



**March 15, 2016**

**Providing Clarity for Loan and Lender Level Certifications**

As part of the Federal Housing Administration's (FHA) ongoing efforts to provide better clarity to lenders, today we released the latest loan-level and annual lender-level certifications. These certifications are key tools that help to ensure lenders comply with our policies, including those that are designed to protect borrowers and ensure quality lending practices. We recognize the important role these particular certifications play for the industry, and believe we have achieved the clarity that we and the industry sought while maintaining accountability.

We reached this milestone because many of you provided comments that helped us navigate through difficult issues and provided alternative views that led to a balanced and thoughtful policy. Thank you for your willingness to engage in an honest dialogue throughout this process.

In this final loan-level certification, FHA is clearly identifying what lenders will be held accountable for only those mistakes that would have altered the decision to approve the loan. This important move makes it very clear that minor mistakes that do not affect the decision to approve a loan are not the focus of our compliance efforts. The new language reinforces FHA's longstanding position that lenders should not be penalized for minor mistakes. Clarifying that we are interested only in errors that would have altered a decision to approve the loan should put to rest any confusion regarding FHA compliance policy.

This certification includes a few other notable revisions including changes that clarify the lender is certifying to what they know to be true to the best of their knowledge. The certification is not intended to hold lenders responsible for mistakes or fraud committed by a third party that the lender did not or could not have had reason to know of. Our goal is to make sure that lenders make every effort to obtain accurate information and to validate that information but also recognize that due to the complexity of putting a home loan together, minor errors in information may occur from time to time. Additionally, we have removed references to the pre-endorsement review requirement and have made the certification consistent with the policies in our updated FHA Handbook.

The sum of these changes provides improved clarity on what lenders are actually certifying to and differentiates the kinds of loan-level mistakes we anticipate may occur in the normal course of doing business versus those that represent more significant errors. With these changes, we anticipate lenders will be able to more confidently participate in our program and offer access to a wider number of FHA-eligible borrowers.

For the annual lender certification, which is open for a 30-day comment period, the primary revision, communicated in September 2015, remains the addition of language requiring lenders to certify that they have not been involved in fraud or other serious criminal or civil violations that would call into question their ability to carry out the responsibilities of the program. This provision is retrospective, going back three years prior to the certification period.

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This provision is designed to obtain certification from the corporate entity and its officers that no activity has occurred within the certification time period, or during the three years prior, that calls into question their fitness to administer the responsibilities of the FHA program. Adding this provision to the annual lender-level certification, coupled with requirements to report these activities as they arise, reinforces HUD's ability to make sure lenders are held accountable for wrong-doing.

This is not an entirely new requirement, as this language was previously included within the loan-level certification. We moved this requirement to the lender-level certification because the provision is best certified by an officer of the company at the institutional level rather than on a loan-by-loan basis. Moving it to the lender-level certification places it where it rightly belongs.

Revising the lender-level certification in this manner responds to concerns that changes made to the loan-level certification had the unintended impact of weakening HUD's enforcement authority. That is not, nor has it ever been, our intention. None of the changes to either of the certifications hinders or undermines our ability to take action against any bad actors in the industry. Overall, these certifications increase clarity and protect FHA, taxpayers and lenders.

We also believe that improved clarity makes compliance easier for lenders and strengthens our ability to hold them accountable. We are confident that the proposed revisions to the loan-level and lender-level certifications reflect a significant step forward for the FHA program and responsiveness to industry concerns.

We look forward to working with you with these new policies in place to provide countless American families with the opportunity to live the American dream by owning their own home.

Thank you,

Edward L. Golding  
Principal Deputy Assistant Secretary for Housing  
Department of Housing and Urban Development

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