



MORTGAGE BANKERS ASSOCIATION

May 6, 2022

Julienne Joseph  
Deputy Assistant Secretary for Single Family Housing  
Office of Housing – Federal Housing Administration  
U.S. Department of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

**Re: Industry Priorities for Origination-Focused Amendments to the FHA Single-Family Housing Policy Handbook**

Dear Deputy Assistant Secretary Joseph:

The Mortgage Bankers Association (MBA)<sup>1</sup> thanks the Federal Housing Administration (FHA) for its continued willingness to engage and work with industry stakeholders regarding updates to the FHA Single Family Housing Policy Handbook (Handbook). Our most recent set of recommendations – submitted in December 2021 – provided a detailed and comprehensive list of our origination-focused suggestions to improve the Handbook. To better prioritize among this larger list, we write today with a brief summary of the top issues as identified by our members who are active in FHA-insured lending.

These recommendations, if adopted, would remove unnecessary burdens or inefficiencies associated with FHA-insured lending, in some instances by aligning FHA policies with those of Fannie Mae and Freddie Mac (the government-sponsored enterprises, or GSEs), which in turn could lower costs and improve the customer experience for FHA borrowers. The proposed changes provided below do not require legislative action and are within FHA’s existing authorities.

***FHA Handbook Origination Priorities***

1) Documenting Large Deposits (4000.1 II.A.4.d.iii(A)(2))

FHA's current requirement for lenders reviewing and documenting large deposits requires lenders to obtain verification of deposit or a financial statement for up to 2 months when

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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).

there is an unexplained increase in a borrower's account of more than 1 percent of the of the Adjusted Value. The use of the adjusted home value does not provide an accurate representation of a "large" deposit. MBA recommends FHA amend the Handbook to require further documentation for recently opened accounts and recent individual deposits of more than 50 percent of the borrower's monthly income. This recommendation would further align FHA's policies with current GSE requirements.

2) Gaps In Employment (4000.1 II.A.4.c.xi(B))

With respect to borrowers who have gaps in employment, the Handbook directs lenders to verify that a borrower has been employed in his or her current job for at least 6 months. This requirement is troublesome for borrowers who left their jobs for a period of time and are re-entering the workforce – a problem that is particularly impactful for those serving as caregivers to children or other family members and those impacted by the COVID-19 pandemic. As an alternative, FHA should grant an exception to this requirement for salaried borrowers and those resuming work in the same industry in which they previously were employed.

3) Information Obtained via Internet (4000.1 II.A.1.a.i(A)(2)(b))

MBA recommends FHA eliminate its Handbook requirement that lenders provide a Uniform Resource Locator (URL) address for documents retrieved from an Internet source. This requirement ignores the reality that the majority of financial documents detailing a borrower's account information are password-protected, rendering the URL ineffective. Additionally, bank statements that are auto-downloaded routinely do not have a URL. FHA instead should require that any document obtained via the Internet have the same information (account number, etc.) that would be found on an original hard copy. MBA also recommends FHA align with the GSEs by permitting the use of third-party tools that provide automated asset verification services.

4) Late Mortgage Payments for Purchase and No Cash-Out Refinance-Purchase After Sale of Home (4000.1 II.A.4.b.iii(K)(2)(a))

The FHA Handbook dictates a mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, during the 12 months prior to case number assignment reflects that the borrower has made less than three consecutive payments since completion of a mortgage forbearance plan. This requirement is particularly troublesome for borrowers who need to move due to changes in circumstances (*i.e.*, they need to relocate due to employment, seek to relocate due to retirement, or want to downsize because their adult children moved out). FHA should adjust this requirement to encompass scenarios in which the homeowner may choose to sell the home. MBA recommends FHA add the following to its requirement:

“that the Borrower has made less than three consecutive payments since completion of a mortgage Forbearance Plan, **unless it can be documented that the three consecutive payments were not made solely due to the sale of the home.**”

**Conclusion**

MBA appreciates FHA's willingness to continue to engage with the industry and its consideration of these recommended revisions to the FHA Single Family Housing Policy Handbook. 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 "P. Mills", with a stylized flourish at the end.

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