

# FAQs - Principal/Authorized Agent Originations

Questions	Answers
What is a Principal/Authorized agent relationship?	A Principal/Authorized agent relationship allows two DE lenders to participate in the origination and underwriting of an FHA loan. The Principal must act as the originator of the loan and the Authorized Agent must underwrite the loan. The loan can be funded and closed by either lender. The Authorized Agent must have unconditional Direct Endorsement (DE) approval for the type of loan being underwritten. Effective July, 1, 2011, the Principal lender must have either type of unconditional DE approval (forward loans or reverse loans).
What are the roles and responsibilities for the Principal/Authorized Agent relationship?	<ol style="list-style-type: none"> <li>1) The Principal lender must originate the loan.</li> <li>2) The Authorized Agent lender must underwrite the loan.</li> <li>3) The loan can be funded and closed by either lender.</li> <li>4) The Authorized Agent must have unconditional Direct Endorsement (DE) approval for the type of loan being underwritten.</li> <li>5) Effective July, 1, 2011, the Principal lender must have either type of unconditional DE approval (forward loans or reverse loans).</li> </ol>
How is the P/AA relationship set up in the FHA connection?	The P-AA relationship must be set up by the Authorized Agent in the FHA Connection as explained in the Lender Approval Section of the FHA Connection User Guide, which can be found at: <a href="https://entp.hud.gov/clas/index.cfm">https://entp.hud.gov/clas/index.cfm</a>
What are the changes affecting the FHA Principal/Authorized Agent relationship for loan originations?	<p>Effective January 1, 2011, the rules for Principal-Authorized Agent relationship originations are as follows:</p> <ol style="list-style-type: none"> <li>1. The Principal lender must originate the loan.</li> <li>2. The Authorized Agent lender must underwrite the loan.</li> <li>3. The loan can be funded and closed by either lender.</li> <li>4. The Authorized Agent must have unconditional Direct Endorsement (DE) approval for the type of loan being underwritten.</li> </ol> <p>Effective July, 1, 2011, the Principal lender must have either type of unconditional DE approval (forward loans or reverse loans).</p> <p>The January 1, 2011, requirements were announced in Mortgagee Letter 2010-02 available at: <a href="http://portal.hud.gov/hudportal/documents/huddoc?id=11-02ml.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=11-02ml.pdf</a></p> <p>The Principal lender is required to have either type of unconditional DE approval. If an FHA-approved lender does not obtain unconditional DE approval it can originate FHA loans if sponsored by a lender with FHA unconditional DE approval. In this capacity, the sponsored lender would be operating as a Sponsored Originator (SO). In this type of origination, only the DE lender can access the loan file in the FHA loan origination system in the FHA Connection.</p>

<p>Can I become an FHA lender without perusing unconditional Direct Endorsement (DE) approval?</p>	<p>Yes. Unconditional Direct Endorsement (DE) approval is a supplemental approval required to underwrite FHA single family loans. An FHA-approved lender can originate FHA loans if sponsored by a lender with FHA unconditional DE approval. In this capacity, the sponsored lender would be operating as a Sponsored Originator. In this type of origination, only the DE lender can access the loan file in the FHA loan origination system in the FHA Connection.</p>
<p>Can I keep my FHA lender approval without getting unconditional Direct Endorsement (DE) approval?</p>	<p>Yes. An FHA-approved lender can keep its FHA lender approval without obtaining unconditional Direct Endorsement (DE) approval. DE approval is a supplemental approval required to underwrite FHA single family loans. However, without DE approval, an FHA-approved lender can only originate FHA loans as a Sponsored Originator (SO) or can originate and underwrite loans for the purpose of obtaining DE approval. For SO loan transactions, only the DE lender can access to the loan file in the FHA loan origination system in the FHA Connection.</p>
<p>How will we know if a Principal/Authorized Agent has unconditional DE approval?</p>	<p>The Neighborhood Watch Details/Lender Details module includes an FHA-approved lenders unconditional Direct Endorsement (DE) status field for forward and reverse mortgages in the Lender Summary output report. Users can view the Help/About module for further information on this display at <a href="https://entp.hud.gov/sfnw/nw/">https://entp.hud.gov/sfnw/nw/</a>.</p>
<p>Must unconditionally DE approved lenders keep a DE underwriter on staff?</p>	<p>Yes. Lenders with unconditional DE approval must have a certified DE underwriter on staff.</p>