

The Department of Housing and Urban Development (HUD) recently published final rules in the Federal Register regarding net worth and supervision requirements. Specifically, the rules set forth the new net worth requirements for HUD-approved mortgagees (non-supervised and supervised). The rules also provide for the discontinuation of HUD-approval for loan correspondents. The final rules are generally effective May 20, 2010.

Beginning May 20, 2010, new applicants for FHA approval must comply with the new net worth requirements. All new applicants must have a net worth of not less than \$1 million, of which no less than 20% must be liquid assets consisting of cash or its equivalent acceptable to the Secretary.

For current mortgagees (with FHA approval as of May 20, 2010), compliance with the new net worth requirements is required effective May 20, 2011.

Also effective May 20, 2010, HUD will no longer approve new applicants for approval as loan correspondents. Loan correspondents that are approved as of May 20, 2010 will continue to maintain such approval until December 31, 2010. Approved loan correspondents may continue to close FHA-insured mortgages in their own name through December 31, 2010.