



MORTGAGE BANKERS ASSOCIATION

August 25, 2023

The Honorable Julia Gordon  
Assistant Secretary for Housing and Federal Housing Commissioner  
Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW  
Washington, DC 20410-0001

**RE: Informed Consumer Choice Disclosure and Application for FHA Insured Mortgages OMB Control No.: 2502-0059 (Docket No. FR-5593-P-01)**

Dear Commissioner Gordon,

The Mortgage Bankers Association (MBA)<sup>1</sup> and its members appreciate the opportunity to offer comments on the Office of Policy Development and Research's Notice of Proposed Information Collection concerning the Informed Consumer Choice Disclosure and Application for FHA Insured Mortgages. MBA and its members value the Department of Housing and Urban Development's (HUD) continued effort to work with the industry to identify opportunities to improve efficiency and lower cost for consumers.

### **Feedback on Selected Questions**

*(5) Ways to minimize the burden of the collection of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.*

### **HUD Addendum to Uniform Residential Loan Application**

MBA recommends the Federal Housing Administration (FHA) amend Form 92900-A to remove language requiring lenders to personally review the mortgage case binder before submission. At present, the FHA Single-Family Housing Policy Handbook (Handbook)

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,200 companies includes all elements of real estate finance: independent mortgage banks, commercial banks, mortgage brokers, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

requires lenders to “complete a pre-endorsement review of the mortgage file to ensure all applicable documents as described in the Uniform Case Binder Stacking Order are included in the endorsement submission” by a staff member not involved in the originating, processing, or underwriting of the mortgage.<sup>2</sup> Moreover, a lender is required to certify that it has “personally reviewed mortgage documents and the application for insurance endorsement” in compliance with the aforementioned Post-closing and Endorsement section of the Handbook.<sup>3</sup>

Requiring two substantially similar review requirements is redundant and significantly increases transaction costs for lenders. A better option would be to permit lenders to leverage increasingly prevalent industry technology to flag missing documents and review for errors, thereby reducing the risk of non-compliance. Accordingly, FHA should remove the first bullet in Form 92900-A Part V to allow the use of documentation software to ensure compliance with the Uniform Case Binder Stacking Order.

### **Separation of Credit and Collateral Delegated Endorsement Designations**

Some MBA bank members have reported receiving regulatory guidance from the Office of the Comptroller of the Currency (OCC) concluding that the process of collateral valuation review for all home lending programs, encompassing FHA and the Department of Veterans Affairs, should operate independently from the individuals responsible for approving the credit decisions. The OCC found that the absence of an impartial collateral valuation review exposes banks to unidentified or inadequately assessed collateral risks, leading to elevated exposure to credit losses and fraudulent activities. In practice, this means that these bank members must establish a process of separate sign-off from two separate underwriters: one for the underlying credit decision and one for the collateral review.

This requirement not only poses challenges for existing bank lenders but also presents a new barrier for those contemplating participation in the FHA program, especially given the eligibility prerequisites for becoming a Direct Endorsement (DE) underwriter. As mandated by FHA, DE underwriters are required to possess a minimum of three years of experience in credit underwriting.<sup>4</sup> While collateral review personnel boast extensive experience in appraisals, their proficiency in credit evaluation may fall short for them to become DE underwriters. The MBA proposes that the FHA establish two additional DE certifications: (i) credit review DE; and (ii) appraisal review DE. Underwriters could attain both designations if they meet the respective qualifications for each.

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<sup>2</sup> FHA Single Family Housing Policy Handbook 4000.1: (II.A.7.a)

<sup>3</sup> HUD Addendum to Uniform Residential Loan Application: Form 92900-A Part V

<sup>4</sup> FHA Single Family Housing Policy Handbook 4000.1: (I.B.3.b.i)

## Conclusion

MBA appreciates FHA's ongoing willingness to engage with the industry and explore potential process improvements. Should you have questions or wish to discuss these issues further, please contact Darnell Peterson, Senior Policy Advisor, at (202) 557-2922 or [dpeterson@mba.org](mailto:dpeterson@mba.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Mills". The signature is written in a cursive style with a large, looping initial "P".

Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association