

FHA Wholesale	10130FHA–30 Year FRM CONF	10105/1FHA-5 Year ARM CONF	10130FHAS-30 Year FRM CONF - Streamline
	10120FHA–20 Year FRM CONF	10105/1FHH–5 Year ARM HB	10120FHAS-20 Year FRM CONF - Streamline
	10115FHA–15 Year FRM CONF	10105/1FHA–5 Year ARM CONF - Streamline	10115FHAS-15 Year FRM CONF - Streamline
	10110FHA–10 Year FRM CONF	101051FHAS–5 Year ARM HB - Streamline	10110FHAS-10 Year FRM CONF - Streamline
	10130FHH–30 Year FRM HB		10130FHHS-30 Year FRM HB -Streamline
	10115FHH–15 Year FRM HB		10115FHHS-15 Year FRM HB - Streamline

Any Guideline not specifically covered in this document can be located in the FHA Single Family Housing Policy Handbook 4000.1 [Click Here](#)

Loan Type	Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)	Occupancy	Property Type	AUS Requirement
Purchase	580 FRM / ARM 620 HB ARM	96.50%	98.25%	100% (3)(4)	Per AUS	Owner Occupied	1 unit SFR, Condo*, PUD & Townhouse	DU Approve/Eligible or LPA Accept
Limited Cash Out Refi (R/T)		97.75% (1)	99.50% (1)	97.75% (1)(2)(4)	Per AUS			
Simple Refinance		97.75% (1)	99.50% (1)	97.75% (1)(2)(4)	Per AUS			
Cash Out Refinance		85.00%	86.75%	85.00% (2)	Per AUS			
Streamline Refinance	640	97.75%	99.50%	125% (2)(3)(4)	Refer to 4000.1			Refer/Eligible DU Only
Manual Downgrade		Program Specific						

Loan Type	Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)	Occupancy	Property Type	AUS Requirement
Purchase	620	96.50%	98.25%	100% (3)(4)	Per AUS (5)	Owner Occupied	2 – 4 units	DU Approve/Eligible or LPA Accept
Limited Cash Out Refi (R/T)		97.75% (1)	99.50% (1)	97.75% (1)(2)(4)	Per AUS			
Simple Refinance		97.75% (1)	99.50% (1)	97.75% (1)(2)(4)	Per AUS			
Cash Out Refinance		85.00%	86.75%	85.00% (2)	Per AUS			
Streamline Refinance	640	97.75%	99.50%	125% (2)(3)(4)	Refer to 4000.1			Refer/Eligible DU Only
Manual Downgrade		Program Specific						

Loan Type	Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)	Occupancy	Property Type	AUS Requirement
Purchase	680	96.50%	98.25%	96.5%	Per AUS up to 45%	Owner Occupied	Manufactured Home ⁽⁶⁾	DU Approve/Eligible or LPA Accept
Limited Cash Out Refi (R/T)		97.75% ⁽¹⁾	99.50% ⁽¹⁾	97.75% ⁽¹⁾⁽²⁾				
Simple Refinance		97.75% ⁽¹⁾	99.50% ⁽¹⁾	97.75% ⁽¹⁾⁽²⁾				
Streamline Refinance		97.75%	99.50%	97.75% ⁽²⁾	Refer to 4000.1			

Minimum Loan Amount: \$50,0000

Maximum Loan Amount: General Loan / County Limits up to \$1,000,000

- ⁽¹⁾ Per 4000.1: If subject property has been owner occupied for less than 12 months, the maximum LTV/CLTV is limited to 85%
- ⁽²⁾ No new concurrent subordinate financing allowed for any refinance transaction
- ⁽³⁾ 100% CLTV allowed with 2nd from family member
- ⁽⁴⁾ 96.5% CLTV if 2nd provided by private individual or non-institutional lender
- ⁽⁵⁾ First Time Home Buyer: Limited to 50% DTI if subject property is 2-4 units
- ⁽⁶⁾ **Manufactured Home: Cash Out, Manual Downgrades and subordinate financing are not allowed**

General Notes:

- All condominiums must be HUD Approved
- Texas Cash-Out 50(a)(6) Transactions re Prohibited on all FHA Programs

Age of Documents	<ul style="list-style-type: none"> • Preliminary Title Policies can be no more than 90 days old on the date the note is signed • Appraisal can be no more than 120 days old on the date the note is signed (existing and new construction) • Income, assets and credit documentation can be no more than 90 days old on the date the note is signed • Credit Report must be dated within 45 days of loan submission and no more than 90 days old on the date the note is signed 																																																																									
Adjustable Rate Mortgage Terms	<table border="1" data-bbox="846 293 1726 412"> <thead> <tr> <th>Min Fico</th> <th>LTV</th> <th>Total LTV (Including UFMIP)</th> <th>CLTV (Excluding UFMIP)</th> <th>DTI (Per AUS up to)</th> </tr> </thead> <tbody> <tr> <td>620</td> <td>Program Specific</td> <td></td> <td>100%</td> <td>Per AUS</td> </tr> </tbody> </table> <table border="1" data-bbox="577 427 2001 995"> <thead> <tr> <th>Characteristic</th> <th colspan="4">ARM Plan Terms</th> </tr> </thead> <tbody> <tr> <td>Qualifying Rate</td> <td colspan="4">Note Rate</td> </tr> <tr> <td>Higher Priced Mortgage Loans (HPML)</td> <td colspan="4">Not permitted</td> </tr> <tr> <td>Amortization Term</td> <td colspan="4">30 years</td> </tr> <tr> <td>Index</td> <td colspan="4">Treasury, weekly average of U.S, Treasury securities adjusted to a constant maturity of one year.</td> </tr> <tr> <td>Margin</td> <td colspan="4">2.000%</td> </tr> <tr> <td>Life Floor</td> <td colspan="4">5% below the start rate, but never lower than the margin.</td> </tr> <tr> <td rowspan="2">Interest Rate Caps</td> <th>Product</th> <th>First Adjustment</th> <th>Subsequent Adjustments</th> <th>Lifetime</th> </tr> <tr> <td>5/1</td> <td>1%</td> <td>1%</td> <td>5%</td> </tr> <tr> <td rowspan="2">Interest Rate Adjustment Date</td> <td colspan="4">The first adjustment is 60-66 months after the first payment date.</td> </tr> <tr> <td colspan="4">After the initial fixed period, the interest rate may adjust annually.</td> </tr> <tr> <td>Payment Adjustment Date</td> <td colspan="4">The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.</td> </tr> <tr> <td>Conversion Option/ Buydowns</td> <td colspan="4">Not allowed</td> </tr> </tbody> </table>	Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)	620	Program Specific		100%	Per AUS	Characteristic	ARM Plan Terms				Qualifying Rate	Note Rate				Higher Priced Mortgage Loans (HPML)	Not permitted				Amortization Term	30 years				Index	Treasury, weekly average of U.S, Treasury securities adjusted to a constant maturity of one year.				Margin	2.000%				Life Floor	5% below the start rate, but never lower than the margin.				Interest Rate Caps	Product	First Adjustment	Subsequent Adjustments	Lifetime	5/1	1%	1%	5%	Interest Rate Adjustment Date	The first adjustment is 60-66 months after the first payment date.				After the initial fixed period, the interest rate may adjust annually.				Payment Adjustment Date	The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.				Conversion Option/ Buydowns	Not allowed			
Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)																																																																						
620	Program Specific		100%	Per AUS																																																																						
Characteristic	ARM Plan Terms																																																																									
Qualifying Rate	Note Rate																																																																									
Higher Priced Mortgage Loans (HPML)	Not permitted																																																																									
Amortization Term	30 years																																																																									
Index	Treasury, weekly average of U.S, Treasury securities adjusted to a constant maturity of one year.																																																																									
Margin	2.000%																																																																									
Life Floor	5% below the start rate, but never lower than the margin.																																																																									
Interest Rate Caps	Product	First Adjustment	Subsequent Adjustments	Lifetime																																																																						
	5/1	1%	1%	5%																																																																						
Interest Rate Adjustment Date	The first adjustment is 60-66 months after the first payment date.																																																																									
	After the initial fixed period, the interest rate may adjust annually.																																																																									
Payment Adjustment Date	The payment adjustment date is the first of the month following the interest rate adjustment and every 12 months thereafter.																																																																									
Conversion Option/ Buydowns	Not allowed																																																																									
Assets	<p>Regardless of underwriting method (AUS or Manual) all of the following will apply:</p> <ul style="list-style-type: none"> • A written VOD and most recent statement for each account, or statement(s) as Per AUS findings • Earnest Money Deposit (EMD) in all amounts Require: <ul style="list-style-type: none"> ○ A copy of the Borrower's cancelled check ○ Certification from escrow/title acknowledging receipt of funds <p style="text-align: right;">-continued on next page-</p>																																																																									

	<ul style="list-style-type: none"> ○ Bank statement showing that the average balance had sufficient funds to cover the amount of the earnest money deposit at the time of issuance <p>Note: if the source of the EMD is a gift, follow FHA Gift requirements per the 4000.1</p> <p>Refer to “Reserves” Topic for additional reserve requirements Refer to “Gift” Topic for additional gift documentation requirements</p>
Borrower Eligibility	<ul style="list-style-type: none"> • Trusts are permitted and must meet Western Bancorp’s Trust Checklist criteria. • All borrowers, including non-vesting spouse must have a valid SSN • Non-permanent & and permanent resident aliens allowed • No more than 4 borrowers per loan • Foreign Nationals and those with Diplomatic Immunity not allowed • Non U.S. Citizens with no lawful residency in the U.S. are not allowed
Cash Out Refinance	<ul style="list-style-type: none"> • Existing mortgage cannot be delinquent or in arrears in the past 12 months (manual downgrade allowed with max 1X30) • For mortgages with more than 6 months and less than 12 months of payment history, the mortgagor must have made all the payments when due (0x30 for life of loan) • Existing subordinate financing may remain in place with a maximum CLTV of 85% <p>Refer to 4000.1.II.A.2.a-Maximum Mortgage Amounts.</p> <p>Ownership Seasoning:</p> <ul style="list-style-type: none"> • The borrower must have owned and occupied the subject property as their principal residence for the 12 months prior to the date of case number assignment, unless acquired through an inheritance to use current appraised value in determining maximum mortgage amount. • If the property was acquired less than 1 year prior to the case number assignment date, use the lesser of original sales price of the property, plus documented improvements and the current appraised value must be used in determining the maximum mortgage amount. • Properties inherited less than 1 year prior to the case number assignment date may use the appraised value. <p>Existing Mortgage Seasoning:</p> <ul style="list-style-type: none"> • At least six consecutive monthly payments must have been made on the existing loan, <u>and</u> • The refinance cannot occur earlier than 210 days after the first monthly payment was made on the existing loan. <p>IMPORTANT: Existing Mortgages with less than 210 days after 1st payment <u>and</u> 6 consecutive payments made, are NOT eligible for cash-out refinance.</p> <p style="text-align: right;">-continued on next page-</p>

	<p>In addition to the requirements listed above, the following characteristics are NOT eligible for Cash-Out:</p> <ul style="list-style-type: none"> • A non-occupant co-borrower(s) whether they hold title to property or not. • Modified mortgages • Loans with new concurrent subordinate financing <p>Refer to 4000.1.II.A.8.v-Cash-Out Refinances.</p>								
<p>Co-Signed Debts/Contingent Obligations</p>	<p>Cosigned Debts Provide evidence that the other party to the debt has been making regular on-time payments during the previous 12 months, and does not have a history of delinquent payments on the loan.</p> <p>Court Ordered Divorce Decree Must provide a copy of the divorce decree ordering the spouse to make payments.</p> <p>Contingent Liabilities The monthly obligation must be included in the DTI, unless one of the following have been documented:</p> <ul style="list-style-type: none"> (1) There is no possibility that the debt holder will pursue debt collection against the borrower should the other party default (2) The other legally obligated party has made 12 months of timely payments 								
<p>Compensating Factors</p>	<p>If compensating factors are a requirement of the D.E. Underwriter or FHA, one of the following must be documented and present in the file:</p> <table border="1" data-bbox="583 824 1913 993"> <tr> <td>Long Term Employment</td> <td>Conservative use of consumer Credit Ability to devote a greater portion of income to housing</td> </tr> <tr> <td>Minimal payment shock</td> <td>Potential for increased earnings</td> </tr> <tr> <td>Trailing spouse income (relocation only)</td> <td>Other income, documented, not used to qualify</td> </tr> <tr> <td>Documented cash reserves (Refer to 4000.1)</td> <td>Sizable down payment</td> </tr> </table>	Long Term Employment	Conservative use of consumer Credit Ability to devote a greater portion of income to housing	Minimal payment shock	Potential for increased earnings	Trailing spouse income (relocation only)	Other income, documented, not used to qualify	Documented cash reserves (Refer to 4000.1)	Sizable down payment
Long Term Employment	Conservative use of consumer Credit Ability to devote a greater portion of income to housing								
Minimal payment shock	Potential for increased earnings								
Trailing spouse income (relocation only)	Other income, documented, not used to qualify								
Documented cash reserves (Refer to 4000.1)	Sizable down payment								
<p>Credit</p>	<ul style="list-style-type: none"> • Each borrower must have at least one valid credit score to be eligible • 3-4 Unit Properties: Require 2 valid credit scores per borrower • Non Traditional and Insufficient credit: Not Eligible • Restructured mortgages: Not Allowed <p>Modified Mortgages: Not Allowed for cash out refinance</p> <p>Community Property States:</p> <ul style="list-style-type: none"> • Non-Borrowing Spouse Credit must be provided, all monthly obligations must be included in DTI • All judgments, state tax liens and mechanic's liens, must be paid off regardless of AUS findings <p style="text-align: right;">-continued on next page-</p>								

	<p>Additional Credit Requirements for Manual Underwriting:</p> <ul style="list-style-type: none"> • 12 months previous housing history must be documented and OX30 • Borrowers living rent free: Property owner to verify the borrower has been living rent free and the length of residency • Business credit report is required for corporations and S-Corps. <p>Major Derogatory: Refer to “Seasoning & Waiting Periods for Major Derogatory events” credit topic</p>
Debt-to-Income (DTI)	Refer to program matrix for allowable debt to income ratios by program.
Down Payment	<p>Minimum required investment from borrower funds is 3.5%, based on the lower of appraised value or sales price.</p> <p>Allowable Sources of Down Payment:</p> <ul style="list-style-type: none"> • Borrowers own seasoned funds • Gifts from an acceptable Donor • Business funds from a Schedule C Sole Proprietor <p>Ineligible Sources of Down Payment:</p> <ul style="list-style-type: none"> • The down payment requirement cannot be met by borrower paid closing costs, prepaid expenses, points or premium pricing • Sweat Equity • State and Local gifts, grants or down payment assistance • Charitable Organization or Non Profit gifts, grants or down payment assistance • Business funds from a C-Corp, S Corp and LLC • Unverifiable funds
Eligible/Ineligible Programs	<p>Eligible</p> <ul style="list-style-type: none"> • 10, 15, 20 & 30 Year Fixed Rate: Conforming • 15 & 30 Year Fixed Rate: High Balance • 5/1 ARM: Conforming & High Balance <p>Ineligible</p> <ul style="list-style-type: none"> • Properties with greater than 10 acres are not permitted • HUD REO’s including HUD \$100 Down • Good Neighbor Next Door • MCCs (Mortgage Credit Certificates) • New Construction and Construction to Permanent Loans • Energy Efficient Mortgage Loans

	<ul style="list-style-type: none"> • Restructured loans or short payoff refinances are not eligible • 203K and 203K Streamline • High Priced Mortgage Loans that do not meet the QM Safe-Harbor Requirements
Employment History	A full 2 year employment and income history must be reflected on the loan application and documented per the 4000.1. If the borrower has had a gap in employment exceeding 6 months within the last 2 years, then a complete 2 year work history prior to the gap must be documented.
Energy Efficient Mortgage (EEM)	Not Permitted
Escrow Waivers	Not Permitted
Geographic Restrictions	Texas 50(a)(6) Transactions are prohibited
Gift Funds	<p>Minimum Fico Score of 620 required to use Gift Funds to qualify. Gifts Funds, including gifts of equity are allowed and may be used to meet the borrower’s minimum required investment.</p> <p>Acceptable Gift Donors:</p> <ul style="list-style-type: none"> • The borrower’s family member • The borrower's employer or labor union • A close friend with a clearly defined interest in the borrower. <p>Unacceptable Gift Funds:</p> <ul style="list-style-type: none"> • A charitable organization • A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first time homebuyers • The lender or its affiliates may not provide a loan of gift funds to the donor unless the terms of the loan are equivalent to loans available to the general public. • Cash-on-hand <p>Gift Letter Required and Must:</p> <ul style="list-style-type: none"> • Specify the dollar amount given • Signed and dated by the donor and borrower • Clearly state that no repayment is required • State the donor's name, address, telephone number, and relationship to the borrower • State the source bank name and account number that gift funds will be withdrawn from • Additionally, the gift letter must also contain language asserting that the funds given to the borrower were not made available to the donor from any person or entity with an interest in the sale of the property. <p style="text-align: right;">-continued on next page-</p>

	IF THE GIFT FUNDS ARE	THEN PROVIDE													
	In the borrower's account	a copy of the withdrawal document showing that the withdrawal is from the donor's account AND the borrower's deposit slip and bank statement showing the deposit													
	Deposited at close AND in the form of a certified check from the donor's account	bank statement with withdrawal from the donor's acct AND copy of the certified check													
	Deposited at closing AND are in the form of a certified check, cashier's check, money order, official check or other type of bank check	a withdrawal document or cancelled check for the amount of the gift showing that the funds came from the donor's personal account													
	Deposited at closing AND are in the form of an electronic wire transfer to the closing agent	documentation of the wire transfer to the closing agent													
	Being borrowed by the donor, and documentation from the bank or other savings account is not available	written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the lender													
	<p>Regardless of when the gift funds are made available to the homebuyer, the underwriter must be able to:</p> <ul style="list-style-type: none"> • Determine that the gift funds were not ultimately provided from an unacceptable source and were indeed the donor's own funds. AND • Trace the gift funds from the donor to the homebuyer. <p>When the transfer occurs at closing, the underwriter remains responsible for obtaining verification that the closing agent received funds from the donor for the amount of the purported gift and that those funds came from an acceptable source.</p> <p>IMPORTANT NOTE: If the dollar amount of the gift or the gift source in FHA Connection does not match the data provided to TOTAL Scorecard at the time of insuring the transaction is automatically rescored and a "REFER" recommendation is returned along with an error message that "TOTAL CASE RESCORDED AS REFER; MANUAL UNDERWRITING REQUIRED; ZFHA INVALID".</p>														
	Refer to 4000.1.II.A.4-Gifts (Personal and Equity) (TOTAL) or 4000.1.II.A.5-Gifts (Personal and Equity) (Manual) .														
Identity of Interest/ Non-Arm's Length	<table border="1" data-bbox="846 1127 1728 1247"> <thead> <tr> <th data-bbox="846 1127 1075 1214">Min Fico</th> <th data-bbox="1075 1127 1241 1214">LTV</th> <th data-bbox="1241 1127 1407 1214">Total LTV (Including UFMIP)</th> <th data-bbox="1407 1127 1587 1214">CLTV (Excluding UFMIP)</th> <th data-bbox="1587 1127 1728 1214">DTI (Per AUS up to)</th> </tr> </thead> <tbody> <tr> <td data-bbox="846 1214 1075 1247">Program Specific</td> <td data-bbox="1075 1214 1241 1247">85.00% (4)</td> <td data-bbox="1241 1214 1407 1247">86.75% (4)</td> <td data-bbox="1407 1214 1587 1247">85.00% (4)</td> <td data-bbox="1587 1214 1728 1247">Per AUS</td> </tr> </tbody> </table> <p data-bbox="579 1279 1188 1304">Assignment of purchase/sales contracts are prohibited.</p> <p data-bbox="1560 1312 1839 1336" style="text-align: right;">-continued on next page-</p>					Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)	Program Specific	85.00% (4)	86.75% (4)	85.00% (4)	Per AUS
Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)											
Program Specific	85.00% (4)	86.75% (4)	85.00% (4)	Per AUS											

	<p>May exceed the 85% LTV limitation for the program specific maximum <i>if:</i></p> <ul style="list-style-type: none"> • Borrower is a family member purchasing family member’s primary residence • Employee of builder purchasing one of the builder’s new homes or model home as a primary residence • Current tenant purchasing property they have rented for at least 6 months predating the sales contract • Sales by a corporation that transfers employees out of the area, purchases the employee’s residence and resells to another employee <p>The definition of “family” member includes: child, parent, or grandparent, spouse legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption foster child, brother, stepbrother, sister, stepsister uncle, and aunt.</p> <p>Note: A child is defined as a son, stepson, daughter, or stepdaughter. A parent or grandparent includes a step-parent or step-grandparent or foster parent/grandparent. Employee loans are not considered identity of interest transactions</p> <p>Dual Agency</p> <p>Transactions in which the Listing and/or Selling agent, is also acting as the mortgage Broker are ineligible for FHA Financing. Dual Compensation is not allowed on any transaction.</p> <p>Refer to 4000.1.II.A.2.b-Limitations Based on Identity of Interest.</p>
Income Documentation	<p>An IRS Tax Transcript is required for all income used to qualify for the most recent two years (excluding Streamline Refinance)</p>
Listed Properties	<p>Properties Listed For Sale in the Last 6 Months: Refinances of properties listed for sale are not permitted. The listing agreement must be expired or taken off the market at least 1 day prior to the date of the loan application.</p> <p>Streamline Refinance w/out an appraisal: Requires a signed affidavit by the borrower confirming the subject property was not listed for sale at the time of application.</p> <p>Cash out Refinances: Listing must be expired or cancelled at least 90 days prior to application date. File must contain a copy of MLS printout for subject property, reflecting listing expired or cancelled, and affidavit from borrower of their intent to occupy and not re-list the subject property.</p> <p>Documentation Required:</p> <ul style="list-style-type: none"> • A copy of the cancelled MLS listing is required. • There may be no evidence that property is being relisted with another agent or For Sale by Owner, etc.

<p>Limitations on other R.E. Owned</p>	<p>Additional FHA-insured Mortgage on a New Principal Residence: A Borrower may be eligible to obtain a second FHA-insured Mortgage without being required to sell an existing property covered by an FHA-insured Mortgage if the Borrower:</p> <ul style="list-style-type: none"> • Is relocating or has relocated for an employment-related reason to an area more than 100 miles from the Borrower’s current Principal Residence or • Has an increase in family size or • Is vacating a jointly owned property or • Was a non-occupying co-borrower <p>Maximum number of other property owned, regardless of financed or owned free and clear is four (4).</p> <p>Refer to 4000.1.II.A.1.b-Exceptions to the FHA Policy Limiting the Number of Mortgages per Borrower.</p>
<p>Manual Underwriting</p>	<p>Manual Downgrades are subject to an additional price hit and will be required if any one of the following are present in the file:</p> <ul style="list-style-type: none"> • Any mortgage trade line reflecting any of the following: 3X30, 1X60 plus 1X30 or 1X90 within the most recent 12 months prior to the Case Number Assignment date • The mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard • Undisclosed debts, uncovered through an inquiry explanation • Undisclosed mortgage debt if the rating reflects a current delinquency, any delinquency within 12 months of the case number assignment, or more than 2X30 within 24 months of the case number assignment • Additional information, not considered in the AUS recommendation affects the overall insurability of the mortgage • The borrower has \$1,000 or more collectively in disputed derogatory credit accounts • The date of the borrower’s bankruptcy discharge as reflected on bankruptcy documents is within 2 years from the date of Case Number Assignment • The Case Number Assignment date is within 3 years of the date of the transfer of title through a foreclosure sale, deed-in-lieu, pre-foreclosure or short sale • Business income reflects a greater than 20% decline in effective income over the analysis period • Paystub provided by the borrower does not reflect year-to-day earnings <p>Credit Requirements:</p> <ul style="list-style-type: none"> • Full Tri-Merge Credit Report is required • Min 3 trade lines used in the last 12 month • 0x30 housing last 12 month <p style="text-align: right;">-continued on next page-</p>

Manual Underwriting Credit Score and DTI Requirements		
Score	DTI	Required Compensating Factors
640	31/43	None Required
	37/47	1 of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves that equal or exceed 3 months PITIA for 1-2 unit properties and 6 months PITIA for 3-4 units. • New PITIA is not more than \$100 or 5% higher than previous housing payment, whichever is less, and there is a documented 12-month housing payment history with no more than 1X30 day late payment • Residual income (See residual income topic for requirements)
	40/40	Both of the following: <ul style="list-style-type: none"> • No discretionary debt • Borrower must have established trade lines in their own name open for at least 6 months.
	40/50	2 of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves that equal or exceed 3 months PITIA for 1-2 unit properties and 6 months PITIA for 3-4 units. • New PITIA is not more than \$100 or 5% higher than previous housing payment, whichever is less, and there is a documented 12 month housing payment history with no more than 1X30 day late payment. • Verified and documented significant additional income that is not considered effective income; and • Residual income (See residual income topic for requirements)

Manufactured Homes

Borrower Eligibility:

- Non-Occupant Co-Borrowers are not allowed

Credit:

- Non Traditional Credit not allowed
- Paying off Debt to Qualify is not allowed

Property:

- Single Wide Manufactured Homes are not allowed
- Minimum Square Footage for Living Space is 600 square feet
- Dirt access roads are not permitted, all access roads must be suitable for year round occupancy
- **Geographic Restrictions:** CT, DE, DC, HI, MA, MN, NY, RI & WV properties are ineligible.

Please refer to HUD 4000.1 for all other requirements

-continued on next page-

Maximum Loan Amount	County Loan Limits up to \$1,000,000				
Minimum Loan Amount	\$50,000				
Mortgage Credit Certificate (MCC)	Not Eligible				
Non-Occupant Co-Borrower(s)	Min Fico	LTV	Total LTV (Including UFMIP)	CLTV (Excluding UFMIP)	DTI (Per AUS up to)
	580 FRM / 640 ARM	75.00%	76.75%	75.00%	Per AUS
	<p>The LTV can be increased to a maximum of 96.5% if the Borrowers are Family Members, provided the transaction does not involve:</p> <ul style="list-style-type: none"> • a Family Member selling to a Family Member who will be a non-occupying co-Borrower; or • a transaction on a two- to four-unit property. <p>Cash-Out Refinance: Non-occupant borrower income cannot be included as income for qualifying purposes.</p>				
Non-Purchasing Spouse	<p>Borrower's Authorization must be obtained for non-borrowing spouse and non-borrowing spouse consent must be obtained for SSN verification with the Social Security Administration.</p> <p>To exclude a non-purchasing spouse's debt from the qualifying ratio, an irrevocable legal separation agreement must be provided and the irrevocable agreement must be signed by a judge, recorded and address all assets, liabilities, child support and alimony</p>				
Non-Traditional Credit or Insufficient Credit	Not Permitted				
Occupancy	<p>Owner Occupied Principal Residence Transactions only</p> <p>Borrower(s) must occupy the property within 60 days after close of escrow with a continued occupancy for a minimum of 1 year from the date the Note/Deed is consummated.</p>				
Paying off Debt	Follow FHA 4000.1 guidelines to determine when permissible.				
Property: Eligible Types	<ul style="list-style-type: none"> • Attached or Detached • Single Family Residence • 2-4 Units • PUD (FHA Project approval not required) • FHA-approved Condominiums – Note: Site Condos are not required to be FHA Approved • Modular and Factory Stick Built Homes • Manufactured Home (see Manufactured Home Section) 				

Property: Ineligible Types	<ul style="list-style-type: none"> • Properties with greater than 10 acres • Mixed Use Properties • Leasehold Properties • Cooperative Units • Condo hotel • Mobile Homes • Geodesic Domes & Earth homes • Working Farm, Ranch or Orchard • Assisted living or Bed and Breakfast Homes • Houseboats 	<ul style="list-style-type: none"> • Properties subject to PACE or HERO • Commercial & Industrial properties • Boarding Houses, Fraternity or sorority houses • Multi-family dwelling containing more than four units • Properties located within designated Coastal Barrier Resource System (CBRS) areas • Properties not suitable for year-round occupancy • Shared lots (included condos) with undivided interests • Vacation homes / Time Shares
Rate and Term Refinance	<p>All proceeds are used to pay existing liens and costs associated with the transaction. The mortgage being paid off is not required to be an FHA-insured mortgage. Cash back to the borrower is not allowed with the exception of minor adjustments at closing, provided the amount does not exceed \$500.</p> <p>Buy out co-mortgagor Equity: If the new loan is used to refinance an existing mortgage to buy out an ex-spouse or other co-mortgagors' equity, the specified equity to be paid is considered property-related indebtedness and is eligible for inclusion in calculating the new mortgage. The divorce decree, settlement agreement, or other equity agreement must be provided to document the equity awarded to the ex-spouse or co-mortgagor.</p> <p>Refer to the 4000.1</p>	
Re-Occupying Former Investment Property	<p>If borrower has re-occupied a former investment property for greater than 12 months or more prior to the loan application date, maximum financing is allowed.</p> <p>If occupancy of the former investment property was less than 12 months prior to the loan application date, than the loan is eligible only as a rate-term refinance with a max LTV of 85%.</p> <p style="text-align: right;">-continued on next page-</p>	

Rental Income	<p>Rental income requirements will follow FHA 4000.1 with the exception of the conversion of a current principal residence, partial or no rental history on tax returns. For converting / departing residence, all of the following will apply:</p> <ul style="list-style-type: none"> ▪ Fully executed lease agreement covering 12 months ▪ Copy of most recent 3 months cancelled checks from the tenant to support the terms of the lease. Money order, cashier's checks or any other form of payment will not be accepted. <p>3-4 Unit Properties:</p> <ul style="list-style-type: none"> ▪ Loan amount must meet self-sufficiency test ▪ The net rental income must be equal to or greater than the PITIA payment
Reserves	<p>Approve/Accept AUS:</p> <ul style="list-style-type: none"> • 1-2 Unit Properties: None Required • 3-4 Unit Properties: 3 months PITI <p>Note—Gifts are not allowed to meet the reserve requirement on 3-4 units or any manual underwrites.</p> <p>Manual:</p> <p>1-2 Unit Properties: 3 months 3-4 Unit Properties: 6 months</p> <p>Ineligible sources of reserves:</p> <ul style="list-style-type: none"> • Borrowed funds from any source • Cash received in a cash-out refinance transaction • Equity in another property • Incidental cash received in purchase or refinance transactions. <p>Refer to 4000.1.II.A.4-Reserves (TOTAL) or 4000.1.II.A.5-Reserves (Manual).</p>
Resale Property Flip Rules	<p>Resale Less Than or Equal to 90 Days: If the re-sale date is 90 days or less following the date of acquisition by the seller, the property is not eligible for a mortgage to be insured by FHA. The following are exempt from wait period above:</p> <ul style="list-style-type: none"> • Resale of properties purchased by an employer or relocation agency in connection with employee relocation. What FHA intends to exempt is bona fide relocation agencies that contract with employers to handle relocations of their employees. A relocation agency DOES NOT include individual real estate agents that advertise themselves as relocation experts and who purchase properties from persons who are relocating from the area.

- A builder selling a newly built home or building a home for a homebuyer wanting to use FHA-insured financing. Example: A builder selling to another builder prior to the completion of a home would be exempt from the time restrictions.
- Property inherited by the property seller. The property seller will not be required to hold title to that property for 90 days before he/she can sell it with FHA insured financing. The property seller must still be the owner of record but the 90 day ownership period will not be required. Further, since there was no previous sale of the property because it was inherited, there is no previous sales price that might trigger the second appraisal requirement set forth in the flipping rules. The underwriter must include the documentation evidencing the inheritance in the case binder when submitting the case for insurance.
- Sales of properties by state and federally chartered financial institutions and Government Sponsored Enterprises (GSE) (e.g. Fannie Mae and Freddie Mac). Note: Mortgage Insurance companies are not considered a state or federally chartered financial institution and are not qualified as a GSE.
- Sales of properties by nonprofits approved to purchase HUD-owned single family properties at a discount with resale restrictions.
- Sales of properties by local and state government agencies including HUD REO Sales.
- Sales of properties within Presidentially-Declared Disaster Areas, upon FHA's announcement of eligibility in a mortgagee letter specific to said disaster.

Resale Greater Than 90 Days:

- Loans with resale dates greater than 90 days and up to 180 days are generally eligible but require supplemental documentation, including an additional appraisal.
- If the resale price is greater than or equal to 100% over the property seller's acquisition price, a second FHA appraisal from a new appraiser is required.
- The second appraisal cannot be provided by or paid for by the borrower.
- If the resale price is less than 100% of the property seller's acquisition price, then no additional appraisal documentation is required

Residual Income

When compensating factors require and or the subject property is a 3-4 units, the following residual income requirements outlined below must be met:

-continued on next page-

Residual Income - Continued

Table of Residual Incomes by Region For loan amounts of \$79,999 and below				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75 for each additional member up to the family of seven			

Table of Residual Incomes by Region For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to the family of seven			

All household members are required to be included when determining family size, regardless of the nature of their relationship and without regard to whether they are co-applicants to the loan.

Secondary Financing

New or existing subordinate financing is allowed per the LTV/CLTV limits. Subordinate Financing may be used for down payment, closing costs, and pre-pays from the following sources. Borrowers must make the minimum required investment of at least 3.5% of the sales price.

Eligible sources of subordinate financing:

- Family member, or
- Private Individuals
- Lending institutions

Ineligible subordinate financing:

- Seller carried secondary financing
- Government instrumentalities, such as state and local housing authorities.
- Charitable Organizations or Non Profits

	<p>Properties with Property Assessed Clean Energy (PACE) obligations are ineligible.</p> <ul style="list-style-type: none"> Any PACE obligations or liens must be paid and satisfied at or prior to closing PACE liens may not be subordinated <p>Refer to 4000.1.II.A.4-Secondary Financing (TOTAL) and 4000.1.II.A.4-Secondary Financing (Manual)</p>								
<p>Seasoning & Waiting Periods for Major Derogatory Events</p>	<table border="1" data-bbox="583 347 1995 548"> <tr> <td>Chapter 7 Bankruptcy</td> <td>*2 years</td> </tr> <tr> <td>Chapter 13 Bankruptcy</td> <td>*2 years (Manual Underwriter required if less than 2 years)</td> </tr> <tr> <td>Foreclosure/Short Sale</td> <td>3 years</td> </tr> <tr> <td>Modified Mortgage</td> <td>12 months seasoning required with OX30 in last 12 months</td> </tr> </table> <p>*Manual Underwrite required if the date of the borrower's bankruptcy discharge as reflected on bankruptcy documents is within 2 years from the date of Case Number Assignment</p>	Chapter 7 Bankruptcy	*2 years	Chapter 13 Bankruptcy	*2 years (Manual Underwriter required if less than 2 years)	Foreclosure/Short Sale	3 years	Modified Mortgage	12 months seasoning required with OX30 in last 12 months
Chapter 7 Bankruptcy	*2 years								
Chapter 13 Bankruptcy	*2 years (Manual Underwriter required if less than 2 years)								
Foreclosure/Short Sale	3 years								
Modified Mortgage	12 months seasoning required with OX30 in last 12 months								
<p>Seller Contributions</p>	<p>Maximum 6% (not to exceed actual closing costs)</p>								
<p>Simple Refinance</p>	<p>All proceeds are used to pay the existing FHA-insured lien and costs associated with the transaction. The mortgage being paid must be an FHA-Insured mortgage. Cash back to the borrower is not allowed with the exception of minor adjustments at closing, provided the amount does not exceed \$500.</p> <p>A simple refinance requires an appraisal and full credit qualifying. A Simple Refinance allows a borrower to include closing costs and prepaid items in the loan amount provided there is sufficient equity in the subject property.</p> <p>Refer to 4000.1.II.A.8-Simple Refinance.</p>								
<p>Streamline Refinance</p>	<p>Credit Qualifying Streamline Refinances</p> <ul style="list-style-type: none"> Full tri-merged credit report is required for all Credit Qualifying Streamline Refinance transactions. Borrower is qualified using fully documented and verified employment and income <p>The borrower must have made at least six payments on the FHA-insured mortgage that is being refinanced <u>and</u> at least 210 days have passed from the first monthly payment of the mortgage being refinanced.</p> <p>Cash back to the borrower is not allowed with the exception of minor adjustments at closing provided the amount does not exceed \$500. No cash back allowed in Texas.</p> <p>Streamline Borrower Eligibility:</p> <ul style="list-style-type: none"> At least one Borrower from the existing mortgage must remain as a Borrower on the new mortgage. Borrower is eligible without credit qualification if all Borrowers on the existing mortgage remain as Borrowers on the new mortgage. 								

- Borrowers on the existing mortgage may be removed from title and excluded from the new mortgage only in cases of divorce, legal separation, or death when;
- The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remain borrower, if applicable; and
- The remaining borrower can demonstrate that they have made the mortgage payments for a minimum of six months prior to the case number assignment

Acceptable Reductions to Loan Term:

- The new interest rate does not exceed the current interest rate. AND
- The combined (P&I and MIP) payment does not exceed the combined payment of the loan being refinanced by more than \$50.

Fixed to ARM:

- Streamline Refinancing from a Fixed Rate to an ARM is not eligible.

Credit:

- Non-traditional credit is not allowed on credit qualifying streamlines.
- Mortgage Rating: The mortgage being refinanced may not have any history of 30-day late payments or greater in the last 12 months. For mortgages with less than a 12 month payment history: The borrower must have made all mortgage payment within the month due. No 30 day or greater late payments allowed on any mortgage in the last 12 months.

Appraisal:

Appraisal is not required.

Non Credit Qualifying Streamline Refinances

- A Borrower is eligible without credit qualification if all Borrowers on the existing mortgage remain as Borrowers on the new mortgage.
- Full tri-merge credit report or a mortgage only credit report is required with credit scores
- Employment or source of income is not verified
- Income is not verified
- If funds to close exceed 1 months' worth of PITIA for the new loan, sufficient assets must be documented with most recent complete bank statement (1 month).
- Borrowers on the existing mortgage may be removed from title and excluded from the new mortgage only in cases of divorce, legal separation, or death when:
 - The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remain borrower, if applicable; and
 - The remaining borrower can demonstrate that they have made the mortgage payments for a minimum of six months prior to the case number assignment.

<p>Student Loans</p>	<p>All Student Loans must be included in the Borrower’s liabilities and debt to income ratios, regardless of the payment type or status of payments.</p> <p>Calculation of Monthly Obligation</p> <p>Regardless of the payment status, you must use the greater of:</p> <ul style="list-style-type: none"> • 1 percent of the outstanding balance on the loan; or • The monthly payment reported on the Borrower’s credit report; or • The actual documented payment, provided the payment will fully amortize the loan over its term.
<p>Section 8 Housing Voucher Subsidies</p>	<p>Not permitted</p>