MBa®

MORTGAGE BANKERS ASSOCIATION

May 1, 2023

The Honorable Julia Gordon
Assistant Secretary for Housing and Federal Housing Commissioner
Office of Housing – Federal Housing Administration
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Re: Changes in Branch Office Registration Requirements (Docket No. FR-6321-P-01)

Dear Commissioner Gordon,

The Mortgage Bankers Association[1] (MBA) and its members appreciate the opportunity to offer comments in response to the Department of Housing and Urban Development's (HUD) proposed rule to revise HUD's regulations concerning branch office registration requirements. MBA and its members support the proposed rule, as it modernizes HUD's approach to better align with ongoing technological advances and the operational realities of mortgage lending today. This is particularly relevant since the outbreak of COVID-19, which accelerated the adoption of work-from-home policies industry-wide and worldwide and brought about a dynamic shift in the way organizations communicate and collaborate virtually with customers, colleagues, and counterparties.

The proposed rule states that HUD will "continue to monitor the origination and underwriting authority for each mortgagee and lender under 81 Areas Approved for Business that correspond to HUD field office jurisdictions. Furthermore, HUD's Office of Lender Activities and Program Compliance—Quality Assurance Division (QAD) would continue to monitor FHA lenders quarterly to determine if Credit Watch Termination is warranted against a lender." This would require HUD to "review, on an ongoing basis, the number of defaults and claims on mortgages originated, underwritten, or both, by each mortgagee in the geographic area served by a HUD field office."[2] Moreover, it also allows the Federal Housing Administration (FHA) to "terminate a lender's authority to underwrite

---

[1] 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 2,100 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.

[2] 24 CFR 202.3(c)(2)(i)

FHA-insured loans in any HUD field office jurisdiction where the lender has an excessive rate of early defaults and claims.

This raises several questions our members would like HUD to address and clarify prior to, or as part of, HUD's finalization of the proposed rule:

1. Does HUD currently monitor excessive rates of early defaults and claims based on the branch ID or mortgages originated within the geographic area served by a HUD field office?

2. If HUD monitors based on the geographic area served by a HUD field office, and FHA terminates the lender's authority, does that termination apply to the entire geographic area served by a HUD field office, regardless of how many branches serve that area, or just the branch with the excessive rate of early defaults and claims in that geographic area?

3. If HUD monitors based on excessive rate of early defaults and claims by branch ID, what would happen if an institution only had one branch registered under the proposed rule? Would the entire institution be terminated, or would the institution be terminated in that specific geographic area where an excessive rate of early defaults and claims occurred?

4. If a lender chooses to have multiple branch IDs, would HUD require the registered branch manager to be physically located somewhere within the geographic area served by a HUD field office based on the branch's physical address?

5. If so, what would HUD's expectation be for those call center branches where the employees work remotely? In that instance, would the required office address be the home office? Would HUD permit a branch manager to be listed under multiple lender branch IDs (for the same lender) or would the need for a branch manager be removed altogether, permitting a lender "manager" assigned by lender ID?

MBA appreciates the opportunity to provide comment on HUD's proposed rule. 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.

Sincerely,

Matt Jones
Associate Vice President of Government Housing Finance
Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association