



PRACTICAL GUIDE TO FHA LENDING

IMPORTANT NOTICE

Mortgage U has compiled the following information to assist with the FHA 203(b) program requirements. This workbook is not intended to cover all areas for which the Company is responsible. While every effort is made to provide accurate information in regard to FHA 203(b) guidelines as of the date of this publication, the Company is solely responsible for maintaining policies that meet the current guidelines as required by the FHA and the agencies that supervise the lender's activities.

SPECIAL THANKS TO ALLREGS® FOR PROVIDING A VALUABLE AND RELIABLE RESOURCE FOR THIS GUIDE.

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ABOUT THE AUTHORS

Alice Alvey

As a processor in the early 80's Alice learned government loans the hard way – trial and error. She worked her way up through origination and underwriting to be the Senior Vice President of Operations for a national lender with responsibilities covering wholesale and retail lending, overseeing processing through servicing. In this position she also served as the corporate compliance officer, working directly with HUD, the FDIC, FRB, Fannie Mae and Freddie Mac on all audits and negotiated commitments.

Since starting Mortgage U with Jan Wetzel in January 1996, Alice has customized training programs for lenders all over the country on everything from application through shipping on conventional, government and portfolio lending. As president of Mortgage U, she's worked closely with lenders and brokers by providing solutions for all their FHA challenges from HUD approval and sponsorship through insuring.

She was the one the Fannie Mae Chicago regional office called when they needed training on FHA loans. She was a contract trainer for Fannie Mae's Housing Finance Institute from 1997-1998 and served on Fannie Mae's Risk Management Advisory Council in 1994 and 1995. She is a member of MBA, NAMB and MMLA. Alice is also the recipient of the Outstanding Mortgage Banker of the Year award in 2000.

Alice's extensive background from origination through loan delivery provides a well-defined framework to create innovative, "street-wise" and informative training sessions. She is an effective, professional and dynamic educator, consistently redesigning and upgrading her training materials to keep up with an ever changing industry. Her dedication to accuracy and thoroughness will be evident in this guide.

John Gehrke

John began his mortgage lending career in 1970 as a loan originator for First Federal of Detroit [now Charter One]. His career took him to the James T. Barnes Company, the largest privately held mortgage company in the country. At Barnes he was head of residential lending in Atlanta, GA and then moved to New York to run the secondary marketing operations for the Barnes Companies.

In 1984 he started Gehrke Mortgage Corporation; an FHA/VA, FNMA, FHMLC approved mortgage banking company. Until its sale in late 2001, the company built a FNMA servicing portfolio of over \$100,000,000.00 - twice- of conventional loans and was a leader lender of FHA/VA loans.

During his 33 years in the residential lending business he was twice on the board of governors of the Michigan Mortgage Bankers Association [now the Michigan Mortgage Lenders Association] and its president in 1993. In 2000, he was awarded the James T Barnes Memorial Award given annually to the person whose career reflects high ethical standards with a deep commitment to mortgage banking.

ABOUT THE AUTHORS

Jan Wetzel

Jan Wetzel's extensive underwriting and management background started in 1978 and put her on course to start one of the country's leading Quality Control firms. [Wetzel Trott](#) has specialized in Quality Control Reviews for residential lenders since 1985. As President, Jan has helped hundreds of banks, mortgage companies and credit unions develop and implement comprehensive quality control plans in accordance with Fannie Mae, Freddie Mac, The Department of HUD and VA requirements. Jan's focus on quality allowed her to build a team with combined mortgage experience of over 125 years to handle more than one hundred fifty customers in twenty-two states. Her team handles monthly reviews of closed loans, re-verification tracking, agency approved reporting formats, fraud detection and appraisal field reviews.

In 1998 she designed and wrote the QuiC® software program to manage the entire closed loan review process from document tracking through management reporting. Jan has molded the information from over 200,000 loan reviews into QuiC® to create an extensive fraud database that provides trend analysis reporting and unparalleled protection for her clients. Jan also created a Servicing Quality Control division within Wetzel Trott. Her specialized services cover audits on everything from investor accounting, escrow analysis, loss mitigation, foreclosure, FHA and VA requirements. Jan's team covers over five states for some of the countries largest servicers.

Jan is a graduate of Bowling Green State University, and received her Bachelors Degree in Communication in 1978. She has served on the board of directors and development committee for COTS (The Coalition for Temporary Shelter) in Detroit. Jan is currently the President of the Southeast Chapter of the Michigan Mortgage Lenders; participates in the FNMA Risk Management Advisory Council and is the 1997 recipient of the MMLA James T. Barnes Award for her exemplary contributions to the mortgage industry.

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CHAPTER 18: GLOSSARY

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This guide has been developed from the FHA Handbooks, Mortgagee Letters, information from HUD Home Ownership Centers and over 75 years combined FHA lending experience by the authors.

The design consolidates FHA 203(b) program requirements into one publication using easy reference topics and following the mortgage loan flow. To simplify the guide even further we have used the philosophy that repeating common industry knowledge is not necessary. Therefore, any requirement that is “identical” to Fannie Mae/Freddie Mac requirements, as well as basic math such as calculating ratios, is not repeated.

The following source documents, handbooks and guides have been incorporated throughout this guide:

1. Mortgagee Letters and HOC memos
2. TOTAL Scorecard Guide
3. 4155.1 rev.5 [Mortgage Credit Analysis for Mortgage Insurance]
4. 4150.1 [Valuation Analysis for Home Mortgage Insurance]
5. 4060.1 rev.1 [Mortgagee Approval Handbook]
6. 4000.4 [Single Family Direct Endorsement Program]
7. HOC guide
8. 4000.2 rev.3 [Mortgagees’ Handbook, Application through Insurance]
9. 4165.1 rev. 2 [Endorsement for Insurance for Home Mortgage Programs]
10. FHA Connection guide

Industry benchmarks and tips are identified by:

- Best practices
-  Case binder document or insuring issue
- QC Quality Control and auditing assistance for files endorsed prior to January 27th, 2006, ML 06-04 (changes in the closing cost matrix.)

THIS VERSION OF THE GUIDE IS BASED ON INFORMATION AVAILABLE TO MORTGAGE U AS OF FEBRUARY 28, 2006. Federal law prohibits reproduction of any portion of the materials used in this book unless written permission is received from Mortgage U in advance.

[HTTP://WWW.HUD.GOV/GROUPS/LENDERS.CFM](http://www.hud.gov/groups/lenders.cfm)

We recommend you check this site often to find updates and/or changes that may have occurred since the above date.

Everyone from the point of origination through insuring will benefit from the Practical Guide to FHA Lending.

FORWARD

LENDER VS BROKER

FHA applies the term “Lender” to all FHA approved companies whether they are a sponsored broker or a lender with full eagle authority. Therefore, throughout this guide the term “lender” also covers a broker that is sponsored, unless specified otherwise.

ITEMS NOT COVERED IN THIS GUIDE:

The authors assume the user has a basic knowledge of mortgage lending. Certain areas that are common to all mortgage underwriting, regardless of whether it is a conventional or government program, are not covered. For example: credit report format; standards are consistent between all agencies and markets and not specific to FHA lending. Any area in the 4155.1 that is not covered is identified in the heading of the section.

The following areas are works in progress and not currently included in this guide:

- Complete Title II Manufactured housing.
- Energy Efficiency Mortgages
- Disaster Relief Housing (203h)
- Home Equity Conversion Mortgages
- Assumptions
- HUD REO (HUD Real Estate Owned property sales)
- HUD Approval of a Non-Profit Organization
- Graduated Payment Mortgages
- Growing Equity Mortgages
- 203K
- Cooperatives