

(t) *TOTAL* is an acronym that stands for "Technology Open To Approved Lenders." *TOTAL* is a mortgage scorecard based on a mathematical equation that is to be used within an automated underwriting system (AUS). *TOTAL* is a tool to assist the mortgagee in managing its workflow and expediting the endorsement process, and is not a substitute for the mortgagee's reasonable consideration of risk and credit worthiness. Direct Endorsement mortgagees using *TOTAL* remain solely responsible for the underwriting decision.

■ 3. Amend § 203.255 by revising paragraph (b)(5) to read as follows:

**§ 203.255 Insurance of mortgage.**

\* \* \* \* \*

(b) \* \* \*

(5) An underwriter certification, on a form prescribed by the Secretary, stating that the underwriter has personally reviewed the appraisal report and credit application (including the analysis performed on the worksheets) and that the proposed mortgage complies with HUD underwriting requirements, and incorporates each of the underwriter certification items that apply to the mortgage submitted for endorsement, as set forth in the applicable handbook or similar publication that is distributed to all Direct Endorsement mortgagees, except that where the *TOTAL* Mortgage Scorecard is used by the mortgagee, and the *TOTAL* Mortgage Scorecard has determined that the application represents an acceptable risk under terms and conditions agreed to by the FHA, a Direct Endorsement underwriter shall not be required to certify that the underwriter has personally reviewed the credit application (including the analysis performed on any worksheets). The following requirements are also

applicable to the use of the *TOTAL* Mortgage Scorecard:

(i) Mortgagees and vendors must certify to compliance with these requirements:

(A) *Permissible users.* Only FHA-approved automatic underwriting systems (AUSs) developed, operated, owned, or used by FHA-approved Direct Endorsement mortgages, Fannie Mae, or Freddie Mac, may access *TOTAL*, and only FHA-approved mortgagees will be able to obtain risk-assessments using *TOTAL*;

(B) *Limitation on use.* Results from *TOTAL* must not be used as the basis for rejecting any mortgage applicant. Mortgagees must provide full manual underwriting for mortgage applicants when *TOTAL* returns a "refer" risk score.

(C) *Vendor and mortgagee requirements.* Both mortgagees and vendors must:

(1) Use *TOTAL* to process FHA and other loan products specified by the FHA Commissioner only and for no other purpose;

(2) Implement quality control procedures for *TOTAL* usage and provide, at FHA's request, reports and loan samples that enable FHA to evaluate program operation;

(3) Not use *TOTAL* to direct mortgagors into other non-FHA product offerings (this requirement does not relieve a mortgagee from its obligations under § 203.10 concerning informed consumer choice for prospective FHA mortgagors);

(4) Not disassemble, decompile, reverse engineer, derive or otherwise reproduce any part of the source code or algorithm in *TOTAL*;

(5) Not provide feedback messages that conflict with the Equal Credit Opportunity Act; and

(6) Comply with any additional HUD/FHA requirements or procedures that are applicable to the Scorecard and may be issued through handbooks, mortgagee letters, *TOTAL* User Guides, or *TOTAL* Developers Guide following appropriate advance notification, where applicable.

(ii) *Loss of privilege to use TOTAL.* Mortgagees and AUS vendors found to violate the requirements applicable to the use of *TOTAL* may have their access to *TOTAL* and all associated privileges terminated upon appropriate notice in accordance with the following procedure:

(A) *Notice.* HUD will provide a mortgagee or vendor with a 30-day notice of a violation and loss of privilege. The notice will state the nature of the violation, the effective date of the loss of the privilege, and the duration of the loss of the privilege. The notice will become effective on the date provided in the notice, unless the mortgagee or vendor appeals the violation and loss of privilege in accordance with paragraph (b)(5)(ii)(B) of this section.

(B) *Appeal.* A party receiving a notice of violation may appeal to the Deputy Assistant Secretary for Single Family Housing (DAS-SFH), or his or her designee, before the effective date of the notice by providing evidence to refute the violation. The loss of privilege is stayed until the DAS-SFH, or designee, notifies the party that the loss of privilege has been affirmed, rescinded, or modified.

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Dated: October 29, 2003.

**John C. Weicher,**

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[FR Doc. 03-29055 Filed 11-20-03; 8:45 am]

**BILLING CODE 4210-27-P**