

**U.S. Department of Housing and Urban Development
Office of the Inspector General**

SPECIAL ATTENTION OF:
FHA-Approved Lenders

TRANSMITTAL

Handbook No.: 2000.04, REV-2, CHG-12
Chapter Number: 7
Issued: December 2012

1. This transmits Handbook 2000.04, REV-2, CHG-12, Chapter 7, Consolidated Audit Guide for Audits of HUD Programs, Federal Housing Administration (FHA)-Approved Lenders Audit Guidance.
2. **Summary:** The Office of Inspector General is in the process of updating the handbook and will release each chapter as it is completed. When all of the chapters providing audit guidance are released, the remaining chapters will be revised, and the entire handbook will be repackaged and released as REV-3.

This handbook chapter is a change to Handbook IG 2000.04, REV-2, chapter 7, dated April 2007 and January 2011. It also merges the content of chapter 8 with chapter 7 and eliminates chapter 8 from the guide. Changes were necessary to reflect changes in program requirements and reporting, add and eliminate suggested audit steps, and clarify existing information and guidance. This chapter serves as a reference for auditors who perform audits of FHA-approved lenders. This handbook serves as a reference to independent auditors of selected U.S. Department of Housing and Urban Development (HUD) and Government National Mortgage Association programs.

3. Significant Changes:

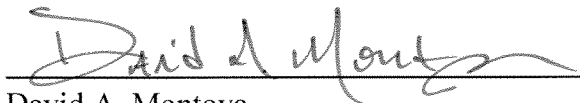
- a. The chapter applies to all approved supervised and nonsupervised lenders.
- b. The chapter removed references to loan correspondents and inserted information on third-party originators.
- c. The chapter uses the terminology of “lender” and “borrower” instead of “mortgagee” and “mortgagor.”
- d. The chapter added paragraph 7-2 to differentiate the reporting requirements for the various types of lenders approved to participate in FHA programs.
- e. The chapter added revised audited financial statement reporting requirements for supervised lenders in parent-subsidary structures (paragraph 7-3).

- f. Paragraph 7-4 discusses lender responsibility for the electronic submission of the audited financial statements and compliance data and auditors' involvement in the electronic submission process.
 - g. The compliance requirements and suggested audit procedures were restructured to set forth requirements and procedures relating to
 - Both Title I and Title II lenders (paragraph 7-5)
 - Title I lenders (paragraph 7-6)
 - Title II lenders (paragraph 7-7)
 - h. The chapter includes financial reporting requirements for multifamily lenders that were added as paragraph 7-7 to Change 9, dated January 2011 (re-designated as paragraph 7-8).
4. **Filing Instructions:** The issuance of this chapter cancels chapter 7, dated April 2007 and January 2011, and chapter 8, dated September 2006.

Remove	Insert
Chapter 7, dated April 2007 and January 2011	Chapter 7, dated December 2012
Chapter 8, dated September 2006	

5. **Effective Date:**

This chapter is effective immediately and can be used upon issuance. The requirements in this chapter will apply to audits of profit-motivated FHA-approved lenders with fiscal years ending on or after December 31, 2012.



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Inspector General