



## HUD Archives: News Releases

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### FHA PROPOSES NEW LENDER CERTIFICATION REQUIREMENTS

#### ***Effort designed to improve clarity and certainty of compliance rules, expand financing options for borrowers***

WASHINGTON - The Federal Housing Administration (FHA) today proposed several revisions to its lender certification requirements with the goal of providing lenders and servicers greater certainty in how to satisfy the agency's compliance requirements. In providing greater certainty to the process, FHA believes the changes will facilitate more competition in the market and result in more financing choices for borrowers, especially first-time and minority homebuyers.

FHA is proposing significant changes to its loan-level and annual lender-level certifications to provide more precision and needed clarity to compliance documents. Specifically, FHA is proposing revisions to its *Addendum to Uniform Residential Loan Application (Form 92900-A)* and to its annual lender certification form. In addition, FHA is revising its 'defect taxonomy' to clarify the various loan defect categories and how the agency weighs the severity of each defect. Visit FHA's 'drafting table' to read more.

"A key focus of this Administration and of my tenure at HUD has been to improve the clarity, certainty, and transparency of our regulations and requirements," said Housing and Urban Development (HUD) Secretary Ben Carson. "As part of this work, we have updated our defect taxonomy as well as the annual and loan-level certifications delivered in connection with FHA-insured loans. While HUD will preserve its strict enforcement authority where our requirements are violated, we will continue to reduce unnecessary burdens on stakeholders across our programs."

"It has become clear that our lending partners are seeking clarity and greater certainty when documenting compliance with FHA requirements," said Acting Deputy Secretary and FHA Commissioner Brian Montgomery. "We are proposing a new, more transparent set of requirements that will preserve our enforcement authority. We anticipate that this will encourage more lender participation in FHA business, thus increasing competition in the market and resulting in greater choices for borrowers."

Since the housing crisis, the number of traditional banks participating in FHA's single-family mortgage insurance programs has declined, resulting in a growing share of non-bank lenders originating FHA-insured mortgages. In order to expand mortgage financing options offered by a more diverse population of lending institutions, President Trump issued a memorandum on Federal Housing Finance Reform on March 27, 2019. The President's memorandum included a directive that FHA work to diversify the network of FHA-approved lenders through "increased participation by registered depository institutions."

In its Fiscal Year 2018 annual report to Congress on the fiscal health of its Mutual Mortgage Insurance Fund (MMIF), FHA indicated its intent to clarify the perceived severity of defects and certain types of noncompliance. Combined, the proposed changes announced today will provide lenders additional certainty and clarity on FHA's requirements, and help FHA quickly recognize when lenders are failing to meet those requirements.

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