indicator is found on the Addendum to URLA - VA Form 26-1802a/ HUD-92900-A (Figure 5d). If the borrower was counseled, refer to the Certificate of Housing Counseling - form HUD-9911 for the Counsel Type and Counsel TIN fields.

Figure 5d: First Time Home Buyer information source

Other source documents can be used, such as the IRS form W-8 for the Exempt from SSN field and the Certificate of Veteran Status for the Veterans Preference field.
Mortgage Information Section

The Mortgage Information section of Insurance Application Update appears in Figure 6, followed by processing tips. Key portions of the forms used as sources of information for completing this section are illustrated in Figures 6a-6b.

![Mortgage Information section of Insurance Application Update](image)

**Mortgage Information Section - Processing Tips**

Tips for completing the Mortgage Information section of Insurance Application Update (Figure 6) include:

- **Mortgage Amount (without financed UFMIP)** must be within FHA mortgage limits. The amount entered should not include the upfront mortgage insurance premium (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 annual (monthly) MIP.

- The following fields are calculated by the system, are view only, and are based on other case criteria:
  - Adjusted Value
  - Loan-to-Value (%)
  - MIP LTV (%)
  - CLTV Total (%)
  - CLTV Subject to Limit (%)
See the Insurance Application online Help for more information on these fields.

- The Appraiser Name and 203k Name fields are system-generated after the Insurance Application Update is processed.
- For a 203(k) case for which 203k Calculator was completed, the Adjusted As-Is Value rather than the Adjusted Value is displayed. This field and the MIP LTV (%) field are pre-filled from 203k Calculator and are view only.

Mortgage Information Section – Sources of Information

Figures 7a-7b show the FHA Loan Underwriting and Transmittal Summary - form HUD-92900-LT fields that relate to the specific fields of the Mortgage Information section of Insurance Application Update. The callouts pointing to the fields on the FHA Loan Underwriting and Transmittal Summary are the field names found in the Mortgage Information section of Insurance Application Update.
The **URLA** - Fannie Mae Form 1003, Freddie Mac Form 65 (Figure 6b) also provides the information needed for the **Amortization** and **ARM Type** fields of the **Mortgage Information** section.

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

For the following fields of the **Mortgage Information** section of Insurance Application Update, refer to these additional documents:

- **203k Consultant ID** (HUD-9746-A)
- **Appraiser License ID** (URAR - Fannie Mae Form 1004, Freddie Mac Form 70)
- **Closing/Disbursement Date** (Settlement Statement/Closing Disclosure)
- **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)
- **QM Points and Fees** (Settlement Statement/Closing Disclosure)
- **Warranty** (warranty certificate, insurance policy, or other document of similar purpose)

Refer also to **Insurance Application** online **Help** for information on completing these fields.

**Note:** **Loan-to-Value (%)**, **Appraiser Name**, and **203k Name** are provided by the system after Insurance Application Update is processed.

**Endorsement Information Section**

HUD Homeownership Center (HOC) personnel complete the **Endorsement Information** section (Figure 7), except for lenders participating in the LI Program, described in **Lender Insurance (LI) Endorsement Processing** below. See also **Insurance Application Results (MIC or NOR)**.

**Lender Insurance (LI) 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. 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,
- case was issued a NOR and the LI lender resubmitted the case binder, or
- borrower on the case is a Government Entity.

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

- HUD Housing Lender Insurance Program website: (https://www.hud.gov/program_offices/housing/sfh/lender/lendins)

**Insurance Application Results (MIC or NOR)**

Once **Insurance Application** is completed and successfully submitted, an authorized representative (e.g., an authorized employee of the LI lender or an authorized HOC staff member for a non-LI lender) endorses the case using the **Endorsement Information** section of **Insurance Application**. If there are no issues, 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 8).

![Figure 7: Insurance Application Endorsement Information](image)

A success message at the top of the page indicates Insurance Application is complete. Endorsement information appears at the bottom of the page indicating the case is insured.

After a case is submitted for endorsement, lenders can 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 online Help

The electronic MIC serves as evidence of FHA insurance of the mortgage loan. HUD issues the NOR to indicate a mortgage loan cannot be endorsed for FHA insurance and provides the reason(s) for non-endorsement. 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.