

Colette Pollard  
Reports Management Officer, QDAM  
Department of Housing and Urban Development  
451 7th Street, SW, Room 4176  
Washington, DC 20410-5000

Re: Proposed Changes to the Federal Housing Administration's Loan-Level Certification,  
Docket No. FR-5831-N-39

*By electronic submission*

Dear Ms. Pollard,

The undersigned appreciate the opportunity to comment on the Federal Housing Administration's (FHA) proposed changes to the certification that a lender must sign when submitting a loan for FHA insurance (Certification). In this letter we summarize the policy challenge that FHA faces in modifying its Certification, share our concerns with the modifications that FHA has proposed, and offer an alternative set of revisions that we believe will more effectively address the challenge.

Most critically, we want to express our concern that the Certification FHA has proposed is likely to constrain access to sustainable credit, pushing families that should qualify for FHA-backed lending beyond its reach and thus often beyond the reach of homeownership. While we share FHA's commitment to making sure that lenders play by the rules, the way in which the rules would apply under this proposal would exclude consumers more than protect them and do more to reduce FHA lending than to improve it. We thus strongly recommend that FHA consider an alternative course.

### **The policy challenge**

The Certification currently in place requires lenders to certify to perfection in both the factual contents of every loan file and the loan's compliance with FHA rules. If they file an insurance claim with the FHA and it is found that they have made a mistake in either respect, the lender is liable under the False Claims Act (FCA) for damages three times the size of the insurance claim.

While this is understandable in theory, it is deeply problematic in practice. No matter how good a lender's underwriting processes are, they cannot ensure perfection. Unable to mitigate adequately their FCA risk through improved underwriting, lenders mitigate it instead by reducing the risk that they ever have to file a claim to begin with. That is, they apply credit overlays requiring credit scores well in excess of what FHA actually requires. To fix the problem, FHA needs to narrow what lenders certify to so that they are exposed to FCA liability only for mistakes that they can actually control and which warrant the heavy penalty.

## **The solution**

To address the problem, FHA has narrowed FCA liability to mistakes that could affect the insurability of the loan. Unfortunately, virtually *any* mistake could affect insurability, so the step does not actually limit liability at all. Moreover, the way the proposal is drafted, other provisions create liability for any mistakes irrespective of their possible impact on insurability. For more on both these problems, see [here](#). With the proposal we thus remain precisely where we were before.

We believe that the long-term solution is to overhaul the way FHA identifies and penalizes defects, better aligning its full array of enforcement tools with the wide range of mistakes lenders are liable to make in the underwriting of loans for which they seek FHA insurance. We commend the FHA for taking a critical first step in this direction with the introduction of the defect taxonomy. But until it is able to tie penalties like those levied under the FCA to this taxonomy, FHA needs an alternative short-term solution.

We believe that the most effective short-term solution is to introduce a materiality threshold to the Certification. We attach one way of accomplishing this, though there are no-doubt many ways of doing so, some perhaps more effective than what we have proposed. The critical point is less the importance of this version of the solution than the importance of doing *something* that limits liability to the kinds of mistakes that lenders can be expected to control and that warrant the heavy penalty.

We also note that for any such effort to remove the uncertainty that hangs over this issue, the FHA must usefully define “material,” whether in the Certification or elsewhere. Failing to define it, or worse still defining it too broadly, would be little improvement over the status quo.

We recommend defining “material” along the following lines, as it would limit treble damages liability to the kinds of mistakes for which it is best reserved, without overly limiting the reach of enforcement:

For purposes of a mortgagee’s loan-level certification, a fact or circumstance is “material” if it is significant enough that a reasonable person would act differently if the fact or circumstance were different.

## **What is at stake**

In deciding whether to give up the wide discretion in enforcement that the current strict liability regime affords, it is important that the FHA take into account the costs of choosing not to.

If the FHA introduces the Certification as proposed, or one that similarly falls short of the kind of narrowing called for, then we would expect larger and more traditional lending institutions to continue to pull-back from their FHA lending.

These lenders will pull back by introducing increasingly strict credit overlays, offering FHA-backed loans to fewer and fewer families. There is also a significant risk that these lenders will not only retreat from originations, but also from servicing FHA loans, extending warehouse lines to other FHA lenders and buying whole loans backed by the FHA. As their presence in these other channels disappears, the lenders that remain will have less servicing options, less capital to put towards new lending and fewer buyers for their loans.

There are at least three serious implications of this shift in the lenders participating in the FHA market:

- *It is unlikely that the void left by exiting larger lenders will be filled adequately by smaller lenders any time soon.* The tightening of FHA lending that would result is particularly disconcerting given that the FHA's credit box is already much smaller than in typical times. By some measures FHA is actually taking on only about half of the credit risk it has in more normal times (for an explanation see [here](#)). This tightness is acting as a drag on the recovery, yet a further retreat by the larger lenders will only make matters worse.
- *If the FHA market is left largely to smaller lenders, FHA lending will become more pro-cyclical.* The smaller firms will expand into the market when times are good, and pull out (or fail) when times are bad. And when they do pull back, it's unclear why larger and other traditional lenders will step back in behind their retreat, given that the reasons for their own retreat will remain. This is particularly concerning because FHA lending is most important in these stressed times. Consider what happened during the recent housing crash and Great Recession - it was larger lenders lending through an expanded FHA channel that filled much of the void in low to moderate income lending left by the collapse of the non-agency market.
- *Lastly, FHA oversight in a market dominated by hundreds of smaller lending institutions would be dramatically more challenging than it is today.* Given that resource constraints are already making FHA's counterparty oversight challenging, adding to this burden would seem ill-advised.

The bottom line is that as the larger, more traditional lenders pull back from the FHA market, they will leave behind a smaller FHA market that is more pro-cyclical and more difficult to oversee.

### **Conclusion**

We are concerned that the FHA stands at the edge of a dangerous shift in its lending, the result of which will be both less access to credit for the very households and communities that the FHA is intended to serve and an agency exposed to increasingly unmanageable risk. To address this risk, we recommend that FHA better target the use of the False

Claims Act to the kinds of mistakes that lenders can actually avoid, and for which they deserve this kind of punishment. Doing so will provide lenders with an incentive to improve their underwriting, not simply reduce their lending in the communities that need it most.

Sincerely,



Laurie Goodman  
*Urban Institute*



Jim Parrott  
*Urban Institute*



Mark Zandi  
*Moodys Analytics*

*Disclaimer: The views expressed herein represent the views of the undersigned only, not necessarily the institutions with which they are associated.*

HUD/VA Addendum to Uniform Residential Loan Application

OMB Approval No. VA: 2900-0144 (exp. 11/30/2016)  
 HUD: 2502-0059 (exp. 04/30/2017)

<b>Part I - Identifying Information</b> (mark the type of application)		3. Lender/Mortgagee Case No.	4. Section of the Act (for HUD cases)
<input type="checkbox"/> VA Application for Home Loan Guaranty <input type="checkbox"/> HUD/FHA Application for Insurance under the National Housing Act			
5. Borrower's Name & Present Address (Include zip code)		%	yrs.    mos.
6. Property Address (including name of subdivision, lot & block no. & zip code)		10. Discount Amount (only if borrower is permitted to pay)	11. Amount of Up Front Premium
		12a. Amount of Monthly Premium	12b. Term of Monthly Premium
		13. Lender/Mortgagee I.D. Code	14. Sponsor / Agent I.D. Code
15. Lender/Mortgagee Name & Address (include zip code)		16. Name & Address of Sponsor / Agent	
Type or Print all entries clearly		17. Lender/Mortgagee Telephone Number	
<b>FHA Sponsored Originations</b>			

**VA:** The veteran and the lender hereby apply to the Secretary of Veterans Affairs for Guaranty of the loan described here under Section 3710, Chapter 37, Title 38, United States Code, to the full extent permitted by the veteran's entitlement and severally agree that the Regulations promulgated pursuant to Chapter 37, and in effect on the date of the loan shall govern the rights, duties, and liabilities of the parties.

18. First Time Homebuyer? a. <input type="checkbox"/> Yes b. <input type="checkbox"/> No	19. VA Only Title will be Vested in: <input type="checkbox"/> Veteran <input type="checkbox"/> Veteran & Spouse <input type="checkbox"/> Other (specify)	1) <input type="checkbox"/> Purchase Existing Home Previously Occupied 2) <input type="checkbox"/> Purchase Existing Home Not Previously Occupied 3) <input type="checkbox"/> Finance Improvements to Existing Property 4) <input type="checkbox"/> Refinance (Refi) 5) <input type="checkbox"/> Purchase New Condo. Unit 6) <input type="checkbox"/> Purchase Existing Condo. Unit	7) <input type="checkbox"/> Construct Home (proceeds to be paid out during construction) 8) <input type="checkbox"/> Finance Co-op Purchase 9) <input type="checkbox"/> Purchase Permanently Sited Manufactured Home 10) <input type="checkbox"/> Purchase Permanently Sited Manufactured Home & Lot 11) <input type="checkbox"/> Refi. Permanently Sited Manufactured Home to Buy Lot 12) <input type="checkbox"/> Refi. Permanently Sited Manufactured Home/Lot Loan
--	--	--	---

**HUD Instructions: The capitalized terms used in this form refer to those terms as used in the relevant sections of the current version of Single Family Housing Policy Handbook, HUD 4000.1.**

**Part II – Lender/Mortgagee Certification**

21. The undersigned lender/mortgagee makes the following certifications to induce the Department of Veterans Affairs to issue a certificate of commitment to guarantee the subject loan or a Loan Guaranty Certificate under Title 38, U.S. Code, or to induce the Department of Housing and Urban Development - Federal Housing Commissioner to issue a firm commitment for mortgage insurance or a Mortgage Insurance Certificate under the National Housing Act.

- A. The loan terms furnished in the final Uniform Residential Loan Application and this Addendum are true, accurate and complete.
- B. (1) The information contained in the initial Uniform Residential Loan Application and this Addendum was obtained from the Borrower by an employee of the undersigned lender/mortgagee or its duly authorized agent and is to the best of lender/mortgagee's knowledge true, complete and accurate as of the date the Borrower provided the information to the undersigned lender/mortgagee or its duly authorized agent.  
 (2) The information contained in the final Uniform Residential Loan Application, which was signed by the Borrower at the time of settlement, was obtained by an employee of the undersigned lender/mortgagee or its duly authorized agent and, to the best of lender/mortgagee's knowledge, accurately represents or is accurately based upon information obtained by the mortgagee true, complete and accurate as of the date and verified in all material respects by the lender/mortgagee.
- C. The credit report submitted on the subject Borrower (and Co-Borrower, if any) was ordered by the undersigned lender/mortgagee or its duly authorized agent from the credit agency which prepared the report and was received directly from said credit agency.
- D. The Verifications of Employment, Deposit, Rent and Mortgage, as applicable, were requested and received by the lender/mortgagee or its duly authorized agent without passing through the hands of the Borrower or any Interested Third Party and are to the best of lender/mortgagee's knowledge true.
- E. To the best of my knowledge, neither I nor any other Participant (as that term is clarified in HUD Handbook 4000.1, II.A.1.b.ii.(B)) in this Covered Transaction (as that term is clarified at 2 C.F.R. § 180.200) is suspended, debarred, under a limited denial of participation, or otherwise restricted under 2 C.F.R. part 2424 or 24 C.F.R. part 25, or under similar procedures of any other federal agency.

**Items "F" through "H" are to be completed as applicable for VA loans only.**

F. The names and functions of any duly authorized agents who developed on behalf of the lender/mortgagee any of the information or supporting credit data submitted are as follows:

Name & Address	Function (e.g., obtained information on the Uniform Residential Loan Application, ordered credit report, verifications of employment, deposits, etc.)

If no agent is shown above, the undersigned lender/mortgagee affirmatively certifies that all information and supporting credit data were obtained directly by the lender/mortgagee.

- g. The undersigned lender/mortgagee understands and agrees that it is responsible for the omissions, errors, or acts of agents identified in item F as to the functions with which they are identified.
- h. The proposed loan conforms otherwise with the applicable provisions of Title 38, U.S. Code, and of the regulations concerning guaranty or insurance of loans to veterans.

Signature of Officer of Lender/Mortgagee	Title of Officer of Lender/Mortgagee	Date (mm/dd/yyyy)
--	--------------------------------------	-------------------

**WARNING:** This warning applies to all certifications made in this document. The knowing submission of a false, fictitious, or fraudulent certification may be subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. 18 U.S.C. §§ 287, 1001 and 31 U.S.C. §3729

Part III - Notices to Borrowers

Public reporting burden for this collection of information is estimated to average 6 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number can be located on the OMB Internet page at http://www.reginfo.gov/public/do/PRAMain. Privacy Act Information: The information requested on the Uniform Residential Loan Application and this Addendum is authorized by 38 U.S.C. 3710 (if for DVA) and 12 U.S.C. 1701 et seq. (if for HUD/FHA). The Debt Collection Act of 1982, Pub. Law 97-365, and HUD's Housing and Community Development Act of 1987, 42U.S.C. 3543, require persons applying for a federally insured or guaranteed loan to furnish his/her social security number (SSN). You must provide all the requested information, including your SSN. HUD and/or VA may conduct a computer match to verify the information you provide. HUD and/or VA may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not otherwise be disclosed or released outside of HUD or VA, except as required and permitted by law. The information will be used to determine whether you qualify as a mortgagor. Any disclosure information outside VA or HUD/FHA will be made only as permitted by law. Failure to provide any of the requested information, including SSN, may result in disapproval of your loan application. This is notice to you as required by the Right to Financial Privacy Act of 1978 that VA or HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to VA and HUD/FHA without further notice or authorization but will not be disclosed or released by this institution to another Government Agency or Department without your consent except as required or permitted by law. Caution. Delinquencies, defaults, foreclosures and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future. The lender in this transaction, its agents and assigns as well as the Federal Government, its agencies, agents and assigns, are authorized to take any and all of the following actions in the event loan payments become delinquent on the mortgage loan described in the attached application: (1) Report your name and account information to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Government to service your account; (4) Offset amounts owed to you under other Federal programs; (5) Refer your account to a private attorney, collection agency or mortgage servicing agency to collect the amount due, foreclose the mortgage, sell the property and seek judgment against you for any deficiency; (6) Refer your account to the Department of Justice for litigation in the courts; (7) If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (8) Refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (9) Report any resulting written off debt of yours to the Internal Revenue Service as your taxable income. All of these actions can and will be used to recover any debts owed when it is determined to be in the interest of the lender and/or the Federal Government to do so.

Part IV - Borrower Consent for Social Security Administration to Verify Social Security Number

I authorize the Social Security Administration to verify my Social Security number to the Mortgagee identified in this document and HUD/FHA, through a computer match conducted by HUD/FHA. I understand that my consent allows no additional information from my Social Security records to be provided to the Mortgagee, and HUD/FHA and that verification of my Social Security number does not constitute confirmation of my identity. I also understand that my Social Security number may not be used for any other purpose than the one stated above, including resale or redisclosure to other parties. The only other redisclosure permitted by this authorization is for review purposes to ensure that HUD/FHA complies with SSA's consent requirements. I am the individual to whom the Social Security number was issued or that person's legal guardian. I declare and affirm under the penalty of perjury that the information contained herein is true and correct. I know that if I make any representation that I know is false to obtain information from Social Security records, I could be punished by a fine or imprisonment or both. This consent is valid for 180 days from the date signed, unless indicated otherwise by the individual(s) named in this loan application.

Read consent carefully. Review accuracy of social security number(s) and birth dates provided on this application.

Signature(s) of Borrower(s) Date Signed Signature(s) of Co - Borrower(s) Date Signed

/ /

/ /

Part V - Borrower Certification

22. Complete the following for a HUD/FHA Mortgage.

22a. Do you own or have you sold other real estate within the past 60 months on which there was a HUD/FHA mortgage? Yes No Is it to be sold? Yes No NA

22b. Sales Price 22c. Original Mortgage Amt

22d. Address:

22e. If the dwelling to be covered by this mortgage is to be rented, is it a part of, adjacent or contiguous to any project subdivision or group of concentrated rental properties involving eight or more dwelling units in which you have any financial interest? Yes No If "Yes" give details.

22f. Do you own more than four dwellings? Yes No If "Yes" submit form HUD-92561.

23. Complete for VA-Guaranteed Mortgage. Have you ever had a VA home Loan? Yes No

IMPORTANT: If you are certifying that you are married for the purpose of VA benefits, your marriage must be recognized by the place where you and/ or your spouse resided at the time of marriage, or where you and/or your spouse resided when you filed your claim (or a later date when you become eligible for benefits) (38 U.S.C. § 103(c)). Additional guidance on when VA recognizes marriages is available at http://www.va.gov/opa/marriage/.

24. Applicable for Both VA & HUD. As a home loan borrower, you will be legally obligated to make the mortgage payments called for by your mortgage loan contract. The fact that you dispose of your property after the loan has been made will not relieve you of liability for making these payments. Payment of the loan in full is ordinarily the way liability on a mortgage note is ended. Some home buyers have the mistaken impression that if they sell their homes when they move to another locality, or dispose of it for any other reasons, they are no longer liable for the mortgage payments and that liability for these payments is solely that of the new owners. Even though the new owners may agree in writing to assume liability for your mortgage payments, this assumption agreement will not relieve you from liability to the holder of the note which you signed when you obtained the loan to buy the property. Unless you are able to sell the property to a buyer who is acceptable to VA or HUD/FHA and who will assume the payment of your obligation to the lender, you will not be relieved from liability to repay any claim which VA or HUD/FHA may be required to pay your lender on account of default in your loan payments. The amount of any such claim payment will be a debt owed by you to the Federal Government. This debt will be the object of established collection procedures.

25. I, the Undersigned Borrower(s) Certify that:

(1) I have read and understand the foregoing concerning my liability on the loan and Part III Notices to Borrowers.

(2) Occupancy: HUD Only (CHECK APPLICABLE BOX)

I, the Borrower or Co-Borrower will occupy the property within 60 days of signing the security instrument, and intend to continue occupancy for at least one year; or

I do not intend to occupy the property as my primary residence.

Occupancy: VA Only

(a) I now actually occupy the above-described property as my home or intend to move into and occupy said property as my home within a reasonable period of time or intend to reoccupy it after the completion of major alterations, repairs or improvements.

(b) My spouse is on active military duty and in his or her absence; I occupy or intend to occupy the property securing this loan as my home.

(c) I previously occupied the property securing this loan as my home. (for interest rate reduction loans).

(d) While my spouse was on active military duty and unable to occupy the property securing this loan, I previously occupied the property that is securing this loan as my home. (for interest rate reduction loans). Note: If box 2b or 2d is checked, the veteran's spouse must also sign below.

(e) The veteran is on active military duty and in his or her absence, I certify that a dependent child of the veteran occupies or will occupy the property securing this loan as their home.

Note: This requires that the veteran's attorney-in-fact or legal guardian of the dependent child sign the Borrower's Certificate below.

(f) While the veteran was on active military duty and unable to occupy the property securing this loan, the property was occupied by the veteran's dependent child as his or her home (for interest rate reduction loans).

Note: This requires that the veteran's attorney-in-fact or legal guardian of the dependent child sign the Borrower's Certificate below.

(3) Mark the applicable box (not applicable for Home Improvement or Refinancing Loan) I have been informed that (\$ ) is:

The reasonable value of the property as determined by VA or;

The statement of appraised value as determined by HUD / FHA

Note: If the contract price or cost exceeds the VA "Reasonable Value" or HUD/FHA "Statement of Appraised Value", mark either item (a) or item (b), whichever is applicable.

(a) I was aware of this valuation when I signed my contract and I have paid or will pay in cash from my own resources at or prior to loan closing a sum equal to the difference between the contract purchase price or cost and the VA or HUD/FHA established value. I do not and will not have outstanding after loan closing any unpaid contractual obligation on account of such cash payment;

(b) I was not aware of this valuation when I signed my contract but have elected to complete the transaction at the contract purchase price or cost. I have paid or will pay in cash from my own resources at or prior to loan closing a sum equal to the difference between contract purchase price or cost and the VA or HUD/FHA established value. I do not and will not have outstanding after loan closing any unpaid contractual obligation on account of such cash payment.

(4) I and anyone acting on my behalf are, and will remain, in compliance with the Fair Housing Act, 42 U.S.C. 3604, et seq., respect to the dwelling or property covered by the loan and in the provision of services or facilities in connection therewith. I recognize that any restrictive covenant on this property related to race, color, religion, sex, disability, familial status, national origin, marital status, age, or source of income is illegal and void. I further recognize that in addition to administrative action by HUD, a civil action may be brought by the Attorney General of the United States in any appropriate U.S. court against any person responsible for a violation of the applicable law.

(5) All information in this application is given for the purpose of obtaining a loan to be insured under the National Housing Act or guaranteed by the Department of Veterans Affairs and the information in the Uniform Residential Loan Application and this Addendum is true and complete to the best of my knowledge and belief. Verification may be obtained from any source named herein.

(6) For HUD Only (for properties constructed prior to 1978) I have received information on lead paint poisoning. Yes Not Applicable

(7) I am aware that neither HUD / FHA nor VA warrants the condition or value of the property.

Signature(s) of Borrower(s) - Do not sign unless this application is fully completed. Read the certifications carefully and review accuracy of this application.

Signature(s) of Borrower(s) Date Signed Signature(s) of Co - Borrower(s) Date Signed

/ /

/ /

# Direct Endorsement Approval for a HUD/FHA-Insured Mortgage

1. Borrower's Name & Present Address (Include zip code)	2. Property Address	3. Agency Case No. (include any suffix)
---	---------------------	---

**Approved:**  
 Date Mortgage Approved \_\_\_\_\_ Date Approval Expires \_\_\_\_\_

<input type="checkbox"/> <b>Modified &amp; approved as follows:</b>	Loan Amount (include UFMIP)	Interest Rate	Proposed Maturity	Monthly Payment	Amount of Up Front Premium	Amount of Monthly Premium	Term of Monthly Premium
	\$	%	Yrs. Mos.	\$	\$	\$	Mos.

Owner Occupancy NOT required

To the best of mortgagee's knowledge, all conditions of Approval have been satisfied **in all material respects and the following is true:**

\_\_\_\_\_ This mortgage was rated as an "accept" or "approve" by FHA's TOTAL Mortgage Scorecard. As such, the undersigned representative of the mortgagee certifies that the mortgagee reviewed the TOTAL Mortgage Scorecard findings and ~~that this mortgage meets the Final Underwriting Decision (TOTAL) requirements for approval~~ **prior to signing this certification, there were no subsequent material changes in the application information that would change that rating or, if changed, would cause the mortgage not to be eligible had it been manually underwritten.** The undersigned representative of the mortgagee also certifies that all information entered into TOTAL Mortgage Scorecard **accurately represents or is accurately based** ~~is true, complete, and accurate based upon information obtained by the mortgagee and validated pursuant to FHA requirements.~~

Mortgagee Representative:

Signature: \_\_\_\_\_ Printed Name/Title: \_\_\_\_\_

And if applicable:

This mortgage was rated as an "accept" or "approve" by FHA's TOTAL Mortgage Scorecard and the undersigned Direct Endorsement underwriter certifies that I have personally reviewed and underwritten the appraisal according to standard FHA requirements **in all material respects.**

\_\_\_\_\_  
Direct Endorsement Underwriter Signature

\_\_\_\_\_  
DE's CHUMS ID Number

## OR

\_\_\_\_\_ This mortgage was rated as a "refer" by a FHA's TOTAL Mortgage Scorecard, or was manually underwritten by a Direct Endorsement underwriter. As such, the undersigned Direct Endorsement Underwriter certifies that I have personally reviewed and underwritten the appraisal report (if applicable), credit application, and all associated documents used in underwriting this mortgage. I further certify that:

- I have approved this loan and my Final Underwriting Decision was made having exercised **due diligence and my underwriting judgment** ~~the required level of Care and Due Diligence;~~
- I have performed all Specific Underwriter Responsibilities for Underwriters **such that, in my underwriting judgment and in all material respects, and my underwriting** of the borrower's Credit and Debt, Income, Qualifying Ratios and Compensating Factors, if any, and the borrower's DTI with Compensating Factors, if any, are within the parameters established by FHA and the borrower has assets to satisfy any required down payment and closing costs of this mortgage; and
- I ~~have verified~~ **believe that** the Mortgage Insurance Premium and Mortgage Amount are true and correct and this loan is in an amount that is permitted by FHA for this loan type, property type, and geographic area.

\_\_\_\_\_  
Direct Endorsement Underwriter Signature

\_\_\_\_\_  
CHUMS ID Number

The Mortgagee, its owners, officers, employees or directors (do) (do not) have a financial interest in or a relationship, by affiliation or ownership, with the builder or seller involved in this transaction.

### Borrower's Certification:

The undersigned certifies that:

- (a.) I will not have outstanding any other unpaid obligations contracted in connection with the mortgage transaction or the purchase of the said property except obligations which are secured by property or collateral owned by me independently of the said mortgaged property, or obligations approved by the Commissioner;
- (b.) One of the undersigned intends to occupy the subject property (note: this item does not apply if owner-occupancy is not required by the commitment);
- (c.) All charges and fees collected from me as shown in the settlement statement have been paid by my own funds, gift funds, or acceptable Down Payment Assistance program funds, and no other charges have been or will be paid by me in respect to this transaction.

Borrower(s) Signature(s) & Date

### Mortgagee's Certification:

The Mortgagee by and through the undersigned certifies only that to the best of its knowledge:

- (a) The loan terms, loan type, property address, Borrower information including names, social security number, credit scores, marital status, employment status, and Borrower occupancy status, in its application for insurance and in this Certificate are true and correct;
- (b) All loan approval conditions appearing in any outstanding commitment issued under the above case number have been fulfilled and this loan closed in a manner consistent with the mortgagee's approval;
- (c) Complete disbursement of the loan has been made to the Borrower, or to his/her creditors for his/her account and with his/her consent and any escrow has been established in accordance with applicable law;
- (d) The note and security instrument are in a form acceptable to HUD and the security instrument has been recorded and is a good and valid first lien on the property described;
- (e) No charge has been made to, or paid by the Borrower, except as permitted under HUD regulations;
- (f) The copies of the credit and security instruments which are submitted herewith are true and exact copies as executed and filed for record;
- (g) It has not paid any kickbacks, fee or consideration of any type, directly or indirectly, to any party in connection with this transaction except as permitted under HUD regulations and administrative instructions.
- (h) A **Based on a** Pre-Endorsement Review ~~has been completed and revealed no deficiencies or defects in~~ **the file contains** the documents listed at HUD Handbook 4000.1, II.A.7.b. ~~that would render the loan ineligible for FHA insurance endorsement.~~

I, the undersigned authorized representative of the mortgagee certify that I have personally reviewed the mortgage documents, closing statements, application for insurance endorsement, and all accompanying documents and request the endorsement of this mortgage for FHA insurance.

Mortgagee

Name and Title of the Mortgagee's Officer	
Signature of the Mortgagee's Officer	Date

**Note:** If the approval is executed by an agent in the name of the mortgagee, the agent must enter the mortgagee's code number and type.

Code Number (5 digits)	Type
------------------------	------