

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

January 05, 2001

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 2001-01

TO: ALL APPROVED MORTGAGEES

SUBJECT: Case Binder Stacking Order and Documentation Issues

This Mortgagee Letter is to advise lenders on several important credit policy issues. Unless otherwise noted, these policies are effective immediately.

FHA Case Binder - Documentation Order

Attached to this mortgagee letter is the revised FHA case binder documentation stacking order, updated to incorporate, among other things, automated underwriting feedback messages as well as the Comprehensive Valuation Package. Lenders may begin assembling their case binders using this format immediately, and the stacking order becomes mandatory for all endorsement submissions mailed or delivered to the FHA Homeownership Centers after March 1, 2001. Failure to include the required documents may result in the case binder being returned to the lender.

"Faxed" and Internet Verifications of Employment and Assets

"Faxed" Documents. FHA has long permitted lenders to use "faxed" income, employment, and asset information to avoid delays in mortgage closings, and required that when "faxed" documents were used that the lender "follow-up" these documents with originals from the employer or financial institution. In response to employers and depository institutions refusing to mail these documents back to the lender or handle twice once received and responded to by fax, that policy is now revised to eliminate the need to obtain original completed verifications after the employer or financial institution has transmitted the faxed document provided the lender complies with the instructions below.

If income/employment or asset documents are "faxed" to the lender, the documents must clearly identify the employer or depository/investment firm's name and source of information. The lender is accountable for ascertaining the authenticity of the document by examining, among other things, the information included at the top or banner portion of the fax received by the lender. The document itself must also include a name and telephone number of the individual with the employer or financial institution who can verify the accuracy of the data.

Internet Downloads. Income/employment or asset documents downloaded from an Internet website must be placed in the case binder in paper form. The documents must clearly identify the employer or depository/investment firm's name and source of information. The lender is accountable for ascertaining the authenticity of the document by examining that information included on any headers, footers, and the banner portion of the printouts of the downloaded web page(s). The printed web page(s) must also show its uniform resource locator (URL) address and the date and time printed.

As quality control measures and in accordance with the guidelines described in Handbook HUD 4060.1 REV-1, Chapter 6, on faxed documents, lenders are to verify the authenticity of those documents faxed to it through telephone verifications. Similarly, on Internet-based documents, and recognizing that such websites contain security controls and are password protected, lenders are, at a minimum, to verify the existence of the website from which the documents were derived.

Electronic Signatures for Internal Documents

In ML 95-50 we announced that we would accept electronic signatures on appraisal documents. In recognizing that many lender production offices are located far from their underwriting centers, and that internal approval documents are electronically transmitted with electronic signatures, lenders may avail themselves of this technology to sign these documents in processing and underwriting mortgages to be insured by FHA. The lending institution remains completely accountable for assuring the security of its systems that permit electronic signatures to substitute for live or "wet" signatures. Although lenders may transmit these electronically within their offices, if any of these documents are required by FHA, they must be submitted in paper form.

If you have any questions regarding this mortgagee letter, please contact your Homeownership Center in Atlanta 888-696-4687; Denver 800-543-9378; Philadelphia 800-440-8647; or Santa Ana 888-827-5605.

Sincerely,

William C. Apgar
Assistant Secretary for Housing-
Federal Housing Commissioner

Attachment