

the performance of lenders' loans as provided in the HUD mortgagee approval regulations at 24 CFR 202.3. On May 17, 1999 (64 FR 26769), HUD published a notice 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 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

thirteenth review period, HUD is only terminating the Agreement of mortgagees whose default and claim rate exceeds both the national rate and 300 percent of the field office rate.

**Effect:** Termination of the Agreement precludes that branch(s) 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: (1) Those already underwritten and approved by a Direct Endorsement (DE) underwriter employed by an unconditionally approved DE lender; and (2) 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 mortgagee or branch authorized to originate FHA insured mortgages 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 a new Origination Approval Agreement if: (1) the mortgagee continues to be an approved mortgagee meeting the requirements of 24 CFR 202.5, 202.6, 202.7, 202.8 or 202.10 and 202.12; (2) there has been no Origination Approval

Agreement for at least six months; and (3) the Secretary determines that the underlying causes for termination have been remedied. To enable the Secretary to ascertain whether the underlying causes for termination have been remedied, a mortgagee applying for a new Origination Approval Agreement must obtain an independent review 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 review must be conducted and issued by an independent Certified Public Accountant (CPA) qualified to perform audits under Government Auditing Standards as set forth by the General Accounting 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 or by courier to 490 L'Enfant Plaza, East, SW., Suite 3214, Washington, DC 20024.

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

Mortgagee name	Mortgagee branch address	HUD office jurisdictions	Termination effective date	Home ownership centers
American Capital Mortgage Bankers LTD.	1981 Marcus Ave Ste C112, Lake Success, NY 11042.	New York, NY .....	01/09/2003	Philadelphia.
American International Mortgage Bankers Inc..	2001 Marcus Ave Ste S168, Lake Success, NY 11042.	New York, NY .....	01/09/2003	Philadelphia.
Automated Financial Services .....	5500 S Redwood Road Ste 201, Salt Lake City, UT 84123.	Salt Lake City, UT .....	01/09/2003	Denver.
Century Funding LTD .....	4128 Steve Reynolds Blvd, Norcross, GA 30093.	Atlanta, GA .....	01/09/2003	Atlanta.
Cornerstone Mortgage Group LTD .....	1055 East Tropicana Ste 425, Las Vegas, NV 89119.	Las Vegas, NV .....	01/10/2003	Santa Ana.
Discover Mortgage Inc .....	5736 Osuna NE 9, Albuquerque, NM 87109.	New Mexico, NM .....	01/09/2003	Denver.
Encore Mortgage Service .....	1010 Laurel Oak Corp Ctr 301, Voorhees, NJ 08043.	Camden, NJ .....	01/10/2003	Philadelphia.
Hennessey Mortgage Group Inc .....	904 N Crowley Road Ste D, Crowley, TX 76036.	Fort Worth, TX .....	01/09/2003	Denver.
Home Mortgage Inc .....	7200 W 13TH Ste 4, Wichita, KS 67212.	Topeka, KS .....	01/10/2003	Denver.
Southern Finance Mortgage Corp .....	10251 Sunset Drive Ste 103, Miami, FL 33173.	Florida State, FL .....	01/13/2003	Atlanta.
US Mortgage Finance Corp .....	602 Chadds Ford Ave, Chadds Ford, PA 19317.	Philadelphia, PA .....	11/17/2002	Philadelphia.
White Oak Mortgage Group LLC .....	7101 Creedmoor Rd, Ste 101, Raleigh, NC 27613.	Richmond, VA .....	11/17/2002	Philadelphia.