

PRODUCT OVERLAYS

Program 3030LF/3030SLF Overlays	600-639 Credit Scores allowed when: <ul style="list-style-type: none"> AUS is approve/eligible. No manual underwriting allowed. If AUS findings can't be met, the loan is ineligible and a minimum 640 FICO is required. Maximum ratio, regardless of AUS, is 50% for all types of transactions Eligible property types: SFR or FHA-approved Condos, PUDS. No Units allowed. Eligible transaction types: Purchase, Refinance and Streamlines (Streamlines 600-619 FICO score must have full 12-month mortgage history with no late payments) Maximum loan amount: \$417,000 (or maximum county limit). High balance loans require minimum 640 FICO score.
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PRODUCT DESCRIPTION

PROGRAM CODES	3015 15 Yr Fixed FHA 3020 20 Yr Fixed FHA 3030 30 Yr Fixed FHA 3025 25 Yr Fixed FHA
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LOAN TERMS	Government 15, 20, 25 and 30-year term , Fully amortizing
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OCCUPANCY	Primary Residence Investment Properties: Streamline without appraisal only
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MAXIMUM LOAN AMOUNT	Units	Floor amt	High Balance ceiling	REMINDER: FHA PROGRAM DESCRIPTIONS ARE NOT INTENDED TO REPLACE THE 4000.I. TOTAL SCORECARD & MANUAL UNDERWRITING REQUIREMENTS MAY DIFFER.*THE MAXIMUM BASE LOAN AMOUNT MAY NOT EXCEED THE STATUTORY LIMIT FOR EACH COUNTY/MSA: GO TO https://entp.hud.gov/idapp/html/hicostlook/cfm for complete county/MSA limits
	1	\$271050*	\$625,500	
	2	\$347000*	\$800,775	
	3	\$419425*	\$967,950	
	4	\$521250*	\$1,202,925	

LTV/CLTV LIMITATIONS	Units	LTV w/o Sec Fin	LTV w/ Sec Fin	CLTV w/ Sec Fin	Max HCLTV	<i>640 FICO required</i>	
	Purchase						
	1-4 units	96.50%	100%	100%	100%		
	Rate & Term refinance or Simple Refinance (primary residence only)						
	1-4 units	97.75%	100%	100%	100%		
	1-4 units	85%*	85%	85%	*if not O-O within 12 mo.		
	Cash out refinance (primary property only)						
	1-4 units	85.00%	85%*	85%*	85%*		
Streamline refinance							
1-4 units	97.75%	125%	125%	125%			

TYPES OF FINANCING (I)	<ul style="list-style-type: none"> Purchase Mortgages Regular Rate and Term Refinance <ul style="list-style-type: none"> Rate & Term is a no cash out refinance of any mortgage in which all proceeds are used to pay existing mortgage liens. Simple Refinance is a no cash out FHA to FHA refinance in which all proceeds are used to pay the existing FHA insured mortgage lien. Both may include closing costs <ul style="list-style-type: none"> If property acquired less than 12 months ago & not FHA insured, the lesser of original sales price or current appraised value used Subordinate financing seasoned 12 months or more (or purchase money 2nd's) may be paid off At least one Borrower on the Refinance must hold title to the Property being refinanced prior to the FHA case assignment Buyout of ex-spouse or other co-borrowers equity permitted with divorce decree, settlement agreement or other bona fide equity agreement Streamline Refinance <ul style="list-style-type: none"> Total Scorecard cannot be used: Manual underwriting only (both credit qualifying and non-credit qualifying) Up to 60 days of interest on existing loan may be financed 6 payments must have been made, 6 full months must have passed since the first payment date AND 210 days must have passed from the closing date of the mortgage being refinanced
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<p>TYPES OF FINANCING</p>	<p>• Cash-out Refinance</p> <ul style="list-style-type: none"> • Borrowers must have owned property for at least 6 months and made at least 6 payments • For mortgages with more than 6 months & less than 12 months, all payments must have been made when due • Non-occupant co-borrowers cannot be added on cash out (existing non-occupants may remain) • If property acquired less than 12 months ago the lesser of original sales price or current appraised value used (unless inherited) 						
<p>SECONDARY FINANCING</p>	<p>• <i>Defined as any financing other than the first mortgage that creates a lien against the property- it is not considered a gift or a grant even if it does not require regular payments or has other features forgiving the debt.</i></p> <p>Secondary Financing includes:</p> <table border="1" data-bbox="218 370 1117 683"> <tr> <td data-bbox="218 370 1117 402">1. Provided by Governmental Entities and HOPE Grantees –No max CLTV- can be used to meet MRI</td> <td data-bbox="1117 370 1906 683" rowspan="4"> <ul style="list-style-type: none"> •the secondary financing is disclosed at the time of application; •no costs associated with the secondary financing are financed into the FHA-insured first Mortgage; • the secondary financing payments must be included in the total Mortgage Payment; • the secondary financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing; •the second lien may not provide for a balloon payment within 10 years from the date of execution. </td> </tr> <tr> <td data-bbox="218 402 1117 435">2. Provided by HUD-Approved Nonprofits – No max CLTV- Can't be used to meet borrowers MRI</td> </tr> <tr> <td data-bbox="218 435 1117 467">3. Private Individuals and Other Organizations- CLTV & Base loan amount can't exceed FHA LTV limit/loan limits-</td> </tr> <tr> <td data-bbox="218 467 1117 683"> <ul style="list-style-type: none"> •Can be used to meet MRI (Minimum Required Investment) , any periodic payments are level and monthly; and there is no prepayment penalty, after giving the Mortgagee 30 Days advance notice. 4. Family Members- Max CLTV 100%, may be used to meet MRI •the CLTV ratio of the Base Loan Amount and secondary financing amount must not exceed 100 percent of the Adjusted Value; • the second lien may not provide for a balloon payment within 10 years from the date of execution; • any periodic payments are level and monthly; • if the Family Member providing the secondary financing borrows the funds, the lending source may not be an Entity with an Identity of Interest in the sale of the Property, such as the: seller, builder, loan originator, real estate agent. </td> </tr> </table>		1. Provided by Governmental Entities and HOPE Grantees –No max CLTV- can be used to meet MRI	<ul style="list-style-type: none"> •the secondary financing is disclosed at the time of application; •no costs associated with the secondary financing are financed into the FHA-insured first Mortgage; • the secondary financing payments must be included in the total Mortgage Payment; • the secondary financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing; •the second lien may not provide for a balloon payment within 10 years from the date of execution. 	2. Provided by HUD-Approved Nonprofits – No max CLTV- Can't be used to meet borrowers MRI	3. Private Individuals and Other Organizations- CLTV & Base loan amount can't exceed FHA LTV limit/loan limits-	<ul style="list-style-type: none"> •Can be used to meet MRI (Minimum Required Investment) , any periodic payments are level and monthly; and there is no prepayment penalty, after giving the Mortgagee 30 Days advance notice. 4. Family Members- Max CLTV 100%, may be used to meet MRI •the CLTV ratio of the Base Loan Amount and secondary financing amount must not exceed 100 percent of the Adjusted Value; • the second lien may not provide for a balloon payment within 10 years from the date of execution; • any periodic payments are level and monthly; • if the Family Member providing the secondary financing borrows the funds, the lending source may not be an Entity with an Identity of Interest in the sale of the Property, such as the: seller, builder, loan originator, real estate agent.
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<p>UNDERWRITING</p>							
<p>QUALIFYING RATES AND RATIOS</p>	<p>Qualify at note rate FICO score 600-619 requires maximum ratio of 43%. DU & LP Approved – Ratios evaluated by DU (see overlays for loan specific requirements)</p>						
<p>BORROWER ELIGIBILITY</p>	<p>Borrower must be employed in the U.S. Tax Identification Number (TIN) is not acceptable Permanent Resident Aliens Unexpired Permanent Resident alien card required (green card) Non-Permanent Resident Aliens Must be a legal resident of the U.S. as evidenced by social security number & EAD Card issued by USCIS* *If the EAD will expire within 1 year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal, based on information from the USCIS. Borrowers residing in the US by virtue of refugee or asylee status granted by USCIS are automatically eligible to work in the US. EAD card not required.</p>						
<p>NON- OCCUPANT COBORROWERS</p>	<p>When there are two or more borrowers but one or more will not occupy the property as his/her principal residence, the maximum mortgage is limited to 75% LTV/CLTV.</p> <p>However, maximum financing is available for: Family Members as defined by 4000.1 Restrictions on Non-Occupying borrower Transactions: If the LTV exceeds 75%, a mortgage with non-occupying co-borrower is limited to a one unit property. If a Family Member is selling to another Family Member who will be a non-occupying borrower, the LTV is limited to 75%. If any of the borrowers have no credit score, Non-occupant borrower income cannot be considered. *FHA does not require that additional underwriting criteria, such as specific ratio's be met by either borrower or non-occupying borrower with sufficient credit to generate a score.</p>						
<p>AUS/TOTAL SCORECARD</p>	<p>Automated Underwriting requirements - DU or Total Scorecard</p> <ul style="list-style-type: none"> • All loans except Streamline refinances must be submitted to FHA TOTAL SCORECARD • TOTAL SCORECARD may not be used for any streamline (credit qualifying or non-credit qualifying) refinance <p>A manual downgrade becomes necessary if additional information, not considered in the AUS/Total decision affects the overall eligibility & insurability of a mortgage otherwise rated as "accept" or "approve"</p> <p>See the FHA 4000.1 Handbook for specific guidance on Required Manual Downgrades:</p> <ol style="list-style-type: none"> 1. Federal Eligibility: delinquent federal debt, CAIVRS alert, Suspended or Debarred individuals 2. Credit issues: Foreclosure less than 3 years, Bankruptcy less than 2 years, Late Mortgage payments (3 or more X30, 1X60 + 1X30, 1 X 90) 3. Disputed Accounts/Collections/Public Records: may disregard if zero balance, more than 24 months old, or resolved 4. Non traditional & insufficient credit histories <p>All manually downgraded case files must be fully underwritten to the requirements in the 4000.1 and any subsequent mortgagee letters. Documentation relief based on the AUS/Total Scorecard must be fully disregarded. Underwriter must sign the FHA LT using DE Chums number, not ZFHA.</p> <ul style="list-style-type: none"> • Approve/Eligible with no required Downgrade: Follow DU decision and documentation requirements 						

CREDIT	All borrowers must have a credit score. Authorized user accounts may not be considered unless joint with other applicants & additional credit must be established Non-traditional credit not allowed Lowest of 2 or middle of 3 score used as deciding credit score Court ordered judgments and/or federal debts must be satisfied or paid in full OR payment plan with a minimum 3 month payment history required. (may not be pre-paid) Is subject property is located in (or borrower resides) in a community property state, full credit report for non-participating spouse is required & all debts considered in ratios The credit scores for all borrowers may not be lower than 600. Scores 620-639 Overlays apply . See Overlay sheets	
INQUIRIES	Total Scorecard Accept: Verify the actual monthly payment of any undisclosed debt & include & re-submit to AUS if the ratio's exceed benchmark maximum. Determine that any funds borrowed were not/will not be used for the borrower's cash investment in the transaction. If downgraded, all inquiries within the past 90 days need to be addressed & debt disclosed.	
MORTGAGE OR RENTAL LIENS	<ul style="list-style-type: none"> • If Mortgage history is not rated on credit report, provide 12 month rating directly from servicer, 12 months cancelled checks or credit supplement with 12 month rating. • Mortgage/Rental Delinquencies - Loans will be ineligible if during the most recent 12 months: <ul style="list-style-type: none"> • three or more late payments of greater than 30 Days; one or more late payments of 60 Days plus one or more 30-Day late payments; or one payment greater than 90 Days late. • Short payoff or short sale obligation in default (at the time of) within the last 3 years • Previous FHA claim paid within 3 years of application for new mortgage 	
BANKRUPTCY, SHORT SALE & FORECLOSURE	DU is not able to identify preforeclosure or short sales in the credit report data. Lenders must manually apply the preforeclosure sale requirements to DU loan case files, regardless of the underwriting recommendation received from DU.	
	The following table summarizes the waiting period requirements for all significant derogatory credit events:	
	Derogatory event	Waiting Period Req.
	Ch. 7,11 or 13 BK	2 years from discharge date
	Ch. 13 BK or consumer counseling (currently)	Minimum 1 years from payout period
	Short sale/short payoff	3 years if delinquent at the time of sale
Foreclosure*	• 3 years unless there are extenuating circumstances	• 3 years
Foreclosure	• 1-3 years (less than 3 yrs.) with extenuating circumstances & no FHA claim was paid* *If an FHA claim was paid, borrower is not eligible to apply for a new FHA mortgage until 3 years after the claim was paid. Contact FHA for the date claim paid & note on LT.	Only if AUS approve/eligible AND Significant extenuating circumstances that were beyond the borrowers control such as serious illness/death of a wage earner and the borrower has re-established good credit. Divorce is not considered an extenuating circumstance, however if the loan was current at the time of divorce and ex-spouse awarded the property & the loan was later foreclosed, exception may be granted. Note: the inability to sell the property is not an extenuating circumstance.
LOAN MODIFICATIONS	Allowed with AUS/Total scorecard approval for purchases and full refinances. If loan is a streamline, any delinquent or deferred interest cannot be financed, but must be paid in cash by borrowers.	
TYPES OF DEBT	Accounts may not be "paid down" to 10 months or less. Existing installment debt with less than 10 pmts remaining may be excluded ratio with AUS approval & no manual downgrade	
REVOLVING	Payoff of revolving accounts in order to qualify the Borrower is allowed	
INSTALLMENT	Installment debt accounts must be paid in full in order to omit from ratios.	
LEASE PAYMENTS	Must always be held in the ratios regardless of the number of months remaining.	
STUDENT LOANS	All student loans are included in the borrower's liabilities, regardless of the payment type or status of payments.	
CONTINGENT / CO-SIGNED LIABILITY	<p>Contingent liabilities exist when an individual will be held responsible for payment of a debt should another party default. Unless the borrower can provide conclusive evidence from the debt holder that there is no possibility the holder will pursue debt collection against him/her should the other party default, the following rules apply: Mortgage Assumptions: when a borrower remains obligated on an outstanding FHA, VA or conventional mortgage secured by a property that has been sold without a release of liability being obtained, the liability must be considered unless (a) the origination lender of the mortgage being underwritten obtains, from the servicer of the assumed loan, a payment history showing that the mortgage has been current during the previous 12 months or (b) the value of the property, as established by an appraisal or the sales price on the HUD-1 from the sale of the property, minus the UFMIP results in an LTV of 75% or less .</p> <p>Co-signed Obligations: if the borrower is obligated on a car loan, student loan, mortgage or any other obligation, contingent liability applies unless the lender obtains documented proof that the primary obligor has been making payments during the previous 12 months on a regular basis & has no history of delinquent payments. Copies of canceled checks for the last 12 months and a copy of the security agreement showing the person making the payments is co-obligated for the debt required.</p>	
NOT DEBT	401K contributions & debts secured by 401K, union dues, open accounts with zero balance, automatic deductions to savings, child care and voluntary deductions	
INCOME		
MINIMUM DOCUMENTATION REQUIREMENTS	Verbal Verification of Employment (Verbal VOE) & signed IRS 4506T Required for all borrowers and all types of income with the exception of passive income. <ul style="list-style-type: none"> <input type="checkbox"/> Salaried borrowers: verbal VOE must be completed within 10 days prior to note date, paystub must include 30 days YTD income, most recent 2 years W-2's <input type="checkbox"/> Self-employed borrowers: the verbal VOE must be completed within 30 days prior to note date. (independent 3rd party verification) <input type="checkbox"/> 2 years IRS transcripts must be provided unless borrower is exempt from filing (4506t "record of account" results.) 	

BASE/BONUS/OVERTIME	<p>Overtime & Bonus can be used to qualify if borrower has received for the past 2 years.</p> <p>The lender must develop an average of bonus and overtime for the past 2 years. Periods less than 2 years may be acceptable provided the lender can justify and document, in writing, the reason for using the income for qualifying. The lender must establish and document an earnings trend. If this income is declining, the lender must establish sound rationalization for including the income & must consider the declining amount. A period of more than 2 years must be used if the income varies significantly from year to year.</p> <ol style="list-style-type: none"> 1. Most recent YTD paystub documenting at least 30 days of YTD income 2. W-2s covering the most recent two years. 3. VOE to confirm this income is likely to continue. If VOE states unlikely to continue, it may not be used to qualify.
COMMISSION	<p>The borrower must have a 1 year history of receipt for use in qualifying. The income must be averaged unless declining. Lender must establish and document an earnings trend. If this income is declining, the lender must establish sound rationalization for including the income & must consider the declining amount.</p> <ol style="list-style-type: none"> 1. Most recent YTD paystub documenting at least 30 days of YTD income. 2. W-2s and/or 1099s covering the most recent two years. 3. Complete signed individual federal tax returns for the most recent 2 years. <p>Employee-paid business expenses (2106) reflected on the borrower's tax returns must be deducted from the borrower's gross income when calculating income.</p>
PART TIME/2ND JOB/SEASONAL INCOME	<p>Part time and seasonal income may be used if the borrower has an uninterrupted two year history of working 2 jobs and be likely to continue.</p> <p>For qualifying purposes "part-time" income refers to employment taken to supplement the income from regular employment. Part-time employment is not a primary job. Seasonal income is considered uninterrupted & may be used to qualify the borrower worked at the same job for the past 2 years & expects & is eligible to be rehired next season.</p> <ol style="list-style-type: none"> 1. Most recent YTD paystub documenting at least 30 days of YTD income. (Part time) 2. W-2s covering the most recent two years <p>Seasonal employment includes: umpiring baseball games in the summer or working at a department store during holidays.</p>
SELF-EMPLOYMENT	<p>All self-employed Borrowers are required to provide:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Copies of signed individual (and business if appropriate) federal tax returns, including all applicable schedules, for the previous two years <input type="checkbox"/> Year-to-date Profit & Loss & Balance Sheet if more than a calendar quarter has elapsed since the most recent calendar or fiscal tax year filed. <p>The borrower is not required to provide business tax returns if all of the following can be met (a) tax returns show increasing self employment income over the past 2 years (b) funds to close are not coming from business accounts AND (c) the proposed FHA insured mortgage is not a cash out refinance.</p> <p>Lender must carefully analyze the business financial strength, including the source of the business income & the general economic outlook for similar businesses in the area. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline over the analysis period are not acceptable, even if the current income and debt ratio meet FHA guidelines.</p>
EMPLOYMENT BY FAMILY OR INVOLVED PARTIES	<p>If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, the following documentation must be obtained:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Borrower's signed and completed personal federal income tax returns for the most recent two-year period <input type="checkbox"/> Fully completed, signed and dated Verification of Employment form (VOE) <input type="checkbox"/> W-2's for the most recent two tax years <p>Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable.</p>
CHILD SUPPORT & ALIMONY	<p>Alimony or Child Support income may be considered effective income if the payments are likely to be received consistently for the first 3 years of the mortgage</p> <p>The borrower can provide the final divorce decree, legal separation agreement, court order or voluntary payment agreement and evidence of 3 months receipt as documented by cancelled checks, bank statements, tax returns or court payment records. Child support may be grossed up as non-taxable income</p>
INVESTMENT & TRUST INCOME	<p>Interest and Dividends may be used if tax returns support a 2 year history. Lender should subtract any funds required to close before calculating projected income</p> <p>Note receivable may be used with copy of the note, documentation of consistent 12 month receipt & 3 year continuance</p> <p><input type="checkbox"/> Trust income may be used with 3 year continuance verified. Amount, frequency & duration of payments must be verified by the trust agreement or by the trustee statement</p>
EXTENDED ABSENCE	<p>Income from borrowers returning to work after an extended absence (6 months) & currently have less than a 2-year employment & income history may be used to qualify, if:</p> <ul style="list-style-type: none"> The borrower has been at the current employer for a minimum of six months, and There is verified evidence of a 2 year employment history immediately preceding the leave of absence
SOCIAL SECURITY AND RETIREMENT	<p>All income from the Social Security Administration (SSA) including, but not limited to Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI) and Social Security income can be used to qualify the borrower if the income has been verified, and is likely to continue for at least a three year period from the date of the mortgage application. Verify this income by obtaining any one of the following: Federal tax returns, the most recent bank statement evidencing receipt of income, a Proof of Income letter (aka a "Budget Letter or Benefits letter" that evidences income from the SSA or a copy of the borrowers Social Security Benefit Statements, SSA-1099-1042S. In addition to the verification of income, the lender must document the continuance of this income from the borrower (1) a copy of the last Notice of Award letter which states the SSA's determination on the borrowers eligibility for SSA income or (2) equivalent documentation that establishes the award benefits to the borrower.</p> <p>If any income from the SSA is due to expire within three years from the date of mortgage application, that income may only be considered as a compensating factor.</p> <ul style="list-style-type: none"> • Social security income may be grossed up if deemed non-taxable by the IRS. • Retirement income must be verified from the former employer, or from federal tax returns. If any retirement income, such as employer pensions or 401k distributions will cease within the first full 3 years of the mortgage loan, the income may only be considered as a compensating factor.

RENTAL INCOME	<ul style="list-style-type: none"> Rental income can be used to qualify or offset PITI subject to the following: (departure residence addressed elsewhere in matrix) Rent from other properties already owned by borrower 2 years 1040 with any gaps in rental income limited to 3 months If rental owned less than 2 years, document receipt since acquisition and current lease Gross rent less HOC vacancy Income from Borrower occupied Property: 1-4 units: actual or appraisers estimate of rent, less HOC's vacancy factor less PITIA (Principal, interest, taxes, insurance & HOA) Income from roommates in borrowers SFR not acceptable Income from boarders is acceptable if the boarders are related by blood, marriage or law and supported by tax returns <p>Net rental income is used to determine the maximum mortgage amount for three and four unit properties. Net rental income is calculated by using the appraiser estimate of fair market rent from all units, including the unit the borrower chooses for occupancy and subtracting the greater of the appraisers estimate for vacancies OR the vacancy factor used by the jurisdictional Homeownership Center (HOC)</p> <p>The maximum mortgage amount for 3-4 unit properties is limited so that the ratio of the monthly mortgage payment divided by the monthly net rental income does not exceed 100%, regardless of the occupancy status. (property must debt service)</p>
ASSETS	
DOWN PAYMENT REQUIREMENTS	<p>Borrower Investment: Difference between the sales price and the mortgage amount</p> <ul style="list-style-type: none"> Minimum down payment is 3.50% of the sales price or appraised value, whichever is less
SELLER CONTRIBUTIONS	Maximum of 6% paid by seller or real estate agents
GIFTS & ACCEPTABLE DONORS	<p>In order for gifts funds to be considered, there must be no expected or implied expectation of repayment to the donor. An outright gift of the cash investment is acceptable if the donor is:</p> <ul style="list-style-type: none"> The borrower's relative (including family member acting as real estate agent due a commission) The borrower's employer or labor union A close friend with a clearly defined and documented interest in the borrower A charitable organization or government agency or public entity that has a program providing home ownership to low-moderate income families or first time homebuyers <p>The gift donor may not be a person or entity with an interest in the sale of the property, such as the seller, the realtor, the builder or an associated entity.</p> <p>Gifts from these sources are considered inducements to purchase and must be subtracted from the sales price.</p> <p>Only family members may provide equity credit as a gift on property being sold to other family members.</p>
GIFTS & ACCEPTABLE DOCUMENTATION	<p>A gift letter signed by donor and borrower(s) that includes the amount of gift, name, address, phone number, relationship to the borrower and that no repayment is required.</p> <p>If gift funds are in the borrowers account: obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account</p> <p>If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.</p> <p>If the gift funds are paid directly to the settlement agent, the Mortgagee must verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source</p> <p>If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the Mortgagee must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction</p>
CHECKING AND SAVINGS	<p>The most recent 30 day bank statement showing previous balance & current may be used to verify checking and savings accounts. If there is a large increase in an account or the account was recently opened, the lender must obtain from the borrower a credible explanation and documentation of the source of the funds. Verify that any recent debts were not incurred to obtain part, or all, of the required cash investment on the property being purchased. If previous balance not shown, 2 months required.</p> <p>Earnest Money must be verified and deposit sourced if it exceeds 2% of the sales price OR appears excessive based on the borrowers history of accumulated savings.</p> <p>Generally, any single deposit that is the greater of 25% or \$1000 of the individual borrowers qualifying income must be sourced. If joint or multiple borrowers have separate accounts, single deposits that exceed 25% of the individual borrowers income must be sourced.</p>
STOCKS & BONDS, IRA's, 401K & Keogh	<p>Brokerage statement(s) for each stock, bond or mutual fund account for the most recent 2 months. Evidence of liquidation not required.</p> <p>Savings bonds: government issued bonds are counted at original price unless eligibility for redemption value are confirmed. Receipt of funds at redemption must be verified.</p> <p>Retirement accounts: Most recent 30 day statement required. up to 60% of the value of these assets may be included in funds to close. Document terms of withdrawal and/or borrowing & that the borrower is eligible for these withdrawals. Evidence of liquidation not required, unless a portion of the asset is required for funds to close.</p>
FUNDS NOT ALLOWED	<p><input type="checkbox"/> Group Savings (excludes Private Savings Club) <input type="checkbox"/> Cash saved at home *exception can be made if certain criteria are met- see handbook</p> <p><input type="checkbox"/> Pooled Funds <input type="checkbox"/> Individual Development Account <input type="checkbox"/> 1031 Tax Deferred Exchanges</p>
RESERVES	<ul style="list-style-type: none"> Additional reserves may be required by AUS based on risk. <p>Purchase or refinance of Three and Four unit properties: Borrower must have personal reserves equivalent to 3 months PITI after closing</p> <p>Reserves may not be derived from a gift</p> <p>Cash out Equity Refis: The cash out may not be used to meet the reserve requirement.</p>
SALE OF REAL OR PERSONAL PROPERTY, REAL ESTATE	<p>The net proceeds from an arms-length sale of a currently owned real property may be used. Provide copy of purchase contract & fully executed final HUD-1 to document proceeds. If the property is not sold at the time of subject settlement, the existing PITI must be included in ratio's as a liability.</p> <p>Personal property sale: Documentation to verify borrower owns the personal property being sold, the value of the property, evidence the item was sold and receipt of proceeds.</p> <p>Non exclusive documentation examples: appraisal of item, dealer estimate, philatelic or numismatic association, insurance policy, bill of sale, title transfer.</p> <p>Cash sale proceeds will not be considered</p>

COMMISSION

Real estate commission: if borrower is a licensed real estate agent entitled to a commission from the sale of the subject, he/she may use that amount for cash investment.
A family member entitled to the commission may also provide it as gift funds to borrower (subject to gift documentation requirements)

CONVERTING EXISTING HOME TO RENTAL	Rental income of the property being vacated, reduced by the appropriate vacancy factor may be considered in the underwriting analysis under the following circumstances only. If neither exception can be met, the entire PITIA will be held in ratio's.	
	EXCEPTION	Underwriting requirements:
	RELOCATIONS	The homebuyer is relocating with a new employer or being transferred by the current employer to an area not within a reasonable & locally recognized commuting distance. A properly executed lease agreement signed by the homebuyer & the lessee) of at least 1 year duration after the loan is closed is required. The security deposit and/or first months recent receipt is required
CONVERTING EXISTING HOME TO RENTAL	Sufficient Equity in Vacated Property	The homebuyer has a loan to value ratio of 75% or less, as determined by either a current (less than 6 months old) appraisal or the unpaid principal balance to the original sales price. The appraisal, in addition to using FNMA 1004, may be an exterior only using form FNMA 2055, and for condominium units, form FNMA 1075. A properly execute lease agreement of at least 1 year duration should be provided. Evidence of security deposit and or rent is at underwriters discretion
COLLATERAL		
APPRAISAL	All properties must meet FHA minimum property standards (MPS) • Appraisals must be completed by appraisers on FHA's approved roster and in compliance with MDIA. • Appraisal effective date can not be before FHA case number assignment date • 1004MC and Interior photos required • Standard FNMA appraisal forms are required: 1004 (SFR) / 1073 (condo) / 1025 (units); FHLMC form 70 FHA 92800.5.b (Conditional Commitment) must be completed, signed and dated by DE underwriter • Any and all repairs, health and safety or defective conditions noted must be remedied prior to closing • Existence of Lead based paint requires remediation as detailed in 24 CFR part 200.810 ©	
ELIGIBLE PROPERTY TYPES	• 1-4 units • Condos-FHA approved HRAP or DELRAP • Attached or detached PUD's (no FHA approval required)	
HAZARD & FLOOD INSURANCE	Full hazard insurance policy to cover loan amount, guaranteed replacement cost, or cost-new per the appraisal. Condo's require HO6 (walls-in) policy if not provided by HOA. Flood insurance required if in flood zone A (to state requirements)	
AGE OF APPRAISAL	<p>If the property is existing, proposed or under construction and the appraisal is not updated using the Appraisal update (1004D*)</p> <ul style="list-style-type: none"> •120 days from for the original appraisal plus 30 day extension. The 30 day extension cannot be used when the original appraisal has been updated using the appraisal update <p>If the property is existing, proposed or under construction and the appraisal is updated using the Appraisal update (1004D*)</p> <ul style="list-style-type: none"> • 240 days and consists of 120 days for the original appraisal <i>plus</i> 120 days for the Appraisal Update Report (1004D*) <p>If the property is HUD Real Estate Owned (REO)</p> <ul style="list-style-type: none"> • 120 days from the effective date of the appraisal. The sales contract must be ratified within 120 days or a new appraisal must be ordered. • Appraisals CANNOT be re-used after the mortgage for which the appraisal was ordered is closed. A new appraisal is required for each transaction. <p>FHA prohibits Appraisal shopping, where lenders order additional appraisals in an effort to assure the highest possible value or the least amount of repairs or deficiencies. However, if a borrower switches from one FHA lender to another, a 2nd appraisal may be ordered by the 2nd lender if: the first appraisal contains material deficiencies, the appraiser is on the lender's exclusionary list, the 1st Mortgagee fails to provide a copy of the report to the 2nd lender in a timely manner that would cause a delay in closing, posing potential harm to the borrower (loss of rate lock, foreclosure, late fees, contract deadline) the lender must ensure that both appraisals are retained in the case file. <i>*1004D An appraisal update may not be used if the property value has declined or if the re-inspection reveals deficiencies/ other significant changes that did not exist initially</i></p>	
FLIP GUIDELINES	<p>This topic contains information of the prohibition on property flipping including: the definition of property flipping, inapplicability of property flipping restrictions to new construction, requirement that the seller be the owner of record, appraiser responsibility for analyzing prior sales of a property, restriction on resales occurring 90 days or less after acquisition, required second appraisal on properties sold between 91 and 180 days after acquisition, resales occurring between 91 days and 12 months following acquisition and exceptions to the 90 day restriction.</p> <p>Definition of property flipping: Practice where a recently acquired property is resold for a considerable profit with an artificially inflated value. The restrictions listed in this topic do not apply to a builder selling a newly built home or building a home for a borrower.</p> <p>Seller must be the owner of record: to be eligible for a mortgage insured by FHA, a property must be purchased from the owner of record, the transaction may not involved any sale or assignment of the sales contract AND documentation verifying the seller is the owner of record must be in the casefile</p> <p>Restriction on Resale's Occurring 90 days or Less after Acquisition:</p> <p>If a property is re-sold 90 days or fewer following the date of acquisition by the seller, the property is not eligible for a mortgage insured by FHA. FHA defines the seller's date of acquisition as the date the seller acquired legal ownership of that property, the resale date as the date of execution of the sales contract by all parties intending to finance the property.</p> <p>Exceptions to the 90-day restriction: the <i>only</i> exceptions to the 90 day resale restriction are for: properties acquired by an employer or relocation agency in connection with the relocation of an employee, resales by HUD under it's Real Estate Owned (REO) program</p>	

FLIP GUIDELINES
(cont.)

sales by other United States Government agencies of single family properties pursuant to programs operated by these agencies
sales of properties by nonprofits approved to purchase HUD-owned single family properties at a discount with resale restrictions,
sales of properties that are acquired by the seller by inheritance
sales of properties by state and federally chartered financial institutions and government sponsored enterprises, state and local government agencies and
sales of properties within Presidentially Declared Disaster areas

Any subsequent resales of the properties described above must meet the 90-day threshold in order for the mortgage to be eligible for FHA insurance

Second Appraisal Required on Properties sold between 91 and 180 days after acquisition: lender must obtain a 2nd appraisal from another appraiser if:

the resale date of a property is between 91 & 180 days following the acquisition of the property by the seller and

the resale price is 100% or more over the price paid by the seller when the property was acquired.

Resales Occurring Between 91 days and 12 months following Acquisition: FHA reserves the right to require additional documentation

to support the resale value of a property if:

the resale is more than 90 days after the date of acquisition by the seller but before the end of the 12th month following the date of acquisition and

the resale price is 5% or greater than the lowest sale price of the property during the preceding 12 months.

At FHA's discretion, such documentation may include, but is not limited to, an appraisal from another appraiser.

MANUFACTURED HOMES