

2830 (this is not a toll-free number). Persons with hearing or speech impairments may access that number through TTY by calling the Federal Information Relay Service at (800) 877-8339.

**SUPPLEMENTARY INFORMATION:** HUD has the authority to address deficiencies in the performance of lenders' loans as provided in HUD's mortgagee approval regulations at 24 CFR § 202.3. On May 17, 1999 HUD published a notice (64 FR 26769), on its procedures for terminating Origination Approval Agreements with FHA lenders and placement of FHA lenders on Credit Watch status (an evaluation period). In the May 17, 1999 notice, HUD advised that it would publish in the **Federal Register** a list of mortgagees, which have had their Approval Agreements terminated. On January 21, 2010 HUD issued Mortgagee Letter 2010-03 which advised the extended procedures for terminating Underwriting Authority of Direct Endorsement mortgagees.

*Termination of Direct Endorsement Approval:* Approval of a DE mortgagee by HUD/FHA authorizes the mortgagee to underwrite single family mortgage loans and submit them to FHA for insurance endorsement. The Approval may be terminated on the basis of poor performance of FHA-insured mortgage loans underwritten by the mortgagee. The termination of a mortgagee's DE Approval is separate and apart from any action taken by HUD's Mortgagee Review Board under HUD's regulations at 24 CFR part 25.

*Cause:* HUD's regulations permit HUD to terminate the DE Approval with any

mortgagee having a default and claim rate for loans endorsed within the preceding 24 months that exceeds 250 percent of the default and claim rate within the geographic area served by a HUD field office, and also exceeds the national default and claim rate. For the quarterly review period ending September 30, 2010, HUD is terminating the DE Approval of mortgagees whose default and claim rate exceeds both the national rate and 250 percent of the field office rate.

*Effect:* Termination of the DE Approval precludes the mortgagee from underwriting FHA-insured single-family mortgages within the area of the HUD field office(s) listed in this notice. Mortgagees authorized to purchase, hold, or service FHA-insured mortgages may continue to do so.

Loans that closed or were approved before the Termination became effective may be submitted for insurance endorsement. Approved loans are those already underwritten and approved by a DE underwriter, and cases covered by a firm commitment issued by HUD. Cases at earlier stages of processing cannot be submitted for insurance by the terminated mortgagee; however, the cases may be transferred for completion of processing and underwriting to another mortgagee with DE Approval in that area. Mortgagees are obligated to continue to pay existing insurance premiums and meet all other obligations associated with insured mortgages.

A terminated mortgagee may apply for reinstatement of the DE Approval if the DE Approval for the affected area or areas has been terminated for at least six

months and the mortgagee continues to be an approved mortgagee meeting the requirements of 24 CFR 202.5, 202.6, 202.7, 202.10 and 202.12. The mortgagee's application for reinstatement must be in a format prescribed by the Secretary and signed by the mortgagee. In addition, the application must be accompanied by an independent analysis of the terminated office's operations as well as its mortgage production, specifically including the FHA-insured mortgages cited in its termination notice. This independent analysis shall identify the underlying cause for the mortgagee's high default and claim rate. The analysis must be prepared by an independent Certified Public Accountant (CPA) qualified to perform audits under Government Auditing Standards as provided by the Government Accountability Office. The mortgagee must also submit a written corrective action plan to address each of the issues identified in the CPA's report, along with evidence that the plan has been implemented. The application for a new Agreement should be in the form of a letter, accompanied by the CPA's report and corrective action plan. The request should be sent to the Director, Office of Lender Activities and Program Compliance, 451 Seventh Street, SW., Room B133-P3214, Washington, DC 20410-8000 or by courier to 490 L'Enfant Plaza, East, SW., Suite 3214, Washington, DC 20024-8000.

*Action:* The following mortgagees have had their DE Approvals terminated by HUD:

Mortgagee name	Mortgagee home office address	HUD office jurisdictions	Termination effective date	Homeowner-ship centers
Allied Home Mortgage Corp .....	6100 Pinemont Dr., Ste 220, Houston, TX 77092.	Cleveland .....	1/18/11	Philadelphia.
Mountain States Mortgage Center	1333 E. 9400 S., Sandy, UT 84093.	Indianapolis .....	2/28/11	Atlanta.
Mountain States Mortgage Center	1333 E. 9400 S., Sandy, UT 84093.	Salt Lake City .....	2/28/11	Denver.
Nationwide Home Loans, Inc .....	4100 NE 2nd Ave., Miami, FL 33137.	Miami .....	1/18/11	Atlanta.
US Mortgage Finance Corp .....	225 International Cir., Ste 102, Cockeysville, MD 21030.	Washington DC .....	1/18/11	Philadelphia.

Dated: April 13, 2011.

**Robert C. Ryan,**

*Acting Assistant Secretary for Housing-Federal Housing Commissioner.*

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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR- 5511-N-01]**

**Credit Watch Termination Initiative; Termination of Origination Approval Agreements**

**AGENCY:** Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

**ACTION:** Notice.

**SUMMARY:** This notice advises of the cause and effect of termination of Origination Approval Agreements taken by HUD's Federal Housing Administration (FHA) against HUD-approved mortgagees through the FHA Credit Watch Termination Initiative. This notice includes a list of mortgagees which have had their Origination Approval Agreements terminated.

**FOR FURTHER INFORMATION CONTACT:** The Quality Assurance Division, Office of Housing, Department of Housing and Urban Development, 451 Seventh Street, SW., Room B133-P3214, Washington, DC 20410-8000; telephone (202) 708-2830 (this is not a toll-free number). Persons with hearing or speech impairments may access that number through TTY by calling the Federal Information Relay Service at (800) 877-8339.

**SUPPLEMENTARY INFORMATION:** HUD has the authority to address deficiencies in the performance of lenders' loans as provided in HUD's mortgagee approval regulations at 24 CFR § 202.3. On May 17, 1999 HUD published a notice (64 FR 26769), on its procedures for terminating Origination Approval Agreements with FHA lenders and placement of FHA lenders on Credit Watch status (an evaluation period). In the May 17, 1999 notice, HUD advised that it would publish in the **Federal Register** a list of mortgagees, which have had their Origination Approval Agreements terminated.

*Termination of Origination Approval Agreement:* Approval of a mortgagee by HUD/FHA to participate in FHA mortgage insurance programs includes an Origination Approval Agreement (Agreement) between HUD and the mortgagee. Under the Agreement, the mortgagee is authorized to originate single-family mortgage loans and submit them to FHA for insurance endorsement. The Agreement may be terminated on the basis of poor performance of FHA-insured mortgage loans originated by the mortgagee. The termination of a mortgagee's Agreement is separate and apart from any action taken by HUD's Mortgagee Review Board under HUD's regulations at 24 CFR part 25.

*Cause:* HUD's regulations permit HUD to terminate the Agreement with any mortgagee having a default and claim rate for loans endorsed within the preceding 24 months that exceeds 200 percent of the default and claim rate within the geographic area served by a HUD field office, and also exceeds the national default and claim rate. For the quarterly review period ending September 30, 2010, HUD is terminating the Agreement of mortgagees whose default and claim rate exceeds both the national rate and 200 percent of the field office rate.

*Effect:* Termination of the Agreement precludes branch(es) of the mortgagee from originating FHA-insured single-family mortgages within the area of the HUD field office(s) listed in this notice. Mortgagees authorized to purchase, hold, or service FHA-insured mortgages may continue to do so.

Loans that closed or were approved before the termination became effective may be submitted for insurance endorsement. Approved loans are those already underwritten and approved by a DE underwriter, and cases covered by a firm commitment issued by HUD. Cases at earlier stages of processing cannot be submitted for insurance by the terminated branch; however, they may be transferred for completion of processing and underwriting to another FHA-insured mortgagee with direct endorsement approval for the area covered by the termination. Mortgagees are obligated to continue to pay existing insurance premiums and meet all other obligations associated with insured mortgages.

A terminated mortgagee may apply for reinstatement of the Origination Approval Agreement if the approval for the affected branch or branches has been terminated for at least six months and the mortgagee continues to be an

approved mortgagee meeting the requirements of 24 CFR 202.5, 202.6, 202.7, 202.8 and 202.12. However, Mortgagee Letter 2010-20 and Final Rule 5356-F-02 at 24 CFR 202 eliminates FHA approval for loan correspondents after December 31, 2010. Therefore, HUD will not accept requests for reinstatement from loan correspondents after that date. The mortgagee's application for reinstatement must be in a format prescribed by the Secretary and signed by the mortgagee. In addition, the application must be accompanied by an independent analysis of the terminated office's operations as well as its mortgage production, specifically including the FHA-insured mortgages cited in its termination notice. This independent analysis shall identify the underlying cause for the mortgagee's high default and claim rate. The analysis must be prepared by an independent Certified Public Accountant (CPA) qualified to perform audits under Government Auditing Standards as provided by the Government Accountability Office. The mortgagee must also submit a written corrective action plan to address each of the issues identified in the CPA's report, along with evidence that the plan has been implemented. The application for a new Agreement should be in the form of a letter, accompanied by the CPA's report and corrective action plan. The request should be sent to the Director, Office of Lender Activities and Program Compliance, 451 Seventh Street, SW., Room B133-P3214, Washington, DC 20410-8000 or by courier to 490 L'Enfant Plaza, East, SW., Suite 3214, Washington, DC 20024-8000.

Action: The following mortgagees have had their Origination Agreements terminated by HUD:

Mortgagee name	Mortgagee branch office address	HUD office jurisdictions	Termination effective date	Homeowner-ship centers
Consumer Mortgage Group, Inc ....	1460 Route 9 North, Woodbridge, NJ 07095.	Newark .....	1/18/11	Philadelphia.
Equity Source Home Loans LLC ...	150 Airport Rd., Ste 1100, Lakewood, NJ 08701.	Newark .....	1/18/11	Philadelphia.
Mountain States Mortgage Center	1333 E 9400 S, Sandy, UT 84093.	Salt Lake City .....	2/28/11	Denver.
Mountain States Mortgage Center	1333 E 9400 S, Sandy, UT 84093.	Indianapolis .....	2/28/11	Atlanta.
Integrity Mortgage & Financial Inc	5528 Library Lane, Colorado Springs, CO 80918.	Denver .....	1/11/11	Denver.

Dated: March 29, 2011.

**Joseph F. Smith,**

*General Deputy Assistant Secretary for Housing—Federal Housing Commissioner.*

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## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5413-N-02]

### Section 8 Housing Choice Voucher Program—Demonstration Project of Small Area Fair Market Rents in Certain Metropolitan Areas, Discussion of Comments, and Request for Participation

**AGENCY:** Office of the Assistant Secretary for Policy Development and Research, HUD.

**ACTION:** Final notice establishing the Small Area Fair Market Rent (FMR) Demonstration Project and requesting participation from metropolitan public housing agencies.

**SUMMARY:** Today's notice provides HUD's responses to comments filed in response to a May 18, 2010, notice (75 FR 27808) announcing HUD's intent to operate a small area FMR demonstration project in several metropolitan areas. The purpose of this demonstration project is to provide voucher holders with the opportunity to move to areas of greater opportunity. This notice provides additional details regarding the operation of the tenant-based Housing Choice Voucher (HCV) program in areas selected to participate in the demonstration, establishes the criteria for selecting public housing agencies (PHAs) for participation in the demonstration, and requests interested PHAs to apply for participation in the demonstration according to instructions published in this notice. Metropolitan PHAs that would like to participate in the small area FMR demonstration project may apply, as discussed later in this notice, with an anticipated selection date of July 1, 2011. In order to assess the impact of the demonstration, participating PHAs will be expected to provide HUD with additional data specified in this notice beyond what is normally required.

**DATES:** Date to request participation in demonstration: June 6, 2011.

**ADDRESSES:** Interested persons are invited to request participation in the small area FMR demonstration by submitting a request to the Office of General Counsel, Rules Docket Clerk, Department of Housing and Urban Development, 451 Seventh Street, SW.,

Room 10276, Washington, DC 20410-0001. Communications should refer to the above docket number and title and should contain the information specified in the "Request to Participate" section.

*Public Inspection of Requests.* All requests to participate submitted to HUD will be available, without charge, for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the requests to participate must be scheduled by calling the Regulations Division at 202-708-3055 (this is not a toll-free number).

**FOR FURTHER INFORMATION CONTACT:** For technical information on the methodology used to develop small area FMRs, please contact Peter B. Kahn or Marie L. Lihn, Economic and Market Analysis Division, Office of Economic Affairs, Office of Policy Development and Research, telephone number 202-708-0590 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at 800-877-8339. The small area FMR dataset, **Federal Register** notices, and links to participation requests (as well as comments to the original May 18, 2010, notice) are available on the HUD Web site at <http://www.huduser.org/portal/datasets/fmr.html>. The HUD USER information line at 800-245-2691 may answer questions on this information. (Other than the TDD numbers and the HUD USER information line, telephone numbers are not toll free.)

*Electronic Data Availability:* This **Federal Register** notice is available electronically from the HUD User Web site at <http://www.huduser.org/portal/datasets/fmr.html>. **Federal Register** notices also are available electronically at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR>, the U.S. Government Printing Office Web site. A system for looking up small area FMRs based on Final Fiscal Year (FY) 2011 FMRs is available at [http://www.huduser.org/portal/datasets/fmr/fmrs/index\\_sa.html](http://www.huduser.org/portal/datasets/fmr/fmrs/index_sa.html).

#### SUPPLEMENTARY INFORMATION:

##### I. Background

Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) (USHA) authorizes housing assistance to aid lower-income families in renting safe and decent housing. In the HCV program, the FMR is the basis for determining the "payment standard

amount" used to calculate the maximum monthly subsidy for an assisted family (see 24 CFR 982.503). In general, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (nonluxury) nature with suitable amenities. In addition, all rents subsidized under the HCV program must meet reasonable rent standards.

Currently, FMRs are calculated for all nonmetropolitan counties and metropolitan areas. The same FMR is available throughout a nonmetropolitan county or metropolitan area, which generally is comprised of several metropolitan counties. FMRs in a metropolitan area represent the 40th-percentile (or in special circumstances the 50th-percentile) gross rent of the entire HUD-defined metropolitan area. PHAs may set a payment standard within 90 percent to 110 percent of the FMR. PHAs may determine that payment standards that are higher than 110 percent, or lower than 90 percent, are needed to make the HCV program work in subareas of their market; in such an instance, a PHA would request HUD approval for a payment standard below 90 percent or an exception payment standard above 110 percent. This request could not represent more than 50 percent of the population of the area (see 24 CFR 982.503).

On May 18, 2010, HUD published a notice in the **Federal Register** (75 FR 27808) seeking public comment on a small area FMR demonstration project. Today's notice discusses those comments and provides an opportunity for PHAs to volunteer for the demonstration project that will begin later in FY 2011.

The Housing Choice Voucher (HCV) program is the only HUD program where small area FMRs will be used during the demonstration. All other programs must use the area-wide FMRs listed in Schedule B of the current **Federal Register** notice (75 FR 61253, October 4, 2010). HUD expects that small area FMRs will provide HCV tenants with greater ability to move into opportunity areas, which are where jobs, transportation, and educational opportunities exist, and will reduce undue subsidy in lower-rent areas. Small area FMRs will alter some administrative responsibilities of PHAs that administer HCV programs, but it is unclear what the net effect on administrative costs will be. A copy of the **Federal Register** notice announcing this program can be accessed at [http://www.huduser.org/portal/datasets/fmr/fmr2010f/Small\\_Area\\_FMRs.pdf](http://www.huduser.org/portal/datasets/fmr/fmr2010f/Small_Area_FMRs.pdf).