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April 9, 2019

HUD Desk Officer  
Office of Management and Budget  
New Executive Office Building  
Washington, DC 20503

To Whom it May Concern:

In response to the Solicitation for Public Comment on the HUD request for an extension of *HUD form 92900-A, Application for FHA Insured Mortgages*, the Housing Policy Council (HPC)<sup>1</sup> and its member companies recognize the need for HUD to renew the Paperwork Reduction Act (PRA) approval and acknowledge that the agency is working to develop appropriate revisions to the form, as stated in the Department of Housing and Urban Development (HUD) Annual Report to Congress.<sup>2</sup> However, we feel compelled to submit comments that reiterate long-standing industry concerns with this certification in its current form.

The member institutions of the Housing Policy Council are some of the leading providers of housing finance in this country and the majority of the HPC lender members have a long-standing history of active participation in the Federal Housing Administration's (FHA) single-family business. Unfortunately, as FHA leadership well knows, a number of HPC members, as well as other lenders, have retreated from FHA lending. Regrettably, lack of clarity with program rules, caused by a change in the enforcement regime, has greatly altered the costs and uncertainties in originating and servicing FHA loans. As a result, many quality lenders, including HPC members, have limited their participation in the FHA program. This harms the program's beneficiaries - first-time homebuyers, many of whom are low and moderate-income families who have fewer options for financing a home purchase. It also increases the financial risk the program presents to American taxpayers.

As FHA recognizes, the loan-level certification form (92900-A) has evolved substantially over the decades. The original intent of this addendum was simply to capture a set of data fields that were not included in the Uniform Residential Loan Application (URLA). The form's content expanded gradually, resulting in today's version, which reflects an amalgamation of various, unique FHA policy instructions, most of which require no regulatory certification. Further, the actual regulatory language that establishes the

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<sup>1</sup> The Housing Policy Council (HPC) is a trade association comprised of the leading national mortgage lenders and servicers, mortgage and title insurers, and technology and data companies. HPC advocates for the mortgage and housing marketplace interests of its members in legislative, regulatory, and judicial forums. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable home ownership opportunities in support of vibrant communities and long-term wealth-building for families

<sup>2</sup> Annual Report to Congress Regarding the Financial Status of the Mutual Mortgage Insurance Fund, U.S. Department of Housing and Urban Development, Fiscal Year 2018, pp 91-93;  
<https://www.hud.gov/sites/dfiles/Housing/documents/2018fhaannualreportMMIFund.pdf>



underwriter and lender certifications now included on this form does not remotely suggest that HUD or FHA expected that a lending institution was attesting to an unattainable level of precision or perfection in mortgage underwriting; instead, the regulation says that the institution is certifying that a mortgage loan “represents an acceptable risk under the terms and conditions agreed to by FHA.”<sup>3</sup>

The discretion provided to HUD and FHA by the regulatory language offers an opportunity to overhaul the 92900-A form entirely, streamlining the document to remove ancillary and unnecessary components as well as rewriting the regulatory certification to comport with the FHA underwriting standards. As the FHA leadership team is aware, FHA underwriting standards not only permit, but *obligate* an underwriter to rely on sound and prudent judgment when evaluating the creditworthiness of prospective borrower(s) and determining the eligibility of a mortgage for FHA insurance. HPC urges FHA to revisit the original intent and purpose of the 92900-A document and to reformulate the certification to fulfill the regulatory purpose in a manner that is consistent with FHA’s underwriting expectations.

Revisions to the loan-level certification represent a single component of a broad set of FHA practices in need of reconsideration, as highlighted by Secretary Carson and Commissioner Montgomery on numerous occasions. HPC members appreciate that the agency is also working to revise the substance and format of the lender annual certification, to complete the development of a comprehensive loan quality assessment (defect taxonomy) program, and to establish an agreement with the Department of Justice to ensure the two organizations interpret and enforce FHA rules in a consistent manner. HPC members agree with these efforts, all of which we consider to be components of a comprehensive quality management system for FHA.

Given the critical nature of this work, HPC members encourage the Department and FHA to communicate regularly with the public throughout the process, to ensure that all stakeholders are not only apprised of the status of the efforts, but also have an opportunity to share insight and expertise with FHA. Should you have any questions regarding this comment or need additional information from HPC, please contact Meg Burns, Senior Vice President for Mortgage Policy, at 202-589-1926.

Sincerely,

A handwritten signature in black ink that reads "Edward J. DeMarco". The signature is written in a cursive style with a large initial "E".

Edward DeMarco  
President  
Housing Policy Council

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<sup>3</sup> 24 CFR 203.255