

## FHA Program Conforming and High Balance Loans

Fixed Rate and ARM

Primary Residence Full Documentation					
<i>Transaction Type</i>	<i>Units</i> <sup>7</sup>	<i>LTV</i>	<i>CLTV</i>	<i>Loan Amount</i>	<i>Credit Score</i>
Purchase	1-4	96.50%	N/A <sup>3</sup>	FHA Limit <sup>1,2</sup>	580 <sup>9</sup>
Purchase	1	100% <sup>8</sup>	N/A <sup>3</sup>	FHA Limit <sup>1,2</sup>	580 <sup>9</sup>
Rate/Term or Simple Refinance <sup>4,5</sup>	1-4	97.75%	97.75%	FHA Limit <sup>1,2</sup>	580 <sup>9</sup>
Cash-Out <sup>6</sup>	1-4	80%	80%	FHA Limit <sup>1,2</sup>	580 <sup>9</sup>

**Footnotes:**

1. Eligible conforming and high balance loan amounts by county and units can be found at: [FHA Mortgage Limits](#) and selecting the applicable **Limit Year** - CY2024 or CY2025

**NOTE: 2025 loan limits are only eligible for case numbers assigned on or after January 1, 2025. Case numbers assigned prior to January 1, 2025 MUST USE 2024 loan limits.**

2. Minimum loan amount \$60,000.
3. CLTV **exceeding** 100% allowed with funds from a DPA only; CLTV may not exceed 100% if funds are provided by an individual or financial institution. CLTV **cannot** exceed the cost to acquire the property and the combined liens cannot exceed the applicable FHA mortgage limit
4. Simple Refinance is the refinance of an existing FHA-insured mortgage. Refer to the [Refinance Transactions](#) topic for details
5. Rate/Term Refinance: Owner-occupied < 12 months limited to maximum 85% LTV; does **not** apply to Simple Refinance
6. Cash-Out Refinance: Specific requirements apply; refer to the [Transaction Types Cash-Out](#) topic for details
7. Three-to-four unit properties must meet HUD's self-sufficiency requirements; refer to the [Self-Sufficiency: 3-4 Units](#) topic for requirements.
8. 100% LTV eligible when utilizing FHA's 203(h) Mortgage Insurance for Disaster Victims program only. Refer to the [203\(h\) Mortgage Insurance for Disaster Victims](#) topic in these guidelines for requirements. 203(h) Mortgage Insurance for Disaster Victims refinance transactions are eligible under the 203(k) Standard or Limited programs. Refer to Homebridge's [203\(k\) guidelines](#) for details
9. New York transactions **ONLY**: Minimum 600 credit score required

Refer to Homebridge's [FHA Streamline Refinance](#) matrix for Streamline guidelines

Complete HUD guidelines can be found in the HUD Handbook 4000.1 at [HUD.Gov](#)



## FHA Program Guidelines

Mortgage Insurance Premium Factors					
Case Numbers <u>Assigned</u> on or after January 26, 2015					
Base Loan Amount	Loan Term	LTV	Annual MIP	Up-front MIP	Annual MIP Assessment Period
≤ \$625,500	> 15 years	≤ 95%	0.80%	1.75%	≤ 90% LTV: 11 years > 90% LTV: Life of loan
≤ \$625,500	> 15 years	> 95%	0.85%		Life of loan
> \$625,500	> 15 years	≤ 95%	1.00%		≤ 90% LTV: 11 years > 90% LTV: Life of loan
> \$625,500	> 15 years	> 95%	1.05%		Life of loan
≤ \$625,500	≤ 15 years	≤ 90%	0.45%		11 years
\$625,500	≤ 15 years	> 90%	0.70%		Life of loan
> \$625,500	≤ 15 years	≤ 78%	0.45%		11 years
> \$625,500	≤ 15 years	78.01% to ≤ 90%	0.70%		11 years
> \$625,500	≤ 15 years	> 90%	0.95%		Life of loan

Refer to the MIP Chart on the Homebridge [FHA Streamline Program](#) for the applicable MIP factors for a Simple Refinance with an FHA Endorsement on or before May 31, 2009

Mortgage Insurance Premium Factors					
Case Numbers <u>Endorsed</u> on or after March 20, 2023					
Base Loan Amount	Loan Term	LTV	Annual MIP	Up-front MIP	Annual MIP Assessment Period
≤ \$726,200	> 15 years	≤ 95%	0.50%	1.75%	≤ 90% LTV: 11 years > 90% LTV: Life of loan
≤ \$726,200	> 15 years	> 95%	0.55%		Life of loan
> \$726,200	> 15 years	≤ 95%	0.70%		≤ 90% LTV: 11 years > 90% LTV: Life of loan
> \$726,200	> 15 years	> 95%	0.75%		Life of loan
≤ \$726,200	≤ 15 years	≤ 90%	0.15%		11 years
≤ \$726,200	≤ 15 years	> 90%	0.40%		Life of loan
> \$726,200	≤ 15 years	≤ 78%	0.15%		11 years
> \$726,200	≤ 15 years	78.01% to ≤ 90%	0.40%		11 years
> \$726,200	≤ 15 years	> 90%	0.65%		Life of loan

Refer to the MIP Chart on the Homebridge [FHA Streamline Program](#) for the applicable MIP factors for a Simple Refinance with an FHA Endorsement on or before May 31, 2009

## FHA Program Guidelines

Topics not addressed in these guidelines, refer to HUD 4000.1 guidelines at [HUD.Gov](http://HUD.Gov)

Topic	Guideline
<b>Forms and Documents</b>	<p>HUD has specific requirements regarding the transmission of documentation.  <b>Documents cannot be transmitted from or through equipment (fax, email, etc.) of interested third parties to the transaction OR unknown parties.</b></p> <ul style="list-style-type: none"> <li>• Informed Consumer Choice Disclosure</li> <li>• HUD-92900-B, Important Notice to Homebuyers</li> <li>• Lead Based Paint Disclosure – Protect your Family from Lead in your Home (property built prior to 1978)</li> <li>• HUD-92564-CN For your Protection: Get a Home Inspection</li> <li>• Fannie Mae Form 1003 and HUD-92900-A HUD Addendum to the URLA: Borrower signature required on both the initial and final 1003</li> <li>• Borrower’s Certification and Authorization (required for borrower and non-borrowing spouse in community property states).</li> <li>• Form SSA-89 Authorization for the Social Security Administration to Release Social Security Number Verification for non-borrowing spouse (community property states) when SSN is reflected on credit report</li> <li>• Sales Contract (if applicable)</li> <li>• HUD-92800.5B Statement of Appraised Value</li> </ul>
<b>203(h) Mortgage Insurance for Disaster Victims</b>	<p>The 203(h) program is available to victims of a presidentially declared major disaster area (commonly known as a FEMA Disaster Declaration) to purchase or rehab/reconstruct a single family residence. FHA standard guidelines or 203(k) guidelines (as applicable) apply with exceptions noted below.</p> <p>The following applies to 203(h) transactions:</p> <ul style="list-style-type: none"> <li>• Available for a 1-unit single family residence (including a condo in a HUD approved project) <b>only</b></li> <li>• The FHA case number must be assigned within one year of the Disaster Declaration date</li> <li>• The borrower’s current residence (either owned or rented) must be located in one of the counties declared eligible for <b>Individual Assistance</b> under the Disaster Declaration. Evidence the borrower lived in the impacted area is required (e.g. valid driver’s license, utility bill, etc.)</li> <li>• The current residence must have been destroyed or damaged to such an extent that replacement (i.e. purchase of new home) or reconstruction is required. Evidence of the destruction of or severe damage to the residence is required. Evidence includes, but is not limited to: <ul style="list-style-type: none"> <li>- Insurance report,</li> <li>- Inspection report by an independent fee inspector</li> <li>- Appraisal report/inspection</li> <li>- Photographs showing the destruction/damage</li> </ul> </li> <li>• <b>Purchase transactions:</b> The maximum LTV is 100% (A borrower minimum investment is <b>not</b> required)  <b>NOTE:</b> If the LTV exceeds 96.50% (&gt; 96.50% to 100% LTV) TOTAL Scorecard will issue an “Approve/Ineligible” finding. The loan <b>is eligible</b> as long as <b>the only reason for the “Approve/Ineligible” finding is due to the LTV</b></li> <li>• <b>Refinance transactions (in conjunction with the 203(k) program):</b> The maximum LTV is 97.75%. Refer to Homebridge’s Standard 203(k) or Limited 203(k) guidelines for details.</li> <li>• Funds from a DPA program are eligible to assist with closing costs</li> </ul>

## FHA Program Guidelines

<p><b>203(h) Mortgage Insurance for Disaster Victims (cont.)</b></p>	<ul style="list-style-type: none"> <li>If the borrower is purchasing a new home to replace a home that was destroyed, the existing mortgage payment (on the house destroyed by the disaster) may be excluded from the borrower's DTI when: <ul style="list-style-type: none"> <li>Documentation is obtained that the borrower is working with the servicer regarding their current mortgage, <b>and</b></li> <li>Any property insurance proceeds are applied to the damaged property</li> </ul> </li> <li>If the borrower is purchasing a new property, the new property is <b>not</b> required to be in the disaster area; only the borrower's <b>current property</b> must be located in the Disaster Declared area.</li> <li>Maximum 6% seller concession allowed on purchase transactions</li> <li>Transaction is limited to a 30 year fixed rate product only</li> </ul> <p><b>Documentation</b></p> <p>Traditional documentation for credit/employment/income/asset information is required whenever possible. FHA will accept alternative documentation if traditional documentation is unavailable. If alternative documentation is used the underwriter is required to document the attempts made to obtain traditional documentation. Additionally the following applies:</p> <p><b>Credit:</b> Borrower with derogatory credit that occurred <b>after</b> the disaster event may be considered an acceptable credit risk if the borrower's credit <b>prior to the event</b> was satisfactory</p> <p><b>Employment:</b> Income earned from short-term employment obtained following the disaster may be included in the effective income calculation</p>										
<p><b>4506-C</b></p>	<ul style="list-style-type: none"> <li>Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable)</li> <li>Tax transcripts are <b>not</b> required</li> </ul> <p>NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.)</p> <ul style="list-style-type: none"> <li>Homebridge will order transcripts at random for quality control purposes</li> </ul>										
<p><b>Adjusted Value</b></p>	<ul style="list-style-type: none"> <li><b>Purchase Transactions:</b> The Adjusted Value is the lesser of: <ul style="list-style-type: none"> <li>The purchase price <b>minus</b> any inducements to purchase, <b>OR</b></li> <li>The appraised value</li> </ul> </li> <li><b>Refinance Transactions:</b></li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #ADD8E6;">Property Acquisition</th> <th style="background-color: #ADD8E6;">Adjusted Value Determined by:</th> </tr> </thead> <tbody> <tr> <td>Less than 12 months from case number assignment</td> <td> Lesser of: <ul style="list-style-type: none"> <li>Purchase price <b>plus</b> any documented improvements made subsequent to the purchase, <b>OR</b></li> <li>The appraised value</li> </ul> </td> </tr> <tr> <td>Greater than or equal to 12 months from case number assignment</td> <td>The current appraised value</td> </tr> <tr> <td><b>Case Numbers Assigned Prior To August 19, 2024:</b> Property acquired within 12 months of case number assignment through inheritance or as a gift from a family member</td> <td>The current appraised value</td> </tr> <tr> <td><b>Case Numbers Assigned On or After August 19, 2024:</b> Property acquired within 12 months of case number assignment through inheritance, as a gift from a family member, or through a non-monetary transaction</td> <td>The current appraised value</td> </tr> </tbody> </table>	Property Acquisition	Adjusted Value Determined by:	Less than 12 months from case number assignment	Lesser of: <ul style="list-style-type: none"> <li>Purchase price <b>plus</b> any documented improvements made subsequent to the purchase, <b>OR</b></li> <li>The appraised value</li> </ul>	Greater than or equal to 12 months from case number assignment	The current appraised value	<b>Case Numbers Assigned Prior To August 19, 2024:</b> Property acquired within 12 months of case number assignment through inheritance or as a gift from a family member	The current appraised value	<b>Case Numbers Assigned On or After August 19, 2024:</b> Property acquired within 12 months of case number assignment through inheritance, as a gift from a family member, or through a non-monetary transaction	The current appraised value
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<p><b>Age of Documents</b></p>	<ul style="list-style-type: none"> <li>New and existing construction: All credit, income, and asset documentation must be <math>\leq 120</math> days at <b>time of funding</b></li> <li>Appraisal is valid for 180 days from the effective date. An appraisal update, extending the appraisal validity, is eligible. Refer to the <a href="#">Appraisal Update</a> topic for requirements when using an appraisal update</li> </ul>										

## FHA Program Guidelines

### Appraisal

- Appraisals must be provided by a licensed FHA approved appraiser.
- Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property.
- Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos.
- The street scene photo must include a portion of the subject property.
  - If the subject property is new construction, the photos must include the grade and drainage of the vacant lot. Refer to the [Appraisals - Additional Requirements for New Construction](#) topic for additional information
- Modular/prefabricated homes: The appraiser must address the marketability of the property.
- Manufactured homes: The appraisal must be completed on Fannie Mae Form 1004C. Refer to the [Appraisals - Manufactured Housing](#) topic for additional appraisal requirements for manufactured housing.
- A minimum of 3 closed comparable sales are required. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:
  - [MLS](#), or
  - [Comps Inc.](#), or
  - [GeoData Plus](#) (NY only), or
  - [PropertyShark](#) (NY only), or
  - [StreetEasy](#) (NY only)

**NOTE:** Comparables from a public independent source are **only eligible** in rural areas of Maine, New Hampshire, and Vermont where MLS is **not** common
- The comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable, however, the appraiser must include their own photos to document compliance with the Score of Work which requires the appraiser to inspect each comparable sale from the street.
- Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to:
  - Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal. The comparables must be as similar to the subject property as possible.
  - The appraisal must include, at minimum, two active listings or pending sales.
- **New Construction:** Comparable sales used for new construction properties are subject to the following:
  - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources no further action is required.
  - If the comparable sales are not all obtained from one a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.).
    - Additionally, the following applies:
      - One of the comparable sales must be outside the project the subject property is located in and be from a MLS, MRIS, MRED, NTREIS, or public source (public source Maine/New Hampshire/Vermont only).
      - Two of the comparable sales must be from sources other than the subject property builder.

NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value
- **REO Properties:** Comparable sales for REO properties are subject to the following:
  - HUD prefers that REO sales and pre-foreclosure sales are **not** used as comparable sales to establish the value for the REO property being appraised. If REO sales and pre-foreclosure sales are used, the appraiser must address their use in the appraisal report and identify the effect they have on the market and specifically the subject property.

## FHA Program Guidelines

### Appraisal (cont.)

- Properties where the transfer to a mortgagee or entity owning the mortgage loan by deed of trust through foreclosure sale or sheriff's sale may **never** be used as a comparable sale (e.g. a property that was foreclosed on by a bank or the property was seized for payment of delinquent debt, such as property taxes and the bank or sheriff's department still has ownership of the property).
- At minimum, Homebridge requires the following on all properties:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Properties that do not meet FHA's "minimum property standards" requirement may be eligible for an Escrow holdback. Holdback/repair escrows are subject to Homebridge approval. If approved, the appraiser must confirm the work completed will bring the property up to average condition. Refer to the [Escrow Holdbacks](#) topic for more details.
- **Appraisal Update:** An update to the appraisal extends the appraisal validity for up to one (1) year from the effective date of the original appraisal. Appraisal updates are eligible subject to the following:
  - The update is completed by an FHA appraiser within one year of the effective date of the original appraisal **and** before the disbursement date of the loan,
  - The property value has not declined, and
  - The improvements contributing to the value of the property can be observed from the street or in a public way and an exterior inspection reveals no deficiencies or other significant changes
- **Case Numbers Assigned Prior to August 19, 2024: FEMA Disaster Declaration:** Properties located in a Disaster Declaration area will be subject to additional appraisal review
- **Case Numbers Assigned On or After August 19, 2024: FEMA Disaster Declaration:** Properties located in a Disaster Declaration area will be subject to additional appraisal review.
  - Damage inspections may be completed by any FHA Roster appraiser in good standing with geographic competence in the affected market area. If the inspection is completed by an appraiser who did not do the original inspection of the property, the appraiser performing the damage inspection must be provided with a complete copy of the original appraisal
  - The appraiser, at their discretion, may perform a Remote Observation of the property. When performing a remote observation, a technology based method that allows the appraiser to directly observe the property, concurrently and in coordination with another individual at the property, the following is required:
    - The technology must provide data capture of the observation and include metadata with geocoding for location confirmation
    - All required exhibits and photograph images for the applicable scope of work must be included
    - Remote Observation option is **only** available in connection with a damage inspection to a property located in a FEMA Declared Disaster Area, OR
    - Completing the Certification of Completion section of FNMA/FHLMC Form 1004D/442 Appraisal Update and/or Completion Report, for the re-observation of a property
    - If the appraiser used Remote Observation technology, **the appraisal must include a certification that states the visual inspection was performed with Remote Observation and the technology verified the location of the property.**

## FHA Program Guidelines

**Appraisal (cont.)**

- **HUD REO properties:** HUD requires a new full appraisal if any of the following conditions exist:

Condition	Maximum FHA Loan Amount*
1. DE u/w determines there are material deficiencies with the current appraisal	Based on the value of the property as determined by the new appraisal
2. The borrower is applying for a 203(k) loan and an “as-repaired” appraisal is required.	
3. The sales contract was not approved within 120 days of the HUD REO appraisal’s effective date	
4. The HUD ordered appraisal is no longer valid (i.e. older than 120 days and not eligible for 30 day extension)	
5. The sales contract price is > the value of the HUD ordered appraisal and/or the “as-is” appraised value is not available.	Limited to the lesser of: <ul style="list-style-type: none"> <li>The sales contract price, <b>or</b></li> <li>The new appraised value, <b>or</b></li> <li>The initial list price of the property</li> </ul> NOTE: The initial list price is available on the MLS and/or through the property listing agent.

\*Subject to underwriting requirements for down payment, financing of closing costs, etc.

If a new appraisal is required based on the conditions above, the following applies:

- The original HUD ordered appraisal may **not** be used to underwrite the loan;
- HUD will **not** pay for the cost of the new appraisal. The borrower **may be charged** for the new appraisal as part of the borrower’s closing costs;
- A written justification for the new appraisal is required (documentation that one of the above conditions existed);
- Copies of all appraisals of the property must be retained in the loan file.

**Appraisal – Additional Requirements for New Construction**

The following documents must be provided to the appraiser on new construction properties at time of appraisal assignment:

- HUD Form 92541 Builder’s Certification of Plans, Specifications, & Site signed and dated no more than 30 days prior to the date the appraisal was ordered, and
- Properties completed > 90% but < 100% require a list of components to be installed or completed after the date of the appraisal.

The appraiser must document that the property meets HUD’s minimum property standards (MPS) that apply specifically to new construction properties and HUD’s minimum property requirements (MPR) that apply to all homes insured by HUD

Refer to the [New Construction](#) topic for additional new construction requirements

## FHA Program Guidelines

### Appraisal – Manufactured Housing

- The manufactured housing appraisal must be completed on Fannie Mae Form [1004C](#)
- Purchase transactions: The appraiser must be provided the following:
  - A copy of the executed sales contract for the both the manufactured home **and** the land
  - A copy of the manufacturer's invoice if the manufactured home is new
- The home must be a 1-unit multi-wide dwelling, classified as real property and permanently affixed to a permanent foundation in compliance with HUD codes
- The permanent foundation must adhere to the manufacturer's requirements and meet all local, state, or federal codes as applicable
- The home must have been constructed on or after June 15, 1976
- The appraiser must report the HUD Certification Label (aka HUD tag) label number for all sections on the appraisal report **or** indicate that the label is missing. If the appraiser indicates the label is missing a letter of label of verification from the [Institute for Building Technology and Safety](#) is required
- The appraiser must include the information on the Data Plate in the appraisal including:
  - Manufacturer name,
  - Serial number,
  - Model number
  - Date of manufacture, and
  - Wind, roof load, and thermal zone maps

NOTE: If the Data Plate is missing or the appraiser is unable to locate the appraiser **must indicate this on the appraisal report**; the appraiser is **not required** to obtain this information from another source
- A minimum of 400 square feet of gross living area is required. Bay windows, roof overhangs, drawbars, couplings, or hitches are **not** included in the measurements.
- The appraiser must include a **minimum of (2) manufactured home comparable sales**, which are permanently affixed to a permanent foundation, in the comparable sales grid of the appraisal.
- New construction manufactured housing also requires the appraiser to complete the cost approach section of the appraisal.
- If the appraiser observes any additions or alteration have been made to the home they must be addressed in the foundation certification. If additions/alterations are not addressed the following is required:
  - An inspection by a state agency that inspects manufactured homes for compliance, or
  - A certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors
- Utility hook-ups (electrical, gas, water, sewage, etc.) for manufactured homes are subject to HUDs standard guidelines regarding utilities. The appraiser must address any deficiencies from HUDs minimum property standards for utilities.

#### Foundation Requirements

If the foundation does not meet the following requirements established by HUD the appraiser must address/report the deficiency

- **New Construction** (home has been permanently erected on site for < 1 year prior to case number assignment)
  - The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces subjected to without transmitting the forces to the home.
  - The enclosure must be adequately secured to the perimeter of the house.
  - The enclosure must be constructed of materials that conform to HUD minimum property standards (such as concrete, masonry, or treated wood) and the PFGMH for foundations
- **Existing Construction** (home has been permanently installed  $\geq$  1 year from case number assignment).
  - Skirting is a non-structural enclosure of a foundation crawl space and is typically made of a lightweight material such as vinyl or metal attached to the side of the manufacture home extending to the ground (generally not installed below frost depth)
  - If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability

**Inspection Requirements for Maximum Financing** (requirements determined by construction status at time of appraisal)

Refer to the [New Construction: Required Documentation Manufactured New Construction](#) topic for requirements



## FHA Program Guidelines

<b>Appraisal – Reconsideration of Value</b>	<p style="text-align: center;"><b>Case Numbers Assigned On or After October 31, 2024 ONLY</b></p> <p>A borrower may request a Reconsideration of Value (ROV) by completing the <b>Notice of Right to Request a Reconsideration of Value</b> disclosure that Homebridge will provide with disclosure documents. <b>Only (1) one ROV is permitted per appraisal.</b></p> <p><b>Requesting an ROV</b></p> <p>The borrower initiated ROV must include the following:</p> <ul style="list-style-type: none"> <li>• Borrower(s) name,</li> <li>• Property address,</li> <li>• Effective date of the appraisal,</li> <li>• Appraiser's name,</li> <li>• Identification and description of unsupported, inaccurate, or deficient areas in the appraisal,</li> <li>• Additional data, information, and comparable properties (not to exceed five), and the related data sources (e.g. MLS listing number), and</li> <li>• An explanation of why the new data supports the ROV</li> </ul> <p><b>Homebridge Responsibilities</b></p> <p>Upon receipt of the ROV request, Homebridge will:</p> <ul style="list-style-type: none"> <li>• Confirm an appraisal review was completed by an Underwriter,</li> <li>• Confirm the loan has not closed/funded (ROVs <b>are not</b> permitted on closed/funded loans)</li> <li>• Designate an Underwriter or other appraisal subject matter expert to review the ROV request,</li> <li>• Validate that the request from the borrower contains sufficient details prior to sending the request to the appraiser, and</li> <li>• Obtain the necessary information from the borrower if the ROV request is unclear or requires additional information</li> </ul> <p>Once Homebridge receives the result from the appraiser, Homebridge will communicate the result to the borrower</p>
<b>Appraisal Management Companies (AMC)</b>	<p>The following is a list of Homebridge approved AMCs:</p> <ul style="list-style-type: none"> <li>• <a href="#">ACT Appraisal Management</a></li> <li>• <a href="#">AMC Settlement Services</a></li> <li>• <a href="#">Axis Management Solutions</a></li> <li>• <a href="#">Class Valuation</a></li> <li>• <a href="#">Fastapp Appraisal Management</a></li> <li>• <a href="#">Golden State AMC</a></li> <li>• <a href="#">Nadlan Valuation</a></li> <li>• <a href="#">Nationwide Appraisal Network</a></li> <li>• <a href="#">Nationwide Property &amp; Appraisal Services</a></li> </ul>

## FHA Program Guidelines

<b>Assets</b>	<ul style="list-style-type: none"> <li>• Loans with an “Approve/Eligible” Finding require, at minimum, one month’s bank statements (all pages)</li> <li>• Manually underwritten loans require 2 months bank statements.</li> <li>• <b>Earnest money deposit:</b> Verification and documentation of the deposit amount and source of funds is required, if the earnest money:             <ul style="list-style-type: none"> <li>- Exceeds <b>1%</b> of the sales price, or</li> <li>- Appears to be excessive based on the borrower’s history of accumulated savings.</li> <li>- Satisfactory documentation includes:                 <ul style="list-style-type: none"> <li>- Copy of the cancelled check and a copy of the bank statement showing the withdrawal</li> <li>- Certification from the deposit holder acknowledging receipt of the funds</li> <li>- Bank statements (all pages) for the most recent 2 months to show the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit</li> </ul> </li> </ul> </li> </ul> <p>NOTE: If the source of the earnest money deposit was a gift, verification is required that the gift was in compliance with HUD gift funds policy. Refer to the <a href="#">Gift Funds</a> topic for details</p> <ul style="list-style-type: none"> <li>• <b>Large Deposits:</b> <ul style="list-style-type: none"> <li>- If an individual deposit is &gt; 50% of the borrower’s total monthly <b>effective income</b>, documentation of the deposit(s) must be provided, <b>and</b></li> <li>- The Homebridge underwriter will review the deposits to determine:                 <ul style="list-style-type: none"> <li>- If the deposits are reasonable based on the borrower’s income and savings history, <b>and</b></li> <li>- That there is no evidence that any debt was incurred to obtain the funds for all, or part, of the borrower’s minimum required investment (MRI)</li> </ul> </li> </ul> </li> <li>• Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment/closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction</li> </ul>
<b>Assets – Ineligible</b>	<p>The following are <b>ineligible</b> sources for down payment, closing costs and reserves:</p> <ul style="list-style-type: none"> <li>• Cash-on-hand</li> <li>• Unsecured funds</li> <li>• Private savings club funds</li> </ul>
<b>Assumptions</b>	Not allowed
<b>AUS</b>	<p>Homebridge accepts the following AUS Findings on FHA loans:</p> <ul style="list-style-type: none"> <li>• An “Approve/Eligible” Finding (*see Reminder below), <b>or</b></li> <li>• A “Refer/Eligible Finding. “Refer/Eligible” will require a manual underwrite. The loan will be eligible for manual underwriting upon review by the underwriter. The loan cannot have layered risk and must have compensating factors.</li> <li>• A loan that receives an “Approve/Eligible” Finding but has additional information not considered in DU decision that affects the overall insurability or eligibility of the loan requires a downgrade to manual underwriting. The loan will be eligible for manual underwriting upon review by the underwriter. Loans that are downgraded cannot have layered risk and must have compensating factors.</li> <li>• Refer to the <a href="#">Manual Underwrite</a> topic for specific requirements</li> <li>• Borrowers with non-traditional/insufficient credit must meet specific requirements. Refer to the <a href="#">Manual Underwrite</a> topic for requirements</li> </ul> <p>*Reminder: Underwriters are responsible to review and analyze the overall risk and reasonableness of a loan even when an “Approve/Eligible” finding is received.</p> <p>Loans where a borrower has minimal tradelines, a limited credit history, and/or the borrower has never had a sizeable balance on an account may require additional information to ensure the borrower’s ability to satisfactorily handle credit</p> <p>Additionally, authorized user tradelines should be reviewed to ensure the tradelines are an accurate reflection of the borrower’s credit history</p> <p><b>Example: Additional information from the borrower should be obtained:</b></p> <ul style="list-style-type: none"> <li>• An “Approve/Eligible” finding received. The borrower has a 700 FICO however the borrower only has 3 tradelines reflecting only a 6 month history and a maximum high credit balance of \$500</li> </ul> <p><b>Example: Additional information from the borrower would <u>NOT</u> be needed:</b></p> <ul style="list-style-type: none"> <li>• An “Approve/Eligible” finding received. The borrower again has only 3 tradelines however they have a 5 year recent/consistent history and at least 1 has/had a substantial high balance</li> </ul>

## FHA Program Guidelines

<b>Available Markets</b>	<ul style="list-style-type: none"> <li>• All 50 states</li> <li>• Guam, Puerto Rico and the Virgin Islands are ineligible</li> </ul>
<b>Borrowers – Eligible</b>	<ul style="list-style-type: none"> <li>• <b>U.S. Citizens</b></li> <li>• <b>Permanent Residents:</b> <ul style="list-style-type: none"> <li>- Permanent resident alien borrowers must hold an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required</li> </ul> </li> <li>• <b>Non-permanent Residents (including DACA status individuals):</b> Eligible as follows: <ul style="list-style-type: none"> <li>- The property will be the borrower’s primary residence</li> <li>- Borrower has a valid Social Security number (cannot be used as evidence of eligible work status)</li> <li>- The borrower is eligible to work in the United States as evidenced by one of the following: <ul style="list-style-type: none"> <li>- An unexpired Employment Authorization Document (EAD; USCIS form I-766) showing the work authorization status is current,</li> </ul> <p style="text-align: center;"><b>OR</b></p> <li>- Arrival/Departure Record (USCIS Form I-94) evidencing H-1B status, and evidence of employment by the authorized H-1B employer <b>for a minimum of one year</b>, <ul style="list-style-type: none"> <li>- If the EAD or the evidence of H-1B status will expire within one year and a prior history of residency status renewal exists, continuation may be assumed. If a renewal history does <b>not exist</b> the Underwriter must determine the likelihood of renewal based on evidence from the employer or the USCIS</li> </ul> <p style="text-align: center;"><b>OR</b></p> <li>- Evidence of being granted refugee or asylee status by the USCIS is required. Acceptable evidence includes: <ul style="list-style-type: none"> <li>- USCIS form I-766 (EAD) or I-94 (Arrival/Departure Record) indicating refugee or asylum status, <b>or</b></li> <li>- USCIS Notice of Approval (Form I-797) aka “approval notice” indicating the <b>approval</b> of the Application for Asylum or Withholding of Removal (Form I-589)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <li>- Evidence of citizenship in one of the Freely Associated States which include: <ul style="list-style-type: none"> <li>- The Federated States of Micronesia,</li> <li>- The Republic of the Marshall Islands, or</li> <li>- The Republic Palau,</li> </ul> <p style="text-align: center;"><b>AND</b></p> <li>- Borrowers meet all other requirements, terms, and conditions, as those for U.S. citizens</li> </li></li></li></li></ul> </li> </ul> <li>• Revocable inter vivos trust that meets FNMA guidelines</li> <li>• All borrowers are required to have a social security number; an ITIN is not acceptable.</li>
<b>Borrowers – Ineligible</b>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• Borrowers with diplomatic immunity</li> <li>• Borrowers without a social security number</li> <li>• Non-U.S. citizens without lawful residency in the U.S.</li> <li>• Borrowers with unresolved delinquent federal non-tax debt</li> <li>• Borrowers previously convicted of mortgage fraud</li> <li>• Community land trusts</li> </ul>
<b>Borrower Types</b>	<ul style="list-style-type: none"> <li>• <b>Borrower and Co-Borrower:</b> <ul style="list-style-type: none"> <li>- Owns the property and is liable for the debt.</li> <li>- Signs all loan documents: <ul style="list-style-type: none"> <li>- Application,</li> <li>- Note,</li> <li>- Mortgage/Deed of Trust and is on title/deed,</li> <li>- Contract of sale</li> </ul> </li> <li>- Income, assets and debt used in qualification.</li> </ul> </li> </ul> <p>(cont. on next page)</p>

**Borrower Types**

- **Non-Occupant Co-Borrower:**
  - Owns the property and is liable for the debt but does not live in the property.
  - Must be a U.S. citizen or have a primary residence in the U.S. (cannot be a non-permanent resident alien)
  - Signs all loan documents including:
    - Application,
    - Note,
    - Mortgage/Deed of Trust and is on title,
    - Contract of sale
  - Income, assets and debt are used in qualification for purchase and rate/term only. Income is **not** considered in qualifying the borrowers on cash-out transactions or manual underwrites when the occupying borrower does not have a credit score.
  - Refer to the [Non-Occupant Co-Borrower](#) topic for additional requirements.
- **Co-Signer:**
  - Has **no** ownership interest in the property but is liable for the debt.
  - Must be a U.S. citizen or have a primary residence in the U.S. (cannot be a non-permanent permanent resident alien)
  - Signs all loan documents including:
    - Application,
    - Note (co-signer does **not sign** the Mortgage/Deed of Trust)
  - Income, assets and debt are used in qualification.
- **Co-Mortgagor:**
  - Has ownership interest but is **not** liable for the debt.
  - Signs all documents including:
    - Application.
    - Mortgage/Deed of Trust

NOTE: Only a family member may be a co-mortgagor on an FHA loan.
- **Non-Borrowing/Non-Purchasing Spouse:**
  - Generally have no ownership interest in the property and are not liable for the debt **unless** the property is located in a community property/marital rights states, then the following applies:
    - The non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.
    - The debts of the non-borrowing spouse are considered in qualification with the exception of disputed derogatory accounts (see [Louisiana Non-Borrowing/Non-Purchasing Spouse](#) topic below for exception)
    - Form SSA-89 must be completed and signed by the non-borrowing/purchasing spouse in order to verify their social security number with the Social Security Administration when the SSN is on the credit report.
    - In the event the non-borrowing spouse does not have a SSN, the credit report must contain their name, date of birth and residential address for previous 2-years.

Refer to the [Non-Borrowing/Non-Purchasing Spouse in a Community Property State](#) topic for complete requirements

**Community Property States**

- Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin

**Louisiana Non-Borrowing/Non-Purchasing Spouse**

**The debts of the non-borrowing/non-purchasing spouse may be excluded, on a case-by-case basis, subject to the following:**

- An **Intervention Affidavit**, signed by the non-borrowing/non-purchasing spouse, is required. The Affidavit **must be notarized and recorded** with the mortgage, **AND**
- There **must be** a court-ordered, **approved and recorded pre-nuptial OR post-marital agreement** between the borrower and the non-borrowing/purchasing spouse, stating the borrower is **not responsible** for the non-purchasing spouse debt, **AND**
- **Homebridge Management and Homebridge Quality Control Dept. review and approval are both required (Homebridge management will obtain Quality Control Dept. approval)**

## FHA Program Guidelines

<b>CAIVRS/LDP/GSA and Mortgage Fraud</b>	<ul style="list-style-type: none"> <li>• <b>CAIVRS at <a href="#">CAIVRS</a></b> <ul style="list-style-type: none"> <li>- All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal non-tax debt. Borrowers identified on this site are generally ineligible for FHA financing.</li> </ul> </li> <li>• Borrowers previously convicted of mortgage fraud are ineligible</li> <li>• <b>LDP / GSA at <a href="#">LDP / GSA</a></b> <ul style="list-style-type: none"> <li>- All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. <ul style="list-style-type: none"> <li>- Borrower(s) and Borrower(s) AKA name (if applicable)</li> <li>- Seller(s),</li> <li>- Real Estate Listing and Selling Agent(s),</li> <li>- Appraiser,</li> <li>- Appraisal Company (<b>not</b> the AMC)</li> <li>- Broker</li> <li>- Loan Officer, Loan Officer Assistant</li> <li>- Loan Processor,</li> <li>- Underwriter,</li> <li>- Account Manager,</li> <li>- Closing/Settlement Agent,</li> <li>- Title/Settlement Company, and</li> <li>- 203(k) Consultant</li> </ul> </li> </ul> </li> <li>• Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.</li> </ul>
<b>Case Numbers</b>	<ul style="list-style-type: none"> <li>• Case number requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: <a href="#">HUD Mortgagee Letters</a></li> <li>• FHA requires certification that there is an active loan application for the subject borrower and property and the time the case number is requested</li> <li>• The borrower's name and social security number is required for all new construction (proposed construction and existing construction less than 1 year old)</li> <li>• Case numbers older than 6 months must be cancelled and a new case number obtained when there has been no activity during the 6 months the case number was open.</li> </ul>
<b>Credit History</b>	<ul style="list-style-type: none"> <li>• Tradeline requirements per DU Findings.</li> <li>• Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history.</li> </ul>

## FHA Program Guidelines

### Credit Report/Scores

#### Minimum Credit Score Requirements:

- Minimum 580. All borrowers are required to have a credit score  
**NOTE:** New York transactions require a minimum 600 credit score

#### Credit Reports

- A tri-merged credit report is required for all borrowers
- **Manual underwrites only:** A business credit report is required for all corporations and “S” corporations
- The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement.
- **Individual Score:** The representative credit score for each borrower is determined as follows:
  - If there are three (3) valid scores, the median score is used. The median score is determined by placing the 3 scores **in order from lowest to highest**; the **median** score is the **middle** number (i.e. scores are 680, 659, and 692, lowest to highest is 659, 680, 692 so 680 is the representative borrower score since it is the middle score)
    - If two of the three scores are a duplicate, the duplicate score is used (i.e. if 660, 660, 640, then 660 is the credit score that is used)
  - If there are two (2) valid scores, the lower of the two is used
  - If there is one (1) valid score, that score is used
- **Loan Representative Score:** When there are multiple borrowers on a loan, the **lowest** representative credit score of **all** borrowers is the decision credit score.

#### *Example:*

- Borrower 1: Credit scores are 640, 654, 660; representative score is 654
- Borrower 2: Credit scores are 625, 625, 637; representative score is 625

The loan decision score is 625 which is the lowest representative score of all borrowers

#### Credit Inquiries

The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days, specifically **stating the name of the creditor(s)** and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below:

- **Acceptable Response:** “The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit”
- **Unacceptable Response:** “We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report” (unacceptable since name of creditors **not** listed)

#### No Credit Score or Not all Borrowers have a Credit Score

When not all of the borrowers or none of the borrowers have a credit score they are subject to HUDs requirements for borrowers with non-traditional credit and a manual underwrite is required. Refer to [Insufficient/Non-Traditional Credit](#) topic for detailed information. Transactions where none of the borrowers have a credit score are considered on a case-by-case basis.

Maximum DTI is 31%/43%

## FHA Program Guidelines

<b>Derogatory Credit: Bankruptcy</b>	<p>Bankruptcy waiting periods are measured from the event end date to the case number assignment date.</p> <p><b>Bankruptcy</b></p> <p>Bankruptcy does not automatically disqualify the borrower from obtaining FHA insurance subject to the following guidelines.</p> <ul style="list-style-type: none"> <li>• <b>Chapter 7 or 11</b> <ul style="list-style-type: none"> <li>- Eligible if discharged <math>\geq 2</math> years and the borrower has re-established good credit or has not incurred new credit obligations.</li> <li>- 12- 24 months requires downgrade to manual underwrite and the following: <ul style="list-style-type: none"> <li>- Bankruptcy was due to <a href="#">extenuating circumstances</a>, and</li> <li>- Borrower has re-established good credit in the most recent 2-years <b>or</b> has not incurred any new credit obligations</li> </ul> </li> <li>- &lt; 1 year ineligible</li> </ul> </li> <li>• <b>Chapter 13</b> <p><b>Discharged with DU “Approve” Finding</b></p> <ul style="list-style-type: none"> <li>- <math>\geq 2</math> years have elapsed since discharge date</li> <li>- If not discharged for a minimum of 2-years, the loan will be downgraded to a “Refer” and a manual underwrite is required.</li> </ul> <p><b>Currently in Chapter 13</b></p> <ul style="list-style-type: none"> <li>- Borrower has completed 1 year of the payout period, <b>and</b></li> <li>- Borrower has made all required payments on time in that 1-year payout period, <b>and</b></li> <li>- The borrower has received written permission from the bankruptcy court to enter into a mortgage transaction, <b>and</b></li> <li>- The event that led to the bankruptcy is not likely to recur.</li> </ul> </li> </ul>
<b>Derogatory Credit: Charge-Offs</b>	<p><b>Charge-Offs – TOTAL Scorecard</b></p> <p>Charge-off accounts are not included in the borrower’s debt. No additional documentation is required</p> <p><b>Charge-Offs – Manual Underwrite</b></p> <p>Charge-off accounts are not included in the borrower’s debt.</p> <p>The following is required:</p> <ul style="list-style-type: none"> <li>• A letter of explanation from the borrower for each account and documentation that supports the explanation</li> <li>• The underwriter must determine if the collection account is the result of: <ul style="list-style-type: none"> <li>- The borrower’s disregard for financial obligations, <b>or</b></li> <li>- The borrower’s inability to manage debt, <b>or</b></li> <li>- Extenuating circumstances</li> </ul> </li> <li>• If the loan is approved the underwriter must provide documentation to justify the approval</li> </ul>

## FHA Program Guidelines

<p><b>Derogatory Credit: Collection Accounts</b></p>	<p><b>Collection Accounts (Applies to Non-Medical Collection Accounts Only)</b></p> <ul style="list-style-type: none"> <li>• When the cumulative outstanding balance is <math>\geq</math> \$2,000 (including any accounts of the non-borrowing spouse in a community property state unless excluded by state law) the following is required: <ul style="list-style-type: none"> <li>- Obtain documentation the account has been paid in full using funds from an acceptable source, <b>or</b></li> <li>- A payoff statement if the account is paid through the new loan, <b>or</b></li> <li>- Verify the borrower is in a payment plan with the creditor and include the payment in the borrower's DTI calculation and obtain documentation of the repayment agreement. If the payment amount is not available calculate the monthly payment using 5% of the outstanding balance and include in the borrower's DTI calculation</li> </ul> <p>NOTE: Medical collection accounts, <b>both</b> disputed <b>and</b> non-disputed are <b>not</b> included in the cumulative total.</p> </li> </ul> <p><b>Additional Requirements for Manual Underwrites</b></p> <ul style="list-style-type: none"> <li>• A letter of explanation from the borrower for each account and documentation that supports the explanation</li> <li>• The underwriter must determine if the collection account is the result of: <ul style="list-style-type: none"> <li>- The borrower's disregard for financial obligations, or</li> <li>- The borrower's inability to manage debt, or</li> <li>- Extenuating circumstances</li> </ul> </li> <li>• If the loan is approved the underwriter must provide documentation to justify the approval</li> <li>• Collection accounts with an outstanding cumulative balance <math>&lt;</math> \$2,000 <b>no action required.</b></li> </ul> <p><b>NOTE:</b> Accounts <b>cannot</b> be paid down to <math>&lt;</math> \$2,000.</p>
<p><b>Derogatory Credit: Consumer Credit Counseling (CCC)</b></p>	<ul style="list-style-type: none"> <li>• If an "Approve/Eligible" Finding is received, no explanation or other documentation is required from the borrower.</li> <li>• Manual underwrites require the following: <ul style="list-style-type: none"> <li>- One year of payout under the plan has elapsed</li> <li>- All payments have been made on time</li> <li>- The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li> </ul> </li> </ul>
<p><b>Derogatory Credit: Delinquent Child Support</b></p>	<p>Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to Homebridge Management approval</p>
<p><b>Derogatory Credit: Delinquent Federal Debt (Non-Tax)</b></p>	<p><b>Delinquent Federal Debt (non-tax)</b></p> <ul style="list-style-type: none"> <li>• <b>CAIVRS</b> <ul style="list-style-type: none"> <li>- If CAIVRS indicates <b>any</b> delinquent federal non-tax debt, including deficiency judgments, the underwriter <b>must verify</b> the validity and status of the delinquency <b>with the agency to whom the debt is owed using the contact phone number and debt reference number identified in CAIVRS.</b></li> <li>- If it is determined the debt is valid the borrower is ineligible <b>unless</b> the federal non-tax debt is resolved in accordance with the <a href="#">Debt Collection Improvement Act</a>.</li> <li>- A clear CAIVRS is required to document the resolution.</li> </ul> </li> <li>• <b>Credit Report/Public Record</b> <ul style="list-style-type: none"> <li>- If the credit report/public record indicates delinquent federal non-tax debt the underwriter <b>must verify</b> the validity and status of the delinquency <b>with the agency to whom the debt is owed.</b></li> <li>- If it is determined the debt is valid the borrower is ineligible <b>unless</b> the federal non-tax debt is resolved in accordance with the <a href="#">Debt Collection Improvement Act</a>.</li> <li>- CAIVRS will be re-run prior to funding to verify the CAIVRS report is still clear.</li> </ul> </li> </ul>



## FHA Program Guidelines

<p><b>Derogatory Credit: Delinquent Federal Tax Debt</b></p>	<p><b>Delinquent</b>  Borrowers with delinquent tax debt are ineligible unless currently in repayment plan.</p> <p><b>Repayment Plan</b>  Tax liens are not required to be paid in full if documentation is provided indicating the borrower is in a valid payment plan. The following is required:</p> <ul style="list-style-type: none"> <li>• The borrower must have made a minimum of 3 months of scheduled payments and documentation of the payments is required.</li> <li>• The payment must be included in the DTI calculation.</li> <li>• The borrower <b>cannot</b> prepay the payments to meet the 3 month payment requirement</li> </ul> <p>NOTE: Borrowers with delinquent taxes <b>may or may not</b> have a tax lien. Borrowers currently in a repayment plan, and the IRS has <b>not</b> filed a tax lien, are <b>not</b> required to meet the minimum 3 month payment requirement. The payment to the IRS <b>will</b> be included in the DTI calculation.</p> <p><b>Borrowers with Taxes Due</b>  Borrowers who owe taxes and the loan is closing prior to the tax deadline of April 15<sup>th</sup> the following is required:</p> <ul style="list-style-type: none"> <li>• Proof the borrower has already paid the tax liability, or</li> <li>• Deduct the amount of monies owed from the borrower's available assets</li> </ul> <p>Reminder: Borrowers in this situation are <b>not</b> delinquent</p>
<p><b>Derogatory Credit: Disputed Accounts</b></p>	<p><b>Disputed Accounts – Derogatory</b>  A derogatory disputed account is defined as:</p> <ul style="list-style-type: none"> <li>• A disputed collection account, or</li> <li>• A disputed charge-off account, or</li> <li>• Disputed accounts (revolving, installment, etc.) with late payments in the previous 24 months.</li> </ul> <p><b>NOTE: Manual underwrite ONLY:</b> A letter of explanation is required from the borrower whenever a derogatory disputed account is indicated on the credit report regardless of the cumulative balance.</p> <ul style="list-style-type: none"> <li>• Disputed accounts <b>not required</b> in cumulative total: <ul style="list-style-type: none"> <li>- Disputed medical accounts,</li> <li>- Disputed accounts that are the result of documented identity theft. If documentation cannot be provided (e.g. police report) to substantiate the claim the amount must be included in the cumulative total,</li> <li>- Disputed derogatory credit account of a non-purchasing spouse in a community property state,</li> <li>- Non-derogatory disputed accounts.</li> </ul> </li> <li>• <b>Disputed Accounts &lt; \$1,000 (cumulative for all borrowers) – TOTAL Scorecard</b> <ul style="list-style-type: none"> <li>- A downgrade to a manual underwrite is <b>not</b> required if the cumulative total of all disputed accounts is &lt; \$1,000.</li> </ul> </li> <li>• <b>Disputed Accounts ≥ \$1,000 (cumulative for all borrowers) – TOTAL Scorecard</b> <ul style="list-style-type: none"> <li>- Loans with an "Approve/Eligible" Finding must be <b>downgraded to a manual underwrite</b> if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for <b>all</b> borrowers) is ≥ \$1,000.</li> <li>- If the cumulative balance is ≥ \$1,000 and the underwriter does not require the account to be resolved the monthly payment must be included in the DTI calculation.</li> </ul> </li> </ul> <p>NOTE: Accounts <b>cannot</b> be paid down to &lt; \$1,000</p> <p><b>Disputed Accounts – Non-Derogatory</b>  Non-derogatory disputed accounts are:</p> <ul style="list-style-type: none"> <li>• A disputed account with a zero balance, or</li> <li>• A disputed account with late payments aged 24 months or greater, or</li> <li>• A disputed account that is paid as agreed.</li> </ul> <p>Non-derogatory accounts are <b>not</b> included in the cumulative total, however the underwriter must address when considering the borrower's ability to repay the loan including the impact to the DTI</p>

## FHA Program Guidelines

<b>Derogatory Credit: Foreclosure/Deed-in-Lieu</b>	<p>Foreclosure waiting period is measured from the date of title transfer to the case number assignment date.</p> <ul style="list-style-type: none"> <li>Eligible if &gt; 3 years has elapsed from the time title transferred to case number assignment for non-FHA foreclosed loans. If the credit report does not verify the date of title transfer, foreclosure/DIL documentation must be obtained.</li> </ul> <p>NOTE: If the foreclosed loan was an FHA loan, the 3 year waiting period is based on the date the <b>FHA claim was paid</b> (e.g. foreclosure 11/12/12, FHA claim dates was 7/12/13, the 3 year waiting period ends 7/13/16)</p> <ul style="list-style-type: none"> <li>Borrowers with foreclosure/DIL within 3 years of case number assignment that was due to documented <a href="#">extenuating circumstances</a> may be eligible if the borrower has re-established good credit since the foreclosure. A downgrade to manual underwriting is required.</li> </ul> <p>NOTE: If the foreclosure was included in the bankruptcy, the foreclosure waiting period still applies. HUD treats the foreclosure and BK independently, not as a single event.</p>
<b>Derogatory Credit: Judgments</b>	<p><b>Judgments</b></p> <ul style="list-style-type: none"> <li>Judgments are required to be paid off prior to or at closing, <b>including</b> judgments against a non-purchasing spouse in community property states (unless excluded by state law) <b>and</b> medical judgments. Documentation that paid off is required</li> <li>The payoff requirement may be waived if the borrower is currently in a payment plan with the creditor subject to: <ul style="list-style-type: none"> <li>- A copy of the agreement is provided, and</li> <li>- The borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.</li> <li>- Payments must be included in the DTI calculation</li> </ul> </li> </ul> <p>NOTE: The borrower <b>cannot</b> prepay scheduled payments to satisfy the 3 month requirement.</p>
<b>Derogatory Credit: Short Sale/Pre-Foreclosure</b>	<p>Short sale waiting periods are measured from the date of title transfer to the case number assignment date.</p> <p>Borrower(s) are <b>not</b> eligible for a new FHA insured mortgage if they pursued a short sale agreement on their primary residence to strategically take advantage of declining market conditions to purchase a similar or superior property within a reasonable commuting distance from the short sale property at a reduced price as compared to current market value.</p> <ul style="list-style-type: none"> <li>If the short sale was <math>\geq 3</math> years from date of title transfer to case number assignment the borrower is eligible for a new FHA loan</li> <li>A short sale <math>\leq 3</math> years from title transfer to case number assignment the waiting period is determined by the following circumstances: <ul style="list-style-type: none"> <li>- <b>Borrower Current at Time of Short Sale:</b> The 3 year wait period is waived if: <ul style="list-style-type: none"> <li>- The mortgage payments due on the prior mortgage were made within the month due for the 12 months preceding the short sale, <b>and</b></li> <li>- Installment debt payments for the same time period were also made within the month due</li> </ul> </li> <li>- <b>Borrower in Default at Time of Short Sale</b> <ul style="list-style-type: none"> <li>- A borrower in default on their mortgage payment at the time of the short sale (or pre-foreclosure sale) is not eligible for a new FHA insured mortgage for 3 years from the date of the pre-foreclosure sale.</li> <li>- An exception to the above may be made if the default was due to an <a href="#">extenuating circumstance</a> and the borrower has re-established good credit since the short sale. A review of the credit report must indicate satisfactory credit prior to the extenuating circumstances that cause the default. The borrower must provide a letter of explanation and documentation that supports the extenuating circumstance</li> </ul> </li> </ul> </li> </ul>

## FHA Program Guidelines

<p><b>Derogatory Credit: Short Pay-off</b></p>	<p><b>Short Payoff</b></p> <ul style="list-style-type: none"> <li>• Borrowers are eligible for an FHA rate/term refinance when with a short pay-off when:             <ul style="list-style-type: none"> <li>- The borrower is current on the existing mortgage, and</li> <li>- The existing Note holder(s) will write off the amount of the indebtedness that cannot be refinanced in the new FHA insured mortgage</li> </ul> </li> <li>• In cases where the existing Note holder(s) is unwilling to write down the indebtedness, the loan is ineligible.</li> </ul>
<p><b>Derogatory Credit: Tax Liens</b></p>	<p><b>Delinquent</b>            Borrowers with delinquent tax debt are ineligible unless currently in repayment plan.</p> <p><b>Repayment Plan</b>            Tax liens are not required to be paid in full if documentation is provided indicating the borrower is in a valid payment plan. The following is required:</p> <ul style="list-style-type: none"> <li>• The borrower must have made a minimum of 3 months of scheduled payments and documentation of the payments is required.</li> <li>• The payment must be included in the DTI calculation.</li> <li>• The borrower <b>cannot</b> prepay the payments to meet the 3 month payment requirement</li> </ul> <p>NOTE: Borrowers with delinquent taxes <b>may or may not</b> have a tax lien. Borrowers currently in a repayment plan, and the IRS has <b>not</b> filed a tax lien, are <b>not</b> required to meet the minimum 3 month payment requirement. The payment to the IRS <b>will</b> be included in the DTI calculation.</p> <p><b>Borrowers with Taxes Due</b>            Borrowers who owe taxes and the loan is closing prior to the tax deadline of April 15<sup>th</sup> the following is required:</p> <ul style="list-style-type: none"> <li>• Proof the borrower has already paid the tax liability, or</li> <li>• Deduct the amount of monies owed from the borrower's available assets</li> </ul> <p>Reminder: Borrowers in this situation are <b>not</b> delinquent</p>
<p><b>Down Payment / Minimum Required Investment (MRI)</b></p>	<ul style="list-style-type: none"> <li>• The borrower's minimum required investment is 3.5% of the Adjusted Value of the property.</li> <li>• The MRI must come from the borrower's own funds or from an acceptable gift/donor, grant or DPA program unless the borrower is purchasing a property utilizing HUDs REO \$100 Down Program.</li> <li>•</li> </ul>
<p><b>Down Payment Assistance Programs /Grants</b></p>	<ul style="list-style-type: none"> <li>• Funds from a DPA / grant program are eligible for down payment, closing costs, etc.</li> <li>• DPA / grant program must be currently approved with Homebridge. Currently approved programs are posted at <a href="#">Homebridge Wholesale</a> under "Working with Homebridge".</li> </ul>

## FHA Program Guidelines

<b>DTI</b>	<ul style="list-style-type: none"> <li>• DTI per DU/Total Scorecard</li> <li>• All debt included on the credit report, 1003, and any other required documentation must be included in the DTI calculation. The debt-to income ratio includes the following:             <ul style="list-style-type: none"> <li>- Monthly housing expense (includes PITI, MIP, <b>and</b> the following as applicable: HOA fee, flood insurance, payment on secondary financing, ground rent, special assessments, and any other escrow payments)</li> </ul> <p style="margin-left: 20px;"><b>NOTE:</b> New construction: Property tax estimate is based on the land plus improvements.</p> <ul style="list-style-type: none"> <li>- Installment/closed end accounts (unless &lt; 10 months payments remaining and the sum of all installment/closed end account debt is ≤ 5% of the borrower’s gross monthly income). Installment debt may <b>not</b> be paid down to &lt; 10 months.</li> <li>- Child support or separate maintenance payments,</li> <li>- Revolving/open end accounts, and</li> <li>- Alimony.</li> </ul> <p style="margin-left: 20px;">Refer to the applicable <a href="#">Liabilities</a> topic for additional information on the treatment of monthly obligations</p> </li> <li>• Negative income must be subtracted from the borrower’s gross monthly income and not treated as a recurring monthly liability.</li> <li>• Loans that received a “Refer” Finding from DU/TOTAL Scorecard and require manual underwriting or have been downgraded to manual underwriting after a DU/Total Scorecard “Approve/Eligible” Finding, the maximum DTI is 31%/43% unless HUD requirements are met. Refer to the <a href="#">Manual Underwrite</a> topic for maximum DTI and acceptable compensating factors as required by HUD.</li> </ul>
<b>Employment/Income</b>	<p><b>General Requirements</b></p> <ul style="list-style-type: none"> <li>• A two year employment history is required for both wage earners and self-employed borrowers. If the wage earner borrower has not been with their current employer for 2 years, documentation of previous employment required to meet 2 year employment history</li> <li>• A verbal verification of employment (VVOE) is required within 10 calendar days of the Note date for salaried borrowers. A VVOE is <b>not required</b> for self-employed borrowers.</li> <li>• A current paystub with YTD earnings of at least one month, and W-2s for prior 2 years or per DU Findings. In the event of a handwritten paystub the following applies:             <ul style="list-style-type: none"> <li>- <b>TOTAL Scorecard:</b> Follow DU/TOTAL messaging. Handwritten paystubs will generally not satisfy Scorecard since they do not provide YTD earnings. A written VVOE is required to supplement the handwritten paystub.</li> <li>- <b>Manual Underwrite:</b> Paystubs must cover the most recent 30 day period with a minimum of 28 consecutive days and must indicate YTD earnings. In the event the paystub does not include YTD a written VVOE is required to supplement the handwritten paystub</li> </ul> </li> <li>• If any income documents are not received in English, complete and accurate translation documents must be provided and included in the loan file</li> <li>• If tax returns are required to document any type of income used for qualifying, the returns must be analyzed as required by the 4000.1</li> <li>• <b>Case Number Assigned On or After August 19, 2024:</b> Tax returns refers to U.S. federal income tax returns. Borrowers who reside in Puerto Rico, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or American Samoa are not required to file U.S. federal income tax returns. Borrowers residing in those territories must provide the equivalent tax filing for the territory (i.e. a territory tax return)</li> </ul> <p><b>COVID-19 Related Economic Event</b></p> <ul style="list-style-type: none"> <li>• FHA allows for greater flexibility when calculating the qualifying income for borrowers who can demonstrate their income was adversely affected by COVID-19 due to a gap in employment or a decline in income but who now have stable income.</li> <li>• FHA defines a COVID-19 economic event as one that occurred during the COVID-19 National Emergency, which was declared March 13, 2020 and is ongoing: Economic events include:             <ul style="list-style-type: none"> <li>- A temporary loss of employment, <b>or</b></li> <li>- A temporary reduction of income, <b>or</b></li> <li>- Temporary reduction of hours</li> </ul> </li> </ul> <p>These flexibilities apply to <b>specific income types</b> and are detailed on the following pages. <b>If COVID-19 not addressed in the topic the flexibility does not apply and standard FHA policy must be followed.</b></p>

**Employment/Income**  
 (cont.)

**Wage Earner Borrowers**

**Salaried Wage Earner**

- Salaried wage earners whose income **has been and will be** likely consistent, the borrower's currently salary is used to calculate income
- **Exception for COVID-19 Economic Event:** Salaried wage earners whose **current** income **will likely be** consistent, the **current** salary must be used to calculate income

**Hourly Wage Earner**

- Hourly wage earners whose hours **do not vary**, the borrower's currently hourly rate is used to calculate the income
- Hourly wage earners whose hours **do vary**, the income must be averaged over the previous 2 years (any variance in hours must average over 2 years)
- If pay increases can be documented, the most recent 12-month average of hours at the current pay rate may be used for qualifying
- **Exception for COVID-19 Economic Event:** Hourly wage earner borrowers with a documented COVID-19 related economic event, the following applies:
  - Hourly wage earners whose hours **do not vary**, the borrower's current hourly rate is used to calculate the income
  - Hourly wage earners whose hours **do vary**, qualifying income is calculated using the **lesser of:**
    - The average income earned prior to the COVID related event, **OR**
    - The average income earned since the COVID related event

**Part Time Wage Earner**

Part-time employment refers to employment that is not the borrower's primary employment and is generally performed for less than 40 hours per week. The following is required:

- Two year history of uninterrupted receipt is required
- Qualify at the average of the prior 2 years, **or**
- If pay increases can be documented, the most recent 12-month average of hours at the current pay rate may be used for qualifying.
- **Exception for COVID-19 Economic Event:** Hourly part-time wage earner borrowers with a documented COVID-19 related economic event the following applies:
  - Part-time wage earner and hours **do not vary**, qualify using the current hourly rate to calculate income
  - Part-time wage earner and hours **do vary**, the qualifying income is calculated using the **lesser of:**
    - The average income earned prior to the COVID related event, **OR**
    - The average income earned since the COVID related event

**Seasonal Employment**

Income earned from seasonal employment is eligible subject to the following:

- Two previous year history is required,
- There is a reasonable likelihood of continuance for the next season
- Borrowers who receive unemployment income due to the seasonal nature of their work may use the unemployment income for qualifying if there is documented receipt of the unemployment income for 2 years and a reasonable likelihood it will continue.
- An average of the seasonal income earned over the previous 2 years is used for qualifying.

**Employment/Income**  
 (cont.)

**Wage Earner Borrowers** (cont.)

**Employed by Family Business**

- In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes;
  - Copies of signed personal tax returns, or
  - Signed copies of the corporate tax returns showing ownership percentage
  - Borrowers employed by the family business are **ineligible** to use expected income for qualifying
- **Exception for COVID-19 Economic Event:** Borrowers employed by a family member with a documented COVID-19 related economic event, the following applies:
  - Borrowers who are salaried, and whose income **will likely be** consistently earned, the **current salary** is used to calculate income
  - Borrowers paid hourly and their hours **do not vary**, qualify using the current hourly rate to calculate income
  - Borrowers paid hourly and hours **do vary**, the qualifying income is calculated using the **lesser of**:
    - The average income earned prior to the COVID related event, **OR**
    - The average income earned since the COVID related event

**Borrowers with Frequent Employer Changes**

If the borrower has changed employers or lines of work more than three (3) times in the previous 12 months the following documentation must be obtained:

- Transcripts of training/education demonstrating the borrower is qualified for the new position, **or**
  - Employment documentation evidencing continual increases in income and/or benefits
- NOTE: Additional documentation is not required for fields of employment that regularly require the borrower to work for various/multiple employers (e.g. temp companies, union trades, etc.)

**Returning to Work/Gaps in Employment**

- A borrower who has returned to work after an extended absence (6 months or more) will be allowed to use their current income if:
  - Documentation is provided to verify the borrower has been employed in their current job for 6 months or longer prior to case number assignment, **and**
  - A minimum 2 year work history, **prior** to the absence from employment, can be documented (e.g. copies of W-2s, paystubs from previous job required, VVOE).

**Gaps in Employment OR Reduction of Income Due to COVID-19 Related Economic Event**

- **Exception for COVID-19 Economic Event:** Borrowers with gaps in employment due to COVID-19 related economic event the following applies:
  - The borrower's **current income** may be used as qualifying income if it can be verified and documented that:
    - The borrower has been employed in their current job or same line of work for a minimum of one month at the time of case number assignment, **OR**
    - The borrower has been employed in a different job or line of work for a minimum of 6 months at the time of case number assignment **AND** has an aggregate 2-year work history prior to case number assignment, excluding gaps in employment, **AND**
    - A written VOE is required documenting the time period of the temporary loss of employment, hours or income

**Employment/Income**  
(cont.)

**Wage Earner Borrowers** (cont.)

**Temporary Reduction in Income**

The income from a borrower with a temporary reduction in income (short-term disability, maternity leave, etc.) may be used for qualifying when the following can be verified and documented:

- The borrower has the right to return to work, and
- The borrower intends to return to work, and
- The borrower qualifies for the loan when considering any reduction in income that may occur due to the circumstance that caused the temporary leave.

**NOTE:** Federal, state, tribal, or local government employees temporarily out of work due to a government shutdown or other similar, temporary events (where lost income is anticipated to be recovered) the employees income preceding the shutdown can be considered as qualifying income

**Calculating the Income**

- Borrowers returning to work prior to or at the time the first mortgage payment due date the pre-leave income may be used as effective income
- Borrower returning to work after the first mortgage payment is due:
  - Use the borrower's current income **plus** available liquid assets (assets that are **above and beyond** what are required for reserves, if applicable) as an income supplement up to the amount of the borrower's pre-leave income.
  - Divide the total amount of the income supplement (determined above) by the number of months between the first payment due date and the borrower's intended date of return to work to calculate the monthly income supplement

**Self-Employed Borrowers**

- Self-employed borrowers are individuals who have 25% or greater ownership interest in a business.
- Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, or Federal Tax ID Certificate, or Business License, etc.)

**Length of Self-Employment**

- FHA considers income from self-employed borrowers to be stable if the borrower has been self-employed for 2 or more years. Borrowers with 1-2 years self-employment history may be eligible subject to the following:
  - Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed, or it is a related occupation.

**NOTE: < 1 year of income from self-employment is ineligible.**

• **Exception for COVID-19 Economic Event Self-Employment History**

- The borrower must have an aggregated self-employment history **before and after** the COVID related event totaling 2-years
- Self-employment history between 1 and 2 years may be considered when the borrower was previously employed in the same line of work or related occupation as their self-employment for at least 2-years

**Self-Employed Income Requirements**

- Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines.
- If the income from the business shows a greater than 20% decline in the effective income the loan must be downgraded to a manual underwrite. The income can only be used for qualifying if **all** of the following are met:
  - The reduction in income was the result of an extenuating circumstance, **and**
  - The borrower can document the income has been stable or increasing for a minimum of 12 months, **and**
  - The borrower qualifies using the reduced income amount
  - Depreciation and/or depletion may be added back

- **Exception for COVID-19 Economic Event:** If the borrower as regained income at a level < 80% of their income prior to the event, the loan must be downgraded to a manual underwrite; refer to the [Manual Underwrite](#) topic for requirements

(cont. on next page)

<p><b>Employment/Income</b> (cont.)</p>	<p><b>Self Employed Borrowers (cont.)</b></p> <ul style="list-style-type: none"> <li>• <b>Exception for COVID-19 Economic Event:</b> <ul style="list-style-type: none"> <li>- Self-employed borrowers with gaps in self-employed, a reduction in income or reduction of hours, <b>the months where the business was closed, or income was reduced may be excluded when calculating income</b></li> </ul> <p><b>NOTE:</b> The borrower must still meet the minimum length of self-employment requirements detailed in the <a href="#">Exception for COVID-19 Economic Event Self-Employment History</a> topic</p> </li> </ul> <p><b>Self-Employed Tax Return Requirements</b></p> <ul style="list-style-type: none"> <li>• Signed and dated individual tax returns, with all applicable tax schedules, for the most recent 2 years are required.</li> <li>• Signed and dated business tax returns, with all applicable schedules, for the most recent 2 years are required unless all of the following criteria is met: <ul style="list-style-type: none"> <li>- Individual federal tax returns show increasing self-employment income over the past 2 years</li> <li>- Funds to close are not coming from business accounts, and</li> <li>- The proposed FHA insured mortgage is not a cash-out refinance</li> </ul> </li> </ul> <p><b>Self-Employed Profit and Loss Statements</b></p> <ul style="list-style-type: none"> <li>• Year-to-date Profit &amp; Loss (P&amp;L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower</li> </ul> <p><b>NOTE:</b> A balance sheet is <b>not</b> required for Schedule C borrowers.</p> <ul style="list-style-type: none"> <li>• Additionally, if the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&amp;L or signed quarterly tax returns obtained from the IRS are required.</li> <li>• Borrowers who do not use a CPA or Tax Service Professional may supply an unaudited P&amp;L or quarterly tax returns obtained from the IRS (e.g. an unaudited P&amp;L would be acceptable is a borrower who owns a small business where the borrower self-prepares their tax returns or they engage a CPA/Tax preparer they only do on an annual basis)</li> </ul> <p><b>NOTE:</b> Regardless of who prepares the unaudited P&amp;L cannot be used in the income calculation.</p> <p><b>Documentation Exception Due to COVID-19 Related Economic Event</b></p> <ul style="list-style-type: none"> <li>• Borrowers with a reduction of income due to a COVID-19 related economic event, the borrower must provide the following <b>additional</b> documentation (in addition to standard self-employment income documentation): <ul style="list-style-type: none"> <li>- A letter of explanation, <b>AND</b></li> <li>- The borrower's business tax returns for the most recent 2-years, <b>AND</b> one of the following: <ul style="list-style-type: none"> <li>- An audited YTD P&amp;L, supporting revenue, expenses, and net income up to and including the most recent month preceding the case assignment date,</li> </ul> <p style="text-align: center;"><b>OR</b></p> <li>- An unaudited YTD P&amp;L, signed by the borrower, supporting revenue, expenses, and net income up to and including the most recent month preceding the case number assignment, <b>AND</b></li> <li>- The 3 most recent business bank statements, that can be no older than the latest 3 months represented on the YTD P&amp;L <ul style="list-style-type: none"> <li>○ The monthly deposits on the business bank statements must support the earnings on the unaudited YTD P&amp;L</li> </ul> </li> </li></ul> </li> </ul>
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## FHA Program Guidelines

<p><b>Employment/Income</b> (cont.)</p>	<p><b>Calculating Effective Income</b> Calculate the gross income using the lesser of:</p> <ul style="list-style-type: none"> <li>• The average gross self-employment income earned over the previous 2 years, <b>or</b></li> <li>• The average gross self-employment income earned over the previous 1 year</li> </ul> <p><b>Exception for COVID-19 Economic Event when Calculating Effective Income</b></p> <ul style="list-style-type: none"> <li>• Self-employed borrowers that have regained income at a level <math>\geq</math> 80% of their income prior to their COVID-19 related event for a minimum of 6 months calculate the gross income using the <b>lesser of</b>: <ul style="list-style-type: none"> <li>- The average gross income earned over the previous 2-years <b>prior to</b> the COVID-19 economic event, <b>OR</b></li> <li>- The average gross income earned over the previous 6 months <b>after</b> the COVID-19 economic event</li> </ul> </li> </ul> <p><b>NOTE:</b> The months where the business was closed, or income was reduced may be excluded when calculating income</p>
<p><b>Employment/Income:</b> <b>Alimony/Child Support</b></p>	<p>Alimony/child support income is eligible if the income will continue for a minimum of 3 years and subject to the following:</p> <p><b>Court Ordered</b> <i>Length of Receipt</i> Alimony/child support income received as part of a divorce decree, legal separation documents or court order is eligible for qualifying as follows:</p> <ul style="list-style-type: none"> <li>• Must be received for a minimum of 3 months. Document receipt and amount received with bank statements or cancelled checks.</li> </ul> <p><b>Qualification</b></p> <ul style="list-style-type: none"> <li>• If funds have been received consistently for the most recent 3 months the current payment received may be used for qualifying, <b>or</b></li> <li>• If not received consistently, the average of the income received over the previous 2 years must be used to calculate the eligible income for qualifying (&lt; 2 years receipt use the average over the time period received)</li> </ul> <p><b>Voluntary</b> <i>Length of Receipt</i> Voluntary alimony/child support income received is eligible for qualifying as follows:</p> <ul style="list-style-type: none"> <li>• A minimum of 12 months receipt is required. Document receipt with cancelled checks, deposit slips or tax returns.</li> </ul> <p><b>Qualification</b></p> <ul style="list-style-type: none"> <li>• If funds have been received consistently for the most recent 6 months the current payment may be used for qualifying, <b>or</b></li> <li>• If funds have not been received consistently for the previous 6 months the average of the income received over the previous 2 years is used for calculating the eligible income for qualifying (&lt; 2 years receipt use the average over the time period received)</li> </ul>
<p><b>Employment/Income:</b> <b>Automobile Allowance</b></p>	<p>Income received as an automobile allowance is eligible subject to the following:</p> <ul style="list-style-type: none"> <li>• Eligible if verified and documented it has been received for the previous 2 years</li> <li>• The full amount of the auto allowance is used to calculate effective income</li> </ul>
<p><b>Employment/Income:</b> <b>Commission</b></p>	<ul style="list-style-type: none"> <li>• Commission income is eligible if it has been received for a minimum of 1-year, in the same or similar line of work, and there is a reasonable assumption it will continue.</li> <li>• Calculate commission income using the <b>lesser of</b>: <ul style="list-style-type: none"> <li>- The average commission earned over the previous two (2) years, <b>OR</b></li> <li>- If commission income earned less than two (2), <b>OR</b></li> <li>- The average commission income earned over the previous year</li> </ul> </li> </ul> <p><b>NOTE: Commission income earned less than 1-year is ineligible for qualifying</b></p> <ul style="list-style-type: none"> <li>• <b>Exception for COVID-19 Related Economic Event</b> <ul style="list-style-type: none"> <li>- Borrowers earning commission income with a documented COVID-19 related economic event the following applies: <ul style="list-style-type: none"> <li>- The qualifying income is calculated using the <b>lesser of</b>: <ul style="list-style-type: none"> <li>○ The average income earned prior to the COVID related event, <b>OR</b></li> <li>○ The average income earned since the COVID related event</li> </ul> </li> </ul> </li> </ul> </li> </ul>

## FHA Program Guidelines

<b>Employment/Income: Disability Income General Requirements</b>	<p>Disability income includes benefits that are received from social security, private insurance, VA, etc. Disability income may be used for qualifying the borrower with acceptable documentation. The following applies to <b>all</b> disability income:</p> <ul style="list-style-type: none"> <li>• Obtain a copy of the award/benefit letter that indicates the amount of the income</li> <li>• The disability income must continue for a minimum of 3 years</li> </ul> <p><b>NOTE:</b> If an expiration date is not stated it can be considered likely to continue; additional information is <b>not</b> required to establish length of receipt.</p> <p>Additionally, <b>never</b> request documentation concerning the nature of disability or medical condition and evidence of a pending or current re-evaluation of medical eligibility <b>should not</b> be considered an indication the benefits will not continue</p>
<b>Employment/Income: Disability - Private</b>	<ul style="list-style-type: none"> <li>• Obtain documentation from the private disability provider showing the amount of the benefit and the expiration date of the benefit and <b>one</b> (1) of the following: <ul style="list-style-type: none"> <li>- Most recent tax return, <b>or</b></li> <li>- Most recent bank statement evidencing receipt of the income.</li> </ul> </li> <li>• The most recent amount of benefit received should be used to calculate income.</li> </ul>
<b>Employment/Income: Disability - Social Security</b>	<p>Social security disability (SDI) and supplemental security income (SSI) are eligible.</p> <ul style="list-style-type: none"> <li>• Obtain a copy of the most recent Notice of Award letter, or equivalent document that indicates the amount of the award benefit and <b>one</b> (1) of the following: <ul style="list-style-type: none"> <li>- Federal tax returns, <b>or</b></li> <li>- The most recent bank statement evidencing receipt of income, <b>or</b></li> <li>- Proof of Income letter (aka "Budget Letter" or "Benefits Letter" that indicates the income amount, <b>or</b></li> <li>- A copy of the borrower's Social Security Benefit Statement (SSA Form 1099/1042S)</li> </ul> </li> <li>• The most recent amount of benefit received should be used to calculate income.</li> </ul>
<b>Employment/Income: Disability - VA</b>	<p>VA disability income is eligible as follows:</p> <ul style="list-style-type: none"> <li>• Obtain a copy of the borrower's most recent Benefits Letter showing the amount of the assistance, and the expiration date of the benefits (if any), and one (1) of the following: <ul style="list-style-type: none"> <li>- Federal tax returns, <b>or</b></li> <li>- Most recent bank statement evidencing receipt of the income</li> </ul> </li> </ul> <p>If the Benefits Letter does not have a defined expiration, the income may be considered effective and reasonably likely to continue for at least three (3) years.</p> <ul style="list-style-type: none"> <li>• The most recent amount of benefit received should be used to calculate income.</li> </ul>
<b>Employment/Income: Non-Taxable Income</b>	<p><b>Non-Taxable Income</b></p> <p>Non-taxable income (e.g. child support, military allowances, portions of social security federal/state retirement income, certain types of disability and public assistance payments, Section 8 homeownership vouchers, etc.) may be grossed up using the <b>lesser</b> of:</p> <ul style="list-style-type: none"> <li>• 15%, or</li> <li>• The borrower's applicable tax rate.</li> </ul> <p><b>NOTE:</b> Tax returns are required when grossing up income</p>

## FHA Program Guidelines

<b>Employment/Income: Overtime/Bonus/Tip</b>	<p>Bonus, overtime, or tip income is eligible when it has been earned a minimum of 1-year; <b>overtime/bonus/tip income earned &lt; 1 year is ineligible.</b> The following applies:</p> <p>Calculate bonus, OT, or tip income using <b>the lesser of:</b></p> <ul style="list-style-type: none"> <li>• The average income earned over the previous two (2) years, <b>OR</b></li> <li>• If the income earned less than two (2) years, average over the length of time the income has been earned, <b>OR</b></li> <li>• The average income earned over the previous year.</li> <li>• <b>Exception for COVID-19 Related Economic Event</b> <ul style="list-style-type: none"> <li>- Borrowers with overtime/bonus, or tip income with a documented COVID -19 related economic event the following applies:           <ul style="list-style-type: none"> <li>- The qualifying income is calculated using the <b>lesser of:</b> <ul style="list-style-type: none"> <li>○ The average OT/bonus/tip income earned prior to the COVID related event, <b>OR</b></li> <li>○ The average income earned since the COVID related event</li> </ul> </li> </ul> </li> </ul> </li> </ul>
<b>Employment/Income: Projected Income</b>	<p><b>Projected Income</b></p> <p>Projected income (cost of living adjustment, performance raise, new job, retirement income, etc.) Subject to the following:</p> <ul style="list-style-type: none"> <li>• Written documentation from the employer that the income will begin within 60 days of loan closing,</li> <li>• Retirement income requires documentation of the amount and start of the receipt of the retirement income.</li> <li>• Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from the time of loan close to the time the expected income begins.</li> </ul> <p><b>NOTE:</b> Projected/expected income is <b>ineligible</b> if the borrower is employed by a family owned business</p>
<b>Employment/Income: Rental Income - Departing Residence</b>	<p>Rental income from a principal residence that is being vacated will only be considered if the borrower is relocating due to new job or job transfer that <b>is a minimum of 100 miles</b> from the departing residence. If less than 100 miles, rental income <b>cannot</b> be used for qualifying. The following is required:</p> <ul style="list-style-type: none"> <li>• An executed lease agreement, for a minimum of 1 year, and</li> <li>• Evidence of the security deposit and/or one months' rent is recommended, <b>and</b></li> <li>• Appraisal required to document 25% equity in property.</li> </ul>

## FHA Program Guidelines

<b>Employment/Income:</b>  <b>Rental Income - Other Real Estate Owned</b>	<b>Rental Income - Other Real Estate Owned</b>	
	Rent received for properties owned by the borrower is acceptable income for qualifying subject to the following:	
	<b>Documentation Requirements</b>	
	<b>Limited or No History of Rental Income</b> (No rental income since previous tax filing)	<b>History of Rental Income</b>
	Verify and document the proposed rental income as follows:  <b>1-Unit and 1-Unit with Single ADU</b> <ul style="list-style-type: none"> <li>An appraisal (Fannie Mae Form 1004) to document 25% equity, <b>and</b></li> <li>A Single Family Comparable Rent Schedule (Fannie Mae Form 1007), showing the fair market rent, <b>and</b></li> <li>A copy of the leases (if available)</li> </ul> <b>2-4 Units:</b> <ul style="list-style-type: none"> <li>An appraisal that documents 25% equity in the property and indicates fair market rent (Fannie Mae Form 1025 - Small Residential Income Property Appraisal Report), <b>and</b></li> <li>Copies of leases (if available)</li> </ul>	Obtain previous 2 years tax returns and Schedule E
<b>Income Calculation</b>		
<b>Limited or No History of Rental Income</b> (No rental income since previous tax filing)	<b>History of Rental Income</b>	
Deduct the PITI payment from 75% of the <b>lesser of:</b> <ul style="list-style-type: none"> <li>The fair market rent reported by the appraiser, <b>or</b></li> <li>The rent indicated on the lease agreement</li> </ul>	<b>Property owned ≥ 2 years:</b> <ul style="list-style-type: none"> <li>Calculate the net rental income by averaging the rental income shown on Schedule E for properties the borrower continues to own</li> <li>Add any depreciation indicated on Schedule E may back to the net income or loss.</li> </ul> <b>Property owned &lt; 2 years</b> <ul style="list-style-type: none"> <li>Annualize the rental income for the length of time the borrower has owned the property</li> <li>Obtain documentation that indicates the date of acquisition (deed, CD/settlement statement, etc.)</li> </ul>	

## FHA Program Guidelines

<p><b>Employment/Income:</b></p> <p><b>Rental Income - Subject Property</b></p>	<p><b>Rental Income - Subject Property</b></p> <p>Rent received from a property owned by the borrower is acceptable income for qualifying subject to the following.</p>
<b>Documentation Requirements</b>	
<b>Limited or No History of Rental Income</b> (No rental income since previous tax filing)	<b>History of Rental Income</b>
<p>Verify and document the proposed rental income as follows:</p> <p><b>1-Unit and 1-Unit with Single ADU</b></p> <ul style="list-style-type: none"> <li>• An appraisal (Fannie Mae 1004), <b>and</b></li> <li>• A Single Family Comparable Rent Schedule (Fannie Mae Form 1007), showing the fair market rent, <b>and</b></li> <li>• Copy of the leases (if available)</li> </ul> <p><b>2-4 Units:</b></p> <ul style="list-style-type: none"> <li>• An appraisal (Fannie Mae Form 1025 Small Residential Income Property Appraisal Report) showing the fair market rent, <b>and</b></li> <li>• Copies of the leases (if available)</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain copies of the borrower's most recent 2-years tax returns including Schedule E</li> <li>• If &lt; 2 years of rental income history, copies of the deed, settlement statement, etc. are required to document the date of acquisition.</li> </ul>
<b>Income Calculation</b>	
<p>The net rental income must be added to the borrower's gross income; do <b>not</b> reduce the borrower's total loan payment by the net subject property rental income</p>	
<b>Limited or No History of Rental Income</b> (No rental income since previous tax filing)	<b>History of Rental Income</b>
<p>Use 75% of the <b>lesser of</b>:</p> <ul style="list-style-type: none"> <li>• The fair market rent reported by the appraiser, <b>or</b></li> <li>• The rent indicated on the lease agreement</li> </ul> <p><b>NOTE: 1-unit with Single ADU:</b> The amount of rental income from an ADU used as effective income cannot exceed 30% of the total monthly effective income used to qualify the borrower</p>	<p><b>Property owned ≥ 2 years:</b></p> <ul style="list-style-type: none"> <li>• Average the rental income by the amount shown on Schedule E. Depreciation, mortgage interest, taxes, insurance and any HOA dues shown on Schedule E may be added back to the net income or loss.</li> </ul> <p><b>Property owned &lt; 2 years</b></p> <ul style="list-style-type: none"> <li>• Annualize the rental income for the length of time the borrower has owned the property</li> </ul>

## FHA Program Guidelines

<b>Employment/Income:</b>  <b>Retirement Income - IRA and 401(k)</b>	<p>Income received from an IRA/401(k) distribution is eligible subject to the following:</p> <ul style="list-style-type: none"> <li>• Documentation of current receipt is required. Obtain the most recent IRA/401(k) statement <b>and one</b> (1) of the following: <ul style="list-style-type: none"> <li>- Copy of the borrower's most recent federal tax returns, <b>or</b></li> <li>- Copy of the borrower's most recent bank statement.</li> </ul> </li> <li>• The income must be likely to continue for a minimum of 3 years</li> </ul>
<b>Employment/Income:</b>  <b>Retirement Income - Pension</b>	<p>Pension income is eligible subject to the following:</p> <ul style="list-style-type: none"> <li>• Documentation of current receipt is required. Obtain <b>one</b> (1) of the following: <ul style="list-style-type: none"> <li>- Copy of the borrower's most recent federal tax returns, <b>or</b></li> <li>- Copy of the borrower's most recent bank statement, <b>or</b></li> <li>- A copy of the borrower's pension/retirement letter from their former employer.</li> </ul> </li> <li>• The income must be likely to continue for a minimum of 3 years</li> </ul>
<b>Employment/Income:</b>  <b>Retirement Income - Social Security</b>	<p>Social security income or supplemental security income is eligible subject to the following:</p> <ul style="list-style-type: none"> <li>• Documentation of current receipt is required. <b>One</b> (1) of the following documents is required to document receipt: <ul style="list-style-type: none"> <li>- Copy of the borrower's federal tax returns, <b>or</b></li> <li>- Copy of the borrower's most recent bank statement, <b>or</b></li> <li>- A Proof of Income Letter (aka Budget or Benefits Letter), <b>or</b></li> <li>- A copy of the borrower's Social Security Benefit Statement (SSA-1099/1042S)</li> </ul> </li> <li>• Verification that the income is likely to continue for a minimum of 3 years is required. Obtain <b>one</b> (1) of the following: <ul style="list-style-type: none"> <li>- A copy of the last Notice of Award letter, or</li> <li>- An equivalent notice</li> </ul> </li> <li>• If any income from the SSA is due to expire within 3 years from the date of case number assignment, the income may not be used for qualifying.</li> <li>• If the Notice of Award/equivalent document does not have a defined expiration date, the income may be considered reasonably likely to continue.</li> <li>• If the Notice of Award Letter indicates the income will begin at a future date, the income may only be considered effective as of the specified start date.</li> <li>• Only the current amount of social security income received may be used to calculate effective income.</li> </ul>
<b>Employment/Income:</b>  <b>Section 8 Homeownership Vouchers</b>	<p>Section 8 Homeownership Vouchers are housing subsidies received from a Public Housing Agency and are eligible as follows:</p> <ul style="list-style-type: none"> <li>• The Section 8 Voucher subsidy must be verified and documented. The income may be considered reasonably likely to continue for three (3) years</li> <li>• The current subsidy rate is used to calculate the effective income</li> <li>• The Section 8 Voucher subsidy may <b>only be used</b> as effective income <b>if it is not used to offset the monthly mortgage payment</b></li> </ul>
<b>Employment Verification Requirements</b>	<p>Employment must be verified for <b>2 years</b>. The following documentation is required:</p> <ul style="list-style-type: none"> <li>• Copies of the borrower's most recent pay stub with YTD earnings, <b>and</b></li> <li>• W-2's for the previous 2-years, <b>and</b></li> <li>• A VVOE completed within the 10 days prior to the Note date is required.</li> </ul>

## FHA Program Guidelines

<b>Escrow Holdbacks</b>	<p><b>HUD REO \$100 Down Payment Program</b></p> <ul style="list-style-type: none"> <li>• Repair costs can be included in the loan amount calculation to a maximum 110% LTV.</li> <li>• Homebridge will require an escrow hold of 110% of the estimated repair cost.</li> <li>• Maximum repair amount cannot exceed \$10,000. Repairs required to bring the property to FHA's minimum property requirements are determined by the appraiser</li> <li>• Prior to closing, utilities must be turned on and verified as operating properly</li> <li>• Prior to closing, any required certifications (well, septic, termite) must be obtained and if repairs are needed, must be included in the \$10,000 cap.</li> <li>• Open repair items must be specifically outlined and supported by a contractor's estimate.</li> <li>• Repairs must be completed within 2 weeks (14 calendar days) from disbursement date.</li> <li>• A final inspection fee will be collected</li> <li>• Standard Repair Escrow Agreement must be executed</li> <li>• Borrower is required to contact the broker when repairs have been completed. The broker will be responsible for ordering the final inspection.</li> </ul> <p><b>Home Fixer – Repair Escrow Option Program</b></p> <ul style="list-style-type: none"> <li>• Maximum amount of repairs is limited to \$5,000</li> <li>• Required repairs cannot impact the habitability or safety of the subject property</li> <li>• An estimate from a licensed contractor or other qualified professional, listing all repairs required</li> <li>• 1.5 times the amount of the estimate will be held in escrow</li> <li>• Repairs must be completed within 14 days of loan disbursement and the final inspection must be received within 72 hours</li> </ul> <p>NOTE: Properties that do not meet FHA's "minimum property standards" requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.</p>
<b>Extenuating Circumstances</b>	<p>Waiting periods for significant derogatory credit events may be waived if the event was due to an extenuating circumstance as defined by HUD. Refer to the <a href="#">Derogatory Credit</a> topic for the applicable waiting period for the derogatory type.</p> <p><b>HUD defines an extenuating circumstance as:</b></p> <ul style="list-style-type: none"> <li>• The serious illness or death of a wage earner</li> </ul> <p><b>HUD does not</b> consider the following an extenuating circumstance:</p> <ul style="list-style-type: none"> <li>• A divorce, or</li> <li>• The inability to sell the home including when the potential sale is due to a job transfer or relocation</li> </ul> <p>NOTE: <b>There are no exceptions to the extenuating circumstance definition.</b></p> <p>On a case-by case basis Homebridge may consider a borrower who divorced and the loan was <b>current</b> at the time of the divorce <b>and</b> the ex-spouse received the property <b>and</b> there was a subsequent short sale.</p>

## FHA Program Guidelines

<b>Family Member Definition</b>	<p>FHA defines a family member (regardless of actual or perceived sexual orientation, gender identity or legal marital status) as:</p> <ul style="list-style-type: none"> <li>Child (son/stepson, daughter/stepdaughter)</li> <li>Parent or grandparent (step-parent/grandparent or foster parent/grandparent)</li> <li>Spouse, or domestic partner,</li> <li>Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption,</li> <li>Foster child,</li> <li>Brother/stepbrother</li> <li>Sister/stepsister</li> <li>Aunt/uncle,</li> <li>Son-in-law, daughter-in-law, father/mother-in-law, brother/sister-in-law, grandparent-in-law of the borrower</li> </ul> <p><b>NOTE:</b> Cousins and step grandparent-in-laws are <b>not</b> considered a family member by HUD</p> <p>HUD's family member definition applies to transactions involving the following:</p> <ul style="list-style-type: none"> <li>Identity of interest, and</li> <li>A gift of equity, and</li> <li>A Non-occupant co-borrower</li> </ul>
<b>Financed Properties</b>	<ul style="list-style-type: none"> <li>Owner-occupied properties: No limit.</li> <li>Homebridge limits its exposure to a maximum of 4 loans per borrower.</li> </ul>



## FHA Program Guidelines

### Gift Funds

- Gift funds, grants and DPA funds are eligible for down payment, closing costs and reserve requirements (if required)
- Cash-on-hand is not an acceptable source of gift funds
- **Gift funds are ineligible to satisfy reserve requirements on manually underwritten loans**
- There must be no expected or implied repayment requirement of the gift funds.
- A gift is acceptable if the donor is:
  - A relative of the borrower. Refer to the [Family Member Definition](#) topic for HUDs definition of a family member/relative, **or**
  - The borrower's employer or labor union, **or**
  - A close friend with a clearly defined and documented interest in the borrower, **or**
  - A charitable organization, **or**
  - A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or first-time homebuyers; **or**
  - Non-profit (501(c) (3) that is an instrumentality of the government. Non-profits that are not an instrumentality of the government may not provide funds.
- 3-4 unit properties require 3 months PITI reserves regardless of underwriting method (gift funds eligible to meet reserves with "Approve/Eligible" finding; gift funds ineligible with manual underwrite).
- **Gift funds must be evidenced by a gift letter**, signed and dated by the donor and borrower and it must include the following:
  - The donor's name, address, and telephone number,
  - The donor's relationship to the borrower,
  - The dollar amount of the gift,
  - A statement by the donor that no repayment of the gift funds is expected.

**NOTE:** As a reminder, while HUD does allow gift funds from an interested party to the transaction, when they meet all other gift funds requirement, funds from an interested party **cannot** be used to meet the borrower's minimum required investment (MRI)
- Regardless of when gift funds are made available to the borrower, the Homebridge underwriter is required to review the documentation to make a reasonable determination that the gift funds were not provided by an unacceptable source
- Gift fund transfer of funds must be verified and documented as follows:
  - **Gift Funds Verified Prior to Settlement:** The following is required:
    - Donor's bank statement\* showing the withdrawal **and** evidence of deposit into the borrower's account, **OR**
    - A copy of the donor's canceled check **and** evidence of deposit in the borrower's account, **OR**
    - A copy of the donor's withdrawal receipt **and** evidence of deposit into the borrower's account, **OR**
    - Evidence of the electronic transfer of funds from the donor's account to the borrower's account.

**\*NOTE:** HUD will accept a bank statement/account print out showing 1-day activity that verifies the funds were withdrawn from the donor's account
  - **Gift Funds Verified at Settlement:** If the gift funds are sent directly to the settlement agent the following is required confirming payment was received by the settlement agent:
    - Evidence of electronic transfer of funds from the donor's account, **OR**
    - Copy of the bank certified check, **OR**
    - Copy of the cashier's check, **OR**
    - Copy of other official bank check
- **Gift of Land:** When the gift is land, obtain documentation that confirms proof of ownership by the donor and evidence of the transfer of title to the borrower required

## FHA Program Guidelines

<b>Gift of Equity</b>	<ul style="list-style-type: none"> <li>• Allowed from an immediate family member <b>only</b>. Refer to the <a href="#">Family Member Definition</a> topic for HUDs definition of a family member. Identity of interest applies.</li> <li>• A gift letter must be provided that includes:             <ul style="list-style-type: none"> <li>- The donor's name, address and telephone number,</li> <li>- The donor's relationship to the borrower,</li> <li>- The dollar amount of the gift, and</li> <li>- A statement that no repayment is required.</li> </ul> </li> <li>• The HUD-1 must indicate "gift of equity"</li> </ul>
<b>Identity of Interest</b>	<p>Defined as the purchase of a primary residence between parties with a family or business relationship/business affiliates. Refer to the <a href="#">Family Member Definition</a> topic for HUDs definition of a family member</p> <ul style="list-style-type: none"> <li>• The maximum LTV for an identity of interest transaction is 85%</li> </ul> <p><b>Exceptions to the maximum LTV for Identity of Interest Transactions</b>            FHA will allow financing above 85% in specific circumstances as detailed below:</p> <ul style="list-style-type: none"> <li>• A family member purchases another family member's home as a principal residence. If the property being sold between family member's is the seller's investment property, the maximum mortgage is the <b>lesser of</b>:             <ul style="list-style-type: none"> <li>- 85% of the appraised value, <b>or</b></li> <li>- The appropriate LTV factor applied to the sales prices, plus or minus required adjustments.</li> </ul> </li> <li>• A current tenant, including a family member, who has been a tenant occupying the property for a minimum of 6 months preceding the purchase contract. Evidence, such as a lease or other written evidence, is required to verify occupancy.</li> <li>• An employee of a builder, who is not a family member, purchases one of the builder's new homes or models as a principal residence.</li> <li>• A corporation:             <ul style="list-style-type: none"> <li>- Transfers an employee to another location,</li> <li>- Purchases the employee's home, and</li> <li>- Sells the home to another employee.</li> </ul> </li> </ul> <p><b>Conflict of Interest</b></p> <ul style="list-style-type: none"> <li>• HUD prohibits parties that have a <b>direct impact</b> on the mortgage approval decision to have multiple roles <b>OR</b> multiple sources of compensation, <b>either directly or indirectly</b>, from a single transaction (refer to the <b>Indirect Compensation</b> topic below for details)</li> <li>• <b>Direct Impact/Direct Compensation:</b> HUD identifies the following as the parties with <b>direct impact</b> on the approval decision:             <ul style="list-style-type: none"> <li>- Underwriters,</li> <li>- Appraisers,</li> <li>- Inspectors, and</li> <li>- Engineers</li> </ul> <p style="margin-left: 40px;"><b>NOTE:</b> Any of the above listed parties <b>cannot</b> have a spouse, domestic partner, or other family member receiving compensation on the transaction</p> </li> <li>• <b>Indirect Compensation:</b> Indirect compensation includes any compensation received from the same transaction, other than for services performed in a direct role. Examples of indirect compensation include, but are not limited to:             <ul style="list-style-type: none"> <li>- Compensation resulting from an ownership interest in any other business that is party to the same transaction, <b>or</b></li> <li>- Compensation earned by a spouse, domestic partner or other family member that has a <b>direct impact from the same transaction (see list above for direct impact roles)</b></li> </ul> </li> <li>• Parties that <b>do not</b> have a direct impact on the mortgage approval decision <b>AND are not</b> a spouse, domestic partner, or other family member of a party with direct impact <b>are allowed to have</b> multiple roles <b>and/or</b> sources of compensation (e.g. LO may act as realtor) provided all other applicable requirements are met</li> </ul>

## FHA Program Guidelines

<b>Impound Account</b>	Required on all loans, no exceptions.
<b>Inspections</b>	<p><b>Septic Inspections</b></p> <ul style="list-style-type: none"> <li>Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing, are required by state or local jurisdictions, or customary for the area, or at the discretion of the underwriter.</li> </ul> <p><b>Termite Inspections</b></p> <ul style="list-style-type: none"> <li>Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.</li> <li>If termite treatment is required, soil poisoning is <b>not acceptable</b> to treat termites unless documentation is obtained that soil treatment will not affect the quality of the water supply</li> </ul> <p><b>Public Water Systems</b></p> <p>Public water systems are considered safe unless noted by the appraiser or local health authority issues public notice the water is unsafe</p> <p><b>Well Water Systems (Individual and Shared)</b></p> <ul style="list-style-type: none"> <li>Water quality of well systems must meet local water quality requirements or EPA standards if no local requirements exist. HUD prefers that if a public or local community water system is available, and it is feasible and a reasonable cost to connect a community water system should be used; however, if not available or feasible, individual/shared water systems are acceptable.</li> <li>If the subject property water source includes a mechanical chlorinator, or is served by springs, lakes, rivers, sand-point or artesian wells, the property is <b>not eligible</b></li> <li>Well testing <b>is required</b> for, but not limited to, properties: <ul style="list-style-type: none"> <li>That are newly constructed,</li> <li>Where the appraiser notes the well or well water has deficiencies,</li> <li>Where the water is reported or known to be unsafe,</li> <li>Located in close proximity to dumps, landfills, industrial sites, farms or other sites that could contain hazardous wastes/pesticides or</li> <li>The distance between the well and septic system is less than 50 feet</li> </ul> </li> </ul> <p><b>Water Testing</b></p> <ul style="list-style-type: none"> <li>All testing must be performed by a disinterested third party (e.g. the local health authority, or a commercial testing laboratory, a licensed sanitary engineer, or other party acceptable to the local health authority.) The water test must be obtained and kept in the loan file</li> <li>The collection and transport of all water samples must also be done by a disinterested third party; <b>at no time can the borrower or any other interested party have contact with the water sample.</b></li> </ul>

## FHA Program Guidelines

<b>Interested Party Contributions / Inducement to Purchase</b>	<p><b>Interested Party Contributions (IPCs)</b></p> <ul style="list-style-type: none"> <li>• FHA defines interested parties as sellers, real estate agents, developers, lender’s, third party originators, and other parties with an interest in the transaction.</li> <li>• Interested party contributions (IPC) are limited to 6% of the sales price or appraised value and must be documented on the sales contract or other legally binding document. A copy of this documentation must be provided to the appraiser</li> <li>• IPCs include but are not limited to: <ul style="list-style-type: none"> <li>- Origination fees,</li> <li>- Closing costs,</li> <li>- Prepaid items,</li> <li>- Discount points,</li> <li>- Temporary buydowns (refer to the <a href="#">Temporary Buydown</a> topic for buydown eligibility)</li> </ul> </li> <li>• Also included in the 6% limit are mortgage interest for fixed rate mortgages, mortgage payment protection insurance, and payment of the UFMIP.  NOTE: Premium pricing credits from the lender or TPO are not included in the 6% limit as long as they are not the seller, real estate agent, builder or developer</li> <li>• IPCs may <b>not</b> be used to satisfy the borrower’s minimum contribution requirement (if applicable)</li> <li>• IPCs that exceed 6% are considered an inducement to purchase (see topic below)</li> </ul> <p><b>Inducement to Purchase</b></p> <ul style="list-style-type: none"> <li>• Certain expenses, paid by the seller and/or other interested 3<sup>rd</sup> party on behalf of the borrower, are considered “inducements to purchase”. A dollar-for-dollar reduction to the lesser of the sales price or appraised value to the property is required prior to applying the appropriate LTV factor. <ul style="list-style-type: none"> <li>- These expenses include, but are not limited to: <ul style="list-style-type: none"> <li>- Contributions exceeding 6% of the sales price/appraised value and/or the actual costs of prepaid expenses, discount points and other financing concessions,</li> <li>- Decorating allowances,</li> <li>- Moving costs,</li> <li>- Repair allowances,</li> <li>- Excess rent credit,</li> <li>- Moving costs,</li> <li>- Paying off consumer debt,</li> <li>- Personal property (does not include inclusion of items customary for the area)</li> <li>- Sales commission the borrower’s present residence, and</li> <li>- Below market rent (except for borrower’s who meet the identity-of-interest exception for family members). A reduced rent is an inducement to purchase when the sales contract terms allow the borrower to live in the property rent-free or for a rental amount that is greater than 10% below the appraiser’s estimate of fair market rent. In such cases the inducement is the difference between the rent charged and the appraiser’s estimate of fair market rent prorated over the period between execution of the sales contract and the property sale.</li> </ul> </li> </ul> </li> </ul> <p><b>Inducement to Purchase (cont.)</b></p> <ul style="list-style-type: none"> <li>• FHA also considers the payment of consumer debt by third parties as “inducement to purchase”. When someone other than a family member has paid off debts or other expenses on behalf of the borrower: <ul style="list-style-type: none"> <li>- The funds must be treated as an inducement to purchase, and</li> <li>- There must be a dollar for dollar reduction to the sales price when calculating the maximum insurable mortgage.</li> </ul> </li> </ul> <p>NOTE: The dollar for dollar reduction to the sales price also applies to gift funds not meeting the requirements that the gift be for down payment assistance and provided by an acceptable source.</p>
<b>Liabilities</b>	<p>All borrower liabilities are run through DU to ensure accurate DU Findings.</p>

## FHA Program Guidelines

<p><b>Liabilities:</b>  <b>30-Day Accounts</b></p>	<p>30-day accounts require the balance to be paid in full monthly. If the credit report lists a monthly payment the account is subject to revolving debt requirements.</p> <p><b>Account Current</b></p> <ul style="list-style-type: none"> <li>• If the credit report indicates the account is current for the 12 months prior to case number assignment the account may be excluded from the DTI calculation.</li> <li>• Documentation is required the borrower has sufficient funds to pay off any balance owed in addition to the funds required to close the loan.</li> </ul> <p><b>Account with Late Payments</b></p> <ul style="list-style-type: none"> <li>• If the credit report indicates any late payments in the 12 months prior to case number assignment, 5% of the outstanding balance must be included in the DTI calculation.</li> </ul>
<p><b>Liabilities:</b>  <b>Alimony/Child Support Payments</b></p>	<p><b>Alimony</b></p> <ul style="list-style-type: none"> <li>- Alimony paid as garnishment will be deducted from the borrower's income</li> <li>- Alimony paid monthly by the borrower will be considered monthly debt and considered in the qualifying ratios</li> </ul> <p><b>Child Support/Separate Maintenance</b></p> <ul style="list-style-type: none"> <li>- Considered debt and will be included in the borrower's monthly debt obligations</li> <li>- Paystubs covering a minimum consecutive 28 days is required to verify the payment is not subject to wage garnishment,</li> <li>- Payment used for qualification is the <b>greater of</b>:             <ul style="list-style-type: none"> <li>- What is shown on the legal documents, or</li> <li>- The amount of monthly garnishment</li> </ul> </li> </ul>
<p><b>Liabilities:</b>  <b>Authorized User Accounts</b></p>	<ul style="list-style-type: none"> <li>• Included in the DTI calculation unless documentation is provided to indicate the owner of the account has made all required payments for the 12 months prior to the case number assignment.</li> <li>• If &lt; 3 months payments required on the account in the 12 months prior to case number assignment, the payment amount must be included in the DTI</li> <li>• If the borrower is removed from the account, a new credit report is required; a credit supplement is <b>not</b> acceptable</li> </ul>

## FHA Program Guidelines

<b>Liabilities: Contingent</b>	<p>A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.</p> <p><b>Co-Signed Debt</b></p> <ul style="list-style-type: none"> <li>• Co-signed debt must <b>be included</b> in the borrower's DTI calculation if: <ul style="list-style-type: none"> <li>- It cannot be properly documented that the primary party obligated on the loan is making the payments, <b>or</b></li> <li>- A 12 month pay history, by the primary party, cannot be established (<b>not required</b> when contingent liability was created by divorce decree/other court order), <b>or</b></li> <li>- The credit report indicates there have been late payments on the debt, <b>or</b></li> <li>- Another party is making the payments but the borrower is the only party responsible for the debt, <b>and</b></li> <li>- Verification is obtained that the debt holder will not pursue collection from the borrower in the event the other party defaults.</li> </ul> </li> <li>• Co-signed debt is <b>not required</b> to be included in the borrower's DTI calculation if all of the following applies: <ul style="list-style-type: none"> <li>- Documentation is provided that the borrower is not primarily responsible for payment of the debt (i.e. someone else is also on the Note), <b>and</b></li> <li>- The credit report indicates no late payments on the account, <b>and</b></li> <li>- 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments. The checks <b>cannot</b> be from an account co-owned with the borrower (documentation <b>not required</b> when contingent liability was created by divorce decree/other court order),</li> </ul> </li> </ul> <p><b>Business Debt</b></p> <p>The following applies to Sole Proprietorship, Partnership, Corporations (including Sub-S and most LLCs):</p> <ul style="list-style-type: none"> <li>• The business debt must be included in the borrower's DTI ratio unless documentation is provided that the business pays the debt. Acceptable documentation includes: <ul style="list-style-type: none"> <li>- Twelve months cancelled checks from the business account, <b>or</b></li> <li>- Business bank statements documenting the business pays the debt, <b>and</b></li> <li>- Tax return which includes the obligation as part of the business cash flow.</li> </ul> </li> </ul>
<b>Liabilities: Court Ordered Debt Due to Divorce</b>	<p>A copy of the divorce decree or other court order ordering the spouse or other legally obligated party to make payments is required</p>
<b>Liabilities: Deferred Payments</b>	<p>All deferred payments, regardless of when they will begin, must be included in the DTI calculation.</p> <ul style="list-style-type: none"> <li>• Documentation must be provided that includes: <ul style="list-style-type: none"> <li>- Evidence of the deferral,</li> <li>- The outstanding balance,</li> <li>- The terms of the loan, and</li> <li>- The anticipated monthly payment.</li> </ul> </li> <li>• The actual payment, or if actual unknown, 5% of the outstanding balance will be used in the DTI calculation</li> </ul>

## FHA Program Guidelines

<p><b>Liabilities:</b>  <b>Installment Debt</b></p>	<p>Installment debt is included in the DTI if &gt; 10 months remaining. Installment debt cannot be paid down to ≤ 10 months to exclude from the DTI calculation.</p> <ul style="list-style-type: none"> <li>• Installment debt with 10 or fewer payments remaining may only be excluded from DTI calculation when: <ul style="list-style-type: none"> <li>- The cumulative payment is ≤ to 5% of the borrower's gross monthly income. Automobile leases are generally included in the DTI as a reoccurring payment regardless of the remaining term. Homebridge will allow an automobile lease payment to be excluded from the DTI subject to the following requirements: <ul style="list-style-type: none"> <li>- The borrower must provide a written explanation and documentation to support the explanation of why another automobile will not be needed, <b>and</b></li> <li>- The cumulative payment of all installment debt with ≤ 10 months (<b>including the existing lease payment</b>) is ≤ 5% of the borrower's gross monthly income</li> </ul> </li> </ul> </li> <li>• Installment debt may be excluded from the borrower's DTI if the account will be paid in full prior to or at close. The credit report will be used to determine the payoff amount. <ul style="list-style-type: none"> <li>- <b>If paid off prior to close:</b> <ul style="list-style-type: none"> <li>- Documentation must be included in the file that the account was paid in full, <b>and</b></li> <li>- The funds used to pay off the account must be sourced, <b>and</b></li> <li>- Verification that the borrower did not incur additional debt to pay off the account is required, <b>and</b></li> <li>- Assets must be updated to reflect the funds available for loan closing after the account has been paid off, <b>and</b></li> <li>- The payoff amount must be reflected on the HUD-1/Closing Disclosure</li> </ul> </li> <li>- <b>If paid off at close by the borrower (not using loan proceeds):</b> <ul style="list-style-type: none"> <li>- Verification that the borrower did not incur additional debt to pay off the account and source of funds is required, <b>and</b></li> <li>- The payoff amount must be reflected on the HUD-1/Closing Disclosure</li> </ul> </li> <li>- <b>If account will be paid at closing with loan proceeds:</b> <ul style="list-style-type: none"> <li>- The payoff amount must be reflected on the HUD-1/Closing Disclosure</li> </ul> </li> </ul> </li> </ul>
<p><b>Liabilities:</b>  <b>Non-Borrowing Spouse</b></p>	<p><b>Non-Community Property States</b>  Debt in the non-borrowing spouse's name only is <b>not</b> included in the qualifying ratios</p> <p><b>Community Property States</b></p> <ul style="list-style-type: none"> <li>• Debt in the non-borrowing spouse's name only is included in the qualifying ratios subject to state specific law.</li> <li>• A credit report in the non-borrowing spouse's name is required.</li> <li>• A disputed derogatory credit account of a non-purchasing spouse in a community property state is <b>not</b> included in the DTI</li> <li>• Form SSA-89 must be completed and signed by the non-borrowing/purchasing spouse in order to verify their social security number with the Social Security Administration when the SSN is on the credit report.</li> <li>• In the event the non-borrowing spouse does not have a SSN, the credit report must contain their name, date of birth and residential address for previous 2-years.</li> </ul> <p>NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin</p>

## FHA Program Guidelines

<b>Liabilities: Revolving Debt</b>	<ul style="list-style-type: none"> <li>• Revolving debt must be included if there is a balance indicated on the credit report. Calculate using:             <ul style="list-style-type: none"> <li>- The payment indicated on the current account statement, or</li> <li>- 5% of the outstanding balance.</li> </ul> </li> <li>• Revolving debt may be excluded from the borrower’s DTI if the account will be paid in full prior to or at close. The credit report will be used to determine the payoff amount.             <ul style="list-style-type: none"> <li>- <b>If paid off prior to close:</b> <ul style="list-style-type: none"> <li>- Documentation must be included in the file that the account was paid in full, <b>and</b></li> <li>- The funds used to pay off the account must be sourced, <b>and</b></li> <li>- Verification that the borrower did not incur additional debt to pay off the account is required, <b>and</b></li> <li>- Assets must be updated to reflect the funds available for loan closing after the account has been paid off, <b>and</b></li> <li>- The payoff amount must be reflected on the HUD-1/Closing Disclosure</li> </ul> </li> <li>- <b>If paid off at close by the borrower (not using loan proceeds):</b> <ul style="list-style-type: none"> <li>- Verification that the borrower did not incur additional debt to pay off the account is required and source of funds is required, <b>and</b></li> </ul> </li> <li>- The payoff amount must be reflected on the HUD-1/Closing Disclosure</li> <li>- <b>If account will be paid at closing with loan proceeds:</b> <ul style="list-style-type: none"> <li>- The payoff amount must be reflected on the HUD-1/Closing Disclosure</li> </ul> </li> </ul> </li> </ul> <p>NOTE: The revolving account is <b>not required</b> to be closed</p>
<b>Liabilities: Student Loans</b>	<p>Student loan payments must be included in the borrower’s DTI calculation.</p> <p><b>Calculating the Minimum Monthly Payment for Outstanding Student Loans – Regardless of Payment Status</b></p> <p>The following is used to calculate the minimum monthly payment (see exception below*):</p> <ul style="list-style-type: none"> <li>• When the payment amount is <b>above zero</b> (\$0) on the credit report use the payment amount reported on the credit report, or the actual documented payment, or</li> <li>• When the payment <b>is zero</b> (\$0) on the credit report use 0.5% of the outstanding loan balance</li> </ul> <p><b>*Exception:</b> If the student loan payment was suspended due to COVID-19 emergency relief, use the payment amount reported on the credit report <b>OR</b> the actual payment prior to the suspension when the payment amount is above 0% for the DTI calculation</p> <p><b>Required Documentation</b></p> <ul style="list-style-type: none"> <li>• If the payment used to calculate the monthly payment is less than the monthly payment reported on the credit report, written documentation must be obtained of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor or student loan servicer</li> <li>• The student loan payment may be excluded from the borrower’s DTI calculation when written documentation from the student loan program, creditor, or student loan servicer indicates the loan balance has been forgiven, cancelled, discharged, or otherwise paid in full</li> </ul>
<b>Liabilities: Timeshare</b>	<p>Time share payments are considered installment debt and are subject to installment debt requirements.</p>



## FHA Program Guidelines

<p><b>Liabilities: Undisclosed Debt (non- mortgage)</b></p>	<p><b>DU/TOTAL</b> Non-mortgage debt that is discovered during the underwriting process that was not listed on the loan application <b>and/or</b> not identified on the credit report (so not considered in the DU/TOTAL decision) requires the following:</p> <ul style="list-style-type: none"> <li>• Verify the actual monthly payment amount, <b>and</b></li> <li>• If the amount of the undisclosed payment(s) increase the amount of the liabilities included in the borrower's DTI by more than \$100 per month the loan re-submit the loan to DU/TOTAL, <b>and</b></li> <li>• Verify that the funds borrowed will not be used to satisfy the borrower's minimum required investment (MRI)</li> </ul> <p>NOTE: If the undisclosed debt has a negative payment history a downgrade to manual underwrite may be required at underwriter discretion.</p> <p><b>Manual Underwrite</b> Debt that is discovered during the underwriting process that was not listed on the loan application <b>and/or</b> not identified on the credit report requires the following:</p> <ul style="list-style-type: none"> <li>• Obtain documentation that verifies the actual monthly payment amount, <b>and</b></li> <li>• Include the payment in the borrower's DTI calculation, <b>and</b></li> <li>• Determine that any unsecured funds borrowed will not be used to satisfy the borrower's minimum required investment (MRI), <b>and</b></li> <li>• Obtain a written explanation for all inquiries shown on the credit report in the previous 90 days.</li> </ul>
<p><b>Liabilities: Undisclosed Mortgage Debt</b></p>	<ul style="list-style-type: none"> <li>• Undisclosed mortgage debt is a mortgage not disclosed on the application <b>and/or</b> when a mortgage is not rated on the credit report.</li> <li>• Undisclosed mortgage debt requires verification of the mortgage directly from the loan servicer. A downgrade to a manual underwrite is <b>only required if the two (2) year mortgage history obtained from the servicer indicates any of the following:</b> <ul style="list-style-type: none"> <li>- A current delinquency, <b>and/or</b></li> <li>- Any delinquency within the 12 months of case number assignment, <b>and/or</b></li> <li>- There are more than two (2) 30 day late payments within 24 months of case number assignment.</li> </ul> </li> </ul> <p>NOTE: If the undisclosed mortgage has &lt; 24 months history the mortgage history requirements apply, as applicable, since loan inception</p> <p><b>Verification Requirements for Undisclosed Mortgage Debt</b> Homebridge will accept the following as verification from the servicer:</p> <ul style="list-style-type: none"> <li>• A mortgage banking business <b>that regularly services loans</b> but does not report to the credit bureaus: A statement on company letter head or similar verification</li> <li>• A private individual, LLC, or business that does not regularly service loans: 24 months cancelled checks</li> </ul>
<p><b>Manual Underwrite</b></p>	<p>Homebridge requirements for loans manually underwritten are as follows:</p> <ul style="list-style-type: none"> <li>• Loans with a "Refer/Eligible" Finding or an "Approve/Eligible" downgraded by the underwriter require a manual underwrite.</li> <li>• A manual downgrade is required whenever an "Accept" recommendation is received if the file includes information or documentation that cannot be entered into or evaluated by DU/TOTAL or additional information, not considered by DU/TOTAL recommendation affects the overall eligibility of the loan.</li> </ul> <p>(cont. on next page)</p>

## FHA Program Guidelines

### Manual Underwrite

#### A manual underwrite is required on the following:

- Previous foreclosure within previous 3 years (measured from title transfer to case assignment date)
- Bankruptcy (7,11 or 13) within the previous 2 years (measured from event end date to case assignment date)
- A short sale or short pay-off within the previous 12 months (measured from title transfer to case assignment date)
- **Purchase, Rate/Term and Simple Refinance:** Credit report indicates **any** mortgage, **not** just subject property (including HELOCs) in the 12 months prior to case number assignment was:
  - Three or more payments > 30 days late, **OR**
  - One or more payments > 60 days plus one or more > 30 days late, **OR**
  - One payment > 90 days late, **OR**
  - The borrower has made < 3 consecutive **monthly housing** payments since completing a forbearance plan
- **Cash-out Refinance:** Cash-out transactions require the borrower to have made **all** mortgage payments (not just subject) on time in the previous 12 months or since loan inception, whichever is less.
  - If the credit report indicates **any** mortgage, **not** just subject (including HELOCs) indicates **any of the following, a manual underwrite is required**
    - Is currently delinquent, **or**
    - Any delinquency within 12 months of case number assignment, **or**
    - The borrower has made < 12 consecutive monthly mortgage payments since completing a forbearance plan

#### NOTES:

1. A mortgage payment is considered delinquent if it is not paid in the month due
2. A borrower who is currently in a forbearance plan but is making payments under the terms of the original Note a downgrade to a manual underwrite is **NOT** required as long as the forbearance plan is terminated prior to or at loan closing. Documentation of termination required on other REO and/or subordinating second(s) **only; documentation not required** on subject first lien

- Disputed derogatory accounts with cumulative balance > \$1,000
- Self-employed borrower with > 20% decline in effective income during previous 2-years
- Borrowers with non-traditional and insufficient credit histories
- Undisclosed mortgage debt i.e. a mortgage not disclosed on the application **and/or** is not rated on the credit report. The following instances require a downgrade to a manual underwrite:
  - Open mortgage not rated on the credit report, **and/or**
  - Paid mortgage not rated on the credit report which is identified on Data Verify, **and/or**
  - Undisclosed mortgage debt if any of the following apply:
    - The loan is currently delinquent, and/or
    - There was any delinquency with the 12 months prior to case number assignment, and/or
    - There were more than two 30 day late payments within 24 months of case number assignment.

Refer to the [Liabilities: Undisclosed Mortgage Debt](#) topic for complete requirements

#### NOTE: A downgrade to manual underwrite is **still required** even when:

- The subsequent trailing rating is satisfactory, **and/ or**
- The mortgage tied to the derogatory event has met the wait period based on event end date to case number assignment, **and/or**
- A mortgage identified on Data Verify was paid in full and is not rated on the credit report

## FHA Program Guidelines

**Manual Underwrite**  
(cont.)

The chart below identifies specific manual underwriting requirements:

Manual Underwrites	
If...	Then...
<p><b>Manual Underwrite with Traditional Credit History (FICO)</b></p>	<ul style="list-style-type: none"> <li>• Borrower must meet HUD's <b>new</b> satisfactory credit criteria defined as:               <ul style="list-style-type: none"> <li>- <b>Housing payments:</b> 0x30 in previous 12 months and no more than 2x30 in previous 24 months</li> <li>- <b>Installment payments:</b> 0x30 in previous 12 months and no more than 2x30 in previous 24 months,</li> <li>- <b>Revolving accounts:</b> No major derogatory credit in previous 12 months. Defined as:                   <ul style="list-style-type: none"> <li>- Any revolving payment more than 90 days later, or</li> <li>- Any revolving payment more than 3x60 days late</li> </ul> </li> </ul> </li> <li style="text-align: center;"><b>OR</b></li> <li>• The payment history requires additional analysis (i.e. the payment history does not meet the criteria above)</li> <li>• Only loans that meet HUD's <b>new</b> extenuating circumstance definition (documented serious illness or death of wage earner) are eligible. If extenuating circumstances are not met the loan is ineligible.</li> </ul>
<p><b>Manual Underwrite with Insufficient Credit History</b></p>	<p><b>Determine sufficient credit history:</b></p> <ul style="list-style-type: none"> <li>• Must include a minimum of 3 credit references that includes <b>at least one</b> of the following:               <ul style="list-style-type: none"> <li>- Rental/housing payment (verification of payment is required)</li> <li>- Phone</li> <li>- Utilities (e.g. gas, electric, water, television/cable, internet)</li> </ul> </li> <li>• If all 3 cannot be obtained from the above, other sources may be used to satisfy the remaining requirement (e.g. insurance premium, medical, auto, life that are not deducted from payroll, or retail store credit cards, rent-to-own etc.) Refer to guidelines for a complete list of acceptable alternative sources.</li> <li>• Must meet <b>new</b> satisfactory credit criteria:               <ul style="list-style-type: none"> <li>- If housing history is available, it must meet housing history requirement of 0x30 in previous 12 months and no more than 2x30 in previous 24 months <b>unless</b> documented extenuating circumstance requirement is met (serious illness or death of wage earner)</li> <li>- If <b>no</b> housing history but 3 acceptable sources can be developed follow manual underwriting guidelines.</li> <li>- If <b>no</b> housing history and cannot develop three (3) other additional sources the loan is ineligible.</li> </ul> </li> </ul>

**Manual Underwrite (cont.)**

**Satisfactory Credit (Only applies to manually underwritten loans where borrower has traditional credit history and FICO score)**

Loans downgraded to a manual underwrite will require the borrower to have satisfactory credit as defined by HUD:

- No late housing payments in the previous 12 months and no more than 2 x30 in the previous 24 months
- No late installment payments in the previous 12 months and no more than 2x30 in the previous 24 months
- Revolving accounts cannot have any major derogatory credit in the previous 12 months  
Major derogatory credit is defined as:
  - Any revolving payment made more than 90 days late, **or**
  - Any revolving payment more than 3x60 days late

**Payment History Requiring Additional Analysis (Only applies to manually underwritten loans with traditional credit history and FICO score where borrower does not meet Satisfactory Credit requirements detailed above)**

- If a borrower's credit history does not meet the satisfactory credit as stated above additional analysis is required.
- A letter of explanation from the borrower for each account and documentation that supports the explanation
- The underwriter must analyze the borrower's delinquent accounts to determine if the delinquency was due to:
  - The borrower's disregard for financial obligations,
  - An inability to manage debt, **or**
  - Extenuating circumstances.
- The underwriter must document the analysis of the credit in the file. The explanation and documentation of delinquent accounts must be consistent with other information in the file.
- **The loan may only be approved if the delinquency was due to a documented extenuating circumstance.** Refer to the [Extenuating Circumstance](#) topic for details

**Insufficient Credit**

- Borrowers with insufficient credit history require a manual underwrite and are subject to the following:
  - DTI computed only on the borrowers who will be occupying the property and obligated on the loan,
  - DTI cannot exceed 31%/43%, **no exceptions**. Compensating factors cannot be used to exceed 31%/43% when the borrower has insufficient credit history.
  - Two months cash reserves from the borrower's own funds are required. Cash gifts are not eligible to satisfy reserve requirements

NOTE: If a non-occupant co-borrower or co-signer are added to a transaction and the occupant borrower does not have a credit score due to insufficient or non-traditional credit history the credit score of the non-occupant co-borrower/co-signer **cannot** be used to satisfy FHA requirements and their income cannot be used for qualification.

**Manual Underwrite (cont.)**

**Determining Sufficient Credit History (Applies to all manually underwritten loans with insufficient credit history)**

A sufficient credit history includes a minimum of 3 credit references that includes at least **one** of the following:

- Rental housing payment (verification of payment is required),
- Telephone service,
- A utility company reference (i.e. gas, electric, water, television/cable, or internet service)

If all three references cannot be obtained from the above, the following sources may be used to satisfy the remaining requirement for two credit references:

- Insurance premiums (cannot be deducted from payroll; e.g. medical, auto, life, renter's insurance),
- Payment to childcare providers (must be a business that provides childcare services),
- School tuition,
- Retail store credit cards (furniture, specialty, department store, etc.)
- Rent-to-own (e.g. furniture, appliances, etc.)
- Medical bill payment (not covered by insurance)
- Twelve month history of savings documented by regular deposits that resulted in an increased balance in the account and:
  - Deposits were made at least quarterly, and
  - Deposits were not automatically deducted from payroll, and
  - Caused no insufficient funds (NSF) checks.
- An automobile lease,
- A personal loan from an individual with written/documented repayment terms (cancelled checks to document payments is required),
- An authorized user account used by the borrower with a documented 12 month payment history.

## FHA Program Guidelines

**Manual Underwrite (cont.)**

Manual underwrites are subject to HUD's maximum DTI and compensating factor(s) requirements.

The table below identifies the maximum eligible DTI and the applicable compensating factor requirement(s). Detailed information regarding specific compensating factor requirements are on the following page.

**NOTE:** Borrowers where not all or none of the borrowers have a credit score, refer to the [No Credit Score or Not all Borrowers have a Credit Score](#) topic for details

Credit Score/ Compensating Factor(s)	Maximum DTI	Requirements
580+ <b>and</b> One Compensating Factor	37% / 47%	Compensating factor <b>must be one</b> of the following: <ul style="list-style-type: none"> <li>• Minimal housing increase</li> <li>• Residual income</li> <li>• Cash reserves*: Minimum standard reserves must still be met:                             <ul style="list-style-type: none"> <li>- 1-2 units: 1 month PITI (3 months total reserves required if using cash reserves as the compensating factor)</li> <li>- 3-4 units: 3 months PITI (6 months total reserves required if using cash reserves as the compensating factor)</li> </ul> </li> </ul>
580+ <b>and</b> Two Compensating Factors	40% / 50%	Compensating factors <b>must be two</b> of the following: <ul style="list-style-type: none"> <li>• Minimal housing increase</li> <li>• Residual income</li> <li>• Significant additional income not used for qualification</li> <li>• Cash reserves*: Minimum standard reserves must still be met                             <ul style="list-style-type: none"> <li>- 1-2 units: 1 month PITI (3 months total reserves required if using cash reserves as the compensating factor)</li> <li>- 3-4 units: 3 months PITI (6 months total reserves required if using cash reserves as the compensating factor)</li> </ul> </li> </ul>
580+ <b>and</b> No Discretionary Debt	40% / 40%	<ul style="list-style-type: none"> <li>• All requirements under the "No Discretionary Debt" topic must be met.</li> <li>• Must meet manual underwriting cash reserves requirement*:                             <ul style="list-style-type: none"> <li>- 1-2 units: Minimum 1 month PITI</li> <li>- 3-4 units: Minimum 3 months PITI</li> </ul> </li> </ul>

**\*NOTE: Gift funds cannot be used to meet reserve requirements**

## FHA Program Guidelines

<b>Manual Underwrite</b> (cont.)	Eligible Compensating Factors:	
	Compensating Factor	Requirement
	<b>Additional Cash Reserves</b>	<ul style="list-style-type: none"> <li>1 and 2 units: 3 months or more of the total monthly mortgage payment (PITI + MIP)</li> <li>3 and 4 units: 6 months or more of the total monthly mortgage payment (PITI + MIP)</li> </ul> Retirement accounts (IRA, 401K, Keogh, etc.) are eligible to satisfy reserve requirements subject to: <ul style="list-style-type: none"> <li>Maximum 60% of the vested account, minus any outstanding loan balance(s) may be used (any funds used for loan settlement must be excluded)</li> <li>The account allows for withdrawals other than for retirement, death or employment termination. If not, the funds are ineligible towards reserves.</li> </ul> The following are <b>ineligible</b> to meet reserve requirements: <ul style="list-style-type: none"> <li>Any cash-back from the transaction</li> <li>Gift or borrowed funds</li> <li>Equity in other real estate owned</li> </ul>
	<b>Minimal Housing Increase</b>	Minimal housing increase defined as: <ul style="list-style-type: none"> <li>New monthly mortgage payment (PITI + MIP) does not exceed the current housing payment by the lesser of:               <ul style="list-style-type: none"> <li>- \$100, <b>or</b></li> <li>- 5% of the current housing payment, <b>and</b></li> </ul> </li> <li>Borrower <b>must have</b> a documented 12 month housing history; if 12 months housing cannot be documented the minimal housing increase cannot be used as a compensating factor. The following applies to the required housing history:               <ul style="list-style-type: none"> <li>Purchase and rate/term refinance transactions:                   <ul style="list-style-type: none"> <li>- Maximum 1x30 in previous 12 months</li> </ul> </li> <li>Cash-out transactions: 0x30 in previous 12 months</li> </ul> </li> </ul>
<b>No Discretionary Debt</b>	May be considered a compensating factor when: <ul style="list-style-type: none"> <li>The <b>only</b> open account with an outstanding balance that is not paid off monthly is the borrower's mortgage (N/A to purchase borrowers who currently rent), <b>and</b></li> <li>The borrower's credit report indicates established tradelines, open for a minimum of 6 months, in the borrower's name (authorized user accounts <b>not</b> eligible), <b>and</b></li> <li>The borrower has paid any account balances in full for the previous 6 months (documentation of payment is required)</li> </ul>	

## FHA Program Guidelines

<b>Manual Underwrite (cont.)</b>	Eligible Compensating Factors (cont.)	
	Compensating Factor	Requirement
	<p><b>Additional Income</b> (income that was not used to qualify for the loan)</p>	<p>The following additional income is eligible, if <b>not</b> used for qualification:</p> <ul style="list-style-type: none"> <li>Bonus,</li> <li>Overtime,</li> <li>Part-time/seasonal</li> </ul> <p>The borrower must be able to document receipt of the income for a minimum of 1 year but &lt; 2 years and is likely to continue <b>AND</b> if the income had been used for qualifying the DTI would not be more than 37%/47%.</p> <p>Eligible as follows:</p> <ul style="list-style-type: none"> <li>If DTI will <b>not</b> exceed 37%/47% may be used as the only compensating factor; no additional compensating factor required.</li> <li>If DTI exceeds 37%/47% but is not more than 40%/50% another compensating factor, in addition to additional income, is required.</li> </ul> <p>NOTE: Income from anyone not a borrower on the loan may <b>not</b> be used (non-borrowing spouse, domestic partner, etc.)</p>
<p><b>Residual Income</b></p>	<p>Eligible subject to VA residual income guidelines.</p> <ul style="list-style-type: none"> <li><b>All</b> of the borrower's household members are counted regardless of the relationship to the borrower or if they will be on the loan with the exception of "self-sufficient" household members (i.e. the household member who fully supports themselves, with verifiable income, and that income was not used for qualifying)</li> <li>Residual income is determined by taking the <b>gross</b> monthly income of all occupying borrowers and <b>deducting</b> the following: <ul style="list-style-type: none"> <li>- Federal and state taxes, social security,</li> <li>- Proposed housing payment</li> <li>- Fixed monthly expenses (revolving/installment debt, child support/alimony obligations, childcare expenses, and</li> <li>- Home maintenance costs (calculated at 14¢ per square foot)</li> </ul> </li> </ul> <p>NOTE: Grossed-up income <b>cannot</b> be used to meet residual income requirements.</p>	



## FHA Program Guidelines

**Manual Underwrite (cont.)**

Residual income requirements:

Loan Amounts ≤ 79,999				
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 \$75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
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 \$80.00 for each additional family member up to 7			

Geographic Regions as Defined by VA			
<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming

## FHA Program Guidelines

<b>Manufactured Housing: Overview</b>	<ul style="list-style-type: none"> <li>HUD defines a manufactured house as a structure that is transportable in one or more sections and is designed and constructed to the federal Manufactured Home Construction and Safety standards as evidenced by the affixed HUD Certification Label.</li> <li>Homebridge follows FHA guidelines for manufactured housing unless otherwise noted in these guidelines. To view FHA's complete manufactured housing requirements refer to the <a href="#">HUD 4000.1</a></li> </ul>
<b>Manufactured Housing: General Terms</b>	<p><b>HUD Certification Label (aka HUD label, seal or tag)</b>  A 2"x4" metal plate affixed to the <b>exterior</b> of each transportable section of the manufactured home. The plate includes the HUD certification label number which evidences compliance with the Federal Manufactured Home Construction and Safety Standards. Information from the HUD Certification Label is included in the appraisal report when available. If the appraisal indicates it was not available a letter of label verification must be obtained from the Institute for Building Technology and Safety (link below).</p> <p><b>Institute for Building Technology and Safety</b>  <a href="#">The Institute for Building Technology and Safety</a> must provide a letter of label verification if the HUD Certification Label is missing from the manufactured home.</p> <p><b>HUD Data Plate (aka Compliance Certificate)</b>  A paper label mounted <b>inside</b> the manufactured home that includes the manufacturer's name, trade/model name, year manufactured, serial number, a list of the Certification Label number(s). Information from data plate is included on the appraisal report</p> <p><b>Engineer's Certification for Manufactured Housing Foundation:</b> A certification the home's permanent foundation is in compliance with the <a href="#">Permanent Foundations Guide for Manufactured Housing</a> (PFGMH)</p> <p><b>New Manufactured Home</b>  A home that is purchased directly from a retailer or a developer and has never been occupied and has never been affixed to a permanent foundation on another site</p> <p><b>HUD Codes</b> – Regulations Applicable to Manufactured Homes</p> <ul style="list-style-type: none"> <li>Federal Manufactured Home Construction and Safety Standards (MHCSS 24 CFR Part 3280)</li> <li>Manufactured Home Procedural and Enforcement Regulations (24 CFR Part 3282)</li> <li>Model Manufactured Home Installation Standards (MIS 24 CFR Part 3285/3286)</li> </ul>

## FHA Program Guidelines

### Manufactured Housing: Eligibility

The following applies to manufactured housing:

- The home must be a 1-unit single family dwelling with a minimum of 400 square feet of gross living area
- The home must be a multi-wide (double/triple) manufactured home.
- Must be classified as real estate **and** be built and remain on a permanent chassis. If there were two existing titles at the time of purchase, all state and local requirements to remove the chattel or equivalent debt instrument must be met and the property must be classified as real estate prior to endorsement

NOTE: The manufactured home is **not** required to be treated as real estate for purposes of state taxation

- The home must be designed to be on a permanent foundation built in accordance with the [Permanent Foundations Guide for Manufactured Housing](#) (PFGMH). One of the following is required to confirm compliance:
  - A certification, completed by an engineer or architect licensed in the state where the home is located, attesting the home meets PFGMH requirements, **OR**
  - A copy of the foundation certification from a previous FHA mortgage (FHA to FHA refinance or HUD REO purchase) indicating compliance with the PFGMH requirements, is acceptable as long as there have been no alterations and/or damage to the foundation since the original certification.

- The HUD Certification Label must be affixed to the home **or** if the appraiser indicates on the appraisal it is not attached, a letter of label verification must be obtained by Homebridge/broker evidencing the house was constructed on or after June 15, 1976 in compliance with the [Federal Manufactured Home Construction and Safety Standards](#)

NOTE: The letter of label verification must be obtained from the [Institute for Building Technology and Safety](#) (IBTS)

- If any additions or alteration have been made to the home they must be addressed in the foundation certification. If additions/alterations are not addressed the following is required:
  - An inspection by a state agency that inspects manufactured homes for compliance, or
  - A certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors
- The home must have been directly transported from the manufacturer/dealer to the home site
- The towing hitch and running gear must be removed and the space beneath the home must be properly enclosed with a continuous wall that is adequately secure to the perimeter of the unit and allows for proper ventilation of the crawl space.

The following are **ineligible**:

- A second home or investment property secured by a manufactured home
- A home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site.
- A manufactured home subject to a lease hold
- A single wide manufactured home
- A manufactured home located in a condominium project
- A manufactured home located in a senior community
- A transaction involving trade equity or traded manufactured homes
- A transaction secured by a manufactured home that involves the payoff of a land contract
- Construction to perm if foundation not complete and home not completely installed prior to loan documents

## FHA Program Guidelines

<p><b>Manufactured Housing: Special Hazard Flood Area (SFHA)</b></p>	<p>The finished grade level beneath the manufactured home must be at or above the 100 year frequency flood elevation. If any portion of the manufactured home (new or existing), related structures or equipment essential to the property are located within an SHFA the following is required <b>or the home is ineligible</b>:</p> <ul style="list-style-type: none"> <li>• A FEMA issued Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) that <b>removes</b> the property from the SFHA is obtained (flood insurance not required), <b>or</b></li> <li>• <b>Case Numbers Assigned Prior to August 19, 2024:</b> A FEMA National Flood Insurance Program (NFIP) Elevation Certificate (<a href="#">FEMA Form 086-0-33</a>) prepared by a licensed engineer or surveyor stating the finished grade beneath the home is at or above the 100 year return frequency flood elevation <b>and</b> flood insurance under the NFIP, or private flood meeting <a href="#">HUD ML 2022-18</a> requirements, <b>is required</b></li> <li>• <b>Case Numbers Assigned On or After August 19, 2024:</b> A FEMA National Flood Insurance Program (NFIP) Elevation Certificate <a href="#">FEMA Form FF-206-FY-22-152</a> prepared by a licensed engineer or surveyor stating the lowest floor, including the basement, is at or above the 100 year return frequency flood elevation <b>and</b> flood insurance under the NFIP, or private flood meeting that meets <a href="#">HUD ML 2022-18</a> requirements, <b>is required</b></li> </ul>
<p><b>Manufactured Housing: Refinance Transaction</b></p>	<p>To be eligible for a refinance transaction the home must have been permanently erected on the site for <b>more than 12 months prior to case number assignment</b></p>
<p><b>Manufactured Housing: Foundation System Requirements</b></p>	<p><b>New Construction</b> (home has been permanently erected on site for &lt; 1 year prior to case number assignment)</p> <ul style="list-style-type: none"> <li>• The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces subjected to without transmitting the forces to the home.</li> <li>• The enclosure must be adequately secured to the perimeter of the house.</li> <li>• The enclosure must be constructed of materials that conform to HUD minimum property standards (such as concrete, masonry, or treated wood) and the PFGMH for foundations</li> </ul> <p><b>Existing Construction</b> (home has been permanently installed ≥ 1 year from case number assignment).</p> <ul style="list-style-type: none"> <li>• Skirting is a non-structural enclosure of a foundation crawl space and is typically made of a lightweight material such as vinyl or metal attached to the side of the manufacture home extending to the ground (generally not installed below frost depth)</li> <li>• If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability</li> </ul>
<p><b>Manufactured Housing: Documentation for Maximum Financing</b></p>	<p><b>Inspection Requirements for Maximum Financing</b> (requirements determined by construction status at time of appraisal). Refer to the <a href="#">New Construction Required Documentation: Manufactured New Construction</a> topic for complete requirements.</p>

## FHA Program Guidelines

<b>Manufactured Housing: Required Documentation</b>	<ul style="list-style-type: none"> <li>• <b>Engineer’s Certification for Manufactured Housing Foundation (aka PFGMH Certification):</b> A certification the home’s permanent foundation is in compliance with the <a href="#">Permanent Foundations Guide for Manufactured Housing</a> (PFGMH). If an FHA to FHA refinance or HUD REO purchase, the original certification may be provided  NOTE: If additions/alteration have been made to the home and they were not addressed in the Foundation Certification one of the following is required: <ul style="list-style-type: none"> <li>- An inspection by a state agency that inspects manufactured homes for compliance, <b>or</b></li> <li>- A certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors</li> </ul> <p style="text-align: center;"><b>AND</b></p> </li> <li>• <b>HUD Certification Label:</b> Verification of the HUD Certification Label: <ul style="list-style-type: none"> <li>- Verify if identified on appraisal, <b>or</b></li> <li>- A letter of label verification from the <a href="#">Institute for Building Technology and Safety</a> (IBTS) is required</li> </ul> <p style="text-align: center;"><b>AND</b></p> </li> <li>• <b>HUD Data Plate:</b> Information as detailed in the appraisal topic must be included in the appraisal report <b>when available</b></li> </ul>
<b>Manufactured Housing: Legal/Closing Provisions</b>	<p>The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home <b>and</b> the land. The following also applies:</p> <p><b>ALTA Endorsement</b> An American Land Title Association (ALTA) Endorsement 7, 7.1 or 7.2 or other endorsement allowing the home to be treated as real property is required and must be included in the loan file.</p> <p><b>Security Instrument and Manufactured Home Rider</b> The security instrument must:</p> <ul style="list-style-type: none"> <li>• Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, <b>and</b></li> <li>• Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum.</li> </ul> <p><b>Affidavit of Affixture</b> The Affidavit of Affixture is the document that changes the manufactured home for personal to real property. An Affidavit of Affixture must be signed by the borrower and Homebridge indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded and a copy <b>must be</b> included in the loan file. Loans without the Affidavit are <b>ineligible</b></p> <p><b>Limited Power of Attorney</b> A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file</p> <p><b>Uniform Commercial Code (UCC)</b> If state law requires a UCC filing in order to perfect a security interest in the home, the filing is required.</p>
<b>Maximum Mortgage Amounts</b>	<p>The maximum mortgage cannot exceed the FHA mortgage limit for the applicable area <b>or</b> the maximum LTV for the program type; refer to <a href="#">FHA mortgage limits</a> for loan limits by county</p> <p>Certain transactions types affect the maximum amount of financing available to the borrower and how the maximum mortgage is calculated. The following transaction types may not be eligible for maximum financing:</p> <ul style="list-style-type: none"> <li>• Identity of interest</li> <li>• Non-occupant co-borrowers</li> <li>• 3-4 unit properties</li> <li>• Paying off land contracts</li> <li>• New construction, and</li> <li>• Refinance transactions of properties owned/occupied &lt; 12 months</li> </ul>

**Mortgage/Rental  
History**

**Purchase Transactions**

• **DU/TOTAL**

- Mortgage/rental history per DU/TOTAL Findings. A downgrade to a manual underwrite is required **regardless of DU/TOTAL Findings** if the credit report indicates **any** mortgage, **not** just subject property (including HELOCs), in the 12 months prior to case number assignment was:
  - 3 or more mortgage payments > 30 days late, **or**
  - 1 or more mortgage payment is > 60 days late PLUS 1 or more > 30 days late, **or**
  - 1 mortgage payment > 90 days late.
- A positive rental payment history will be considered in the TOTAL Scorecard assessment subject to the following:
  - The transaction is submitted to TOTAL Scorecard
  - The transaction is a purchase transaction
  - At least one borrower on the transaction is a first time home buyer with a minimum 620 credit score. FTHB is defined as an individual who has not held an ownership interest in a property in the 3-years prior to case number assignment. FTHB includes borrowers who are divorced or legally separated and have not had an ownership interest in a principal residence, other than joint interest with a spouse
  - At least one borrower has a documented positive rental history with on-time monthly payments of \$300 or more for the previous 12 months
  - Positive rental payment history must be documented as follows:
    - o A copy of the executed rental agreement or lease must be provided **AND one** of the following:
      - Written verification of rent from a landlord with no identity of interest with the borrower, **OR**
      - **12 months cancelled rent checks, OR**
      - 12 months bank or payment service statements documenting rents paid, **OR**
      - Landlord reference from a rental management company

**NOTE:** Borrowers renting from a family member must provide the rental agreement or lease **and** 12 months cancelled checks or bank statements

• **Manual Underwrite**

- Housing history requirement is as follows:
  - 0x30 in the 12 months prior to case number assignment **and** no more than 2x30 in previous 24 months, **or**
  - Borrower must meet [Extenuating Circumstances](#) requirements
  - If the borrower is living rent free, a letter signed by the homeowner or renter where the borrower is living rent free is required.
  - Borrowers without a credit score are subject to the requirements detailed in the [Insufficient/Non-Traditional Credit](#) topic

**NOTE:** If a borrower was previously in a forbearance plan specific requirements apply to the payment history; refer to the [Manual Underwrite](#) topic for details

**Rate/term and Simple Refinance Transactions**

• **DU/TOTAL**

- Mortgage/rental history per DU/TOTAL Findings. A downgrade to a manual underwrite is required **regardless of DU/TOTAL Findings** if the credit report indicates **any** mortgage, **not** just subject property (including HELOCs), in the 12 months prior to case number assignment was:
  - 3 or more mortgage payments > 30 days late, **or**
  - 1 or more mortgage payment is > 60 days late PLUS 1 or more > 30 days late, **or**
  - 1 mortgage payment > 90 days late.

(cont. on next page)

**Mortgage/Rental History (cont.)**

**Rate/term and Simple Refinance Transactions (cont.)**

• **Manual Underwrite:**

- **Less than 6 payments:** 0x30 prior to case number assignment, **and**
- **6 or more payments:** No more than 1x30 in months 7-12 prior to case number assignment, **or**
- Borrower must meet [Extenuating Circumstances](#) requirements.
- Payments for all mortgages secured by the subject property must be paid within the month due for the month prior to loan disbursement.

**Cash-out Transactions** (Refer to the [Refinance Transactions: Property Ownership Seasoning](#) topic for detailed seasoning requirements)

• **DU/TOTAL:** Mortgage/rental history per DU/TOTAL Findings.

**NOTE:** HUD requires 0x30 in the previous 12 months prior to case number assignment (if < 12 months 0x30 since loan inception **and** a minimum of 6 months' pay history required)

• **Manual Underwrite**

- 0x30 in the 12 months prior to case number on **any** mortgage, not just subject, including HELOCS (if < 12 months mortgage history 0x30 since loan inception)
- Payments for all mortgages secured by the subject property must be paid within the month due for the month prior to loan disbursement.

**NOTE:** A minimum 6 months' pay history is required; if < 6 months cash out **ineligible**.

**Refinance Transactions (Rate/Term, Simple, Cash-Out)**

• **Case Number Assigned Prior To August 19, 2024:** DU/Total and Manual Underwrite: **Mortgage History Not On Credit Report:**

- If the mortgage on the subject property is not reported on the borrower's credit report, a verification of mortgage (VOM) must be obtained to document payment history for the previous 12 months

• **Case Number Assigned On or After August 19, 2024:** DU/Total and Manual Underwrite: **Mortgage History Not On Credit Report OR Subject Property Not In Borrower's Name**

- If the mortgage on the subject property is not reported on the borrower's credit report **OR** the subject property is not in the borrower's name, the following must be provided to evidence all payments have been made **by the borrower** in the month due **for the previous 12 months:**
  - Verification of mortgage (VOM),
  - Bank statements, or
  - Other acceptable documentation

**Refinance Transactions (Rate/Term, Simple, Cash-Out)** Refer to the [Refinance Transactions: Property Ownership Seasoning](#) topic for detailed requirements

• **DU/Total and Manual Underwrite: Mortgage Modifications**

- The payment history, per the modification agreement for the time period of modification, will be used when determining late housing payments on a modified mortgage
- If the loan being refinanced is subject to a modification agreement, a minimum of 6 payments under the modification agreement required
- Delinquent mortgages that are brought current with a modification agreement, any past-due or delinquent interest that was added back into the mortgage is no longer considered delinquent interest (it would be considered principal per the modification agreement)

- **Mortgage Modifications Documentation Requirements**

- If payments were made under the modification agreement in the 12 months prior to case number assignment, the following is required:
  - o A copy of the modification agreement, **and**
  - o Evidence documenting the payment amount and date payments were made

<b>Mortgage/Rental History (cont.)</b>	<p><b>Forbearance Plan Policy Subject Property and Other REO</b></p> <p><b><u>Borrower Currently in Forbearance Plan</u></b></p> <p>A borrower who is <b>currently</b> in a forbearance plan the following applies:</p> <ul style="list-style-type: none"> <li>• If the borrower is making payments under the terms or the original Note, the borrower is <b>not</b> considered delinquent and should <b>not be</b> considered in forbearance <b>provided the forbearance plan is terminated prior to or at loan closing</b> <ul style="list-style-type: none"> <li>- Documentation of termination <b>is required</b> for other REO and/or subordinating second(s) <b>only</b></li> <li>- Documentation of termination <b>is not required for the subject property</b></li> </ul> </li> <li>• If the borrower has missed payments/is not current the loan is ineligible</li> </ul> <p><b><u>Borrower Previously in Forbearance Plan</u></b></p> <p>A borrower who has <b>previously</b> entered into a forbearance plan is eligible for a new FHA mortgage subject to the below</p> <ul style="list-style-type: none"> <li>• <b>All Transaction Types</b> <ul style="list-style-type: none"> <li>- The borrower continued to make regularly scheduled payments during forbearance (i.e. <b>the borrower is current with no missed payments</b>) <b>AND</b></li> <li>- Documentation the forbearance plan has been terminated as noted below:</li> <li>- <b>Documentation of termination is required</b> for other REO and/or subordinating second(s) <b>only</b></li> <li>- Documentation of termination <b>is not required for the subject property</b></li> </ul> </li> <li>• <b>Purchase, Rate/Term or Simple Refinance</b> <ul style="list-style-type: none"> <li>- The borrower has made a minimum of 3 consecutive monthly housing payments <b>after</b> completing the forbearance plan, <b>OR</b></li> <li>- If the borrower has made &lt; 3 consecutive housing payments after completing the forbearance plan the loan must be manually underwritten and manual underwriting requirements apply</li> </ul> </li> <li>• <b>Cash-Out Refinance</b> <ul style="list-style-type: none"> <li>- The borrower has made a minimum of 12 consecutive on-time monthly mortgage payments <b>after</b> completing the forbearance plan or a manual underwrite is required. Refer to the <a href="#">Manual Underwrite</a> topic for requirements</li> </ul> </li> </ul> <p><b>Documentation Requirements (Both Previous and Current Forbearance)</b></p> <p>If payments have been made under a forbearance plan <b>within the 12 months prior to case number assignment</b> the following is required:</p> <ul style="list-style-type: none"> <li>• A copy of the forbearance plan (<b>NOT</b> required if forbearance was due to COVID-19 pandemic), <b>and</b></li> <li>• Evidence of the payment amount and date of payments during the plan (<b>always required</b>)</li> </ul>
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## FHA Program Guidelines

<p><b>Multiple FHA Loans for a Primary Residence</b></p>	<ul style="list-style-type: none"> <li>• Generally, a borrower is only allowed to have one FHA loan for a primary residence and is not eligible to acquire another FHA mortgage for a primary residence until they have paid off the mortgage or terminated ownership.</li> <li>• More than one FHA loan for a primary residence is allowed under very specific circumstances as detailed below.             <ul style="list-style-type: none"> <li>- <b>Relocations</b> <ul style="list-style-type: none"> <li>- The borrower may be eligible to obtain another FHA insured mortgage for a primary residence without being required to sell an existing FHA insured primary residence if:                   <ul style="list-style-type: none"> <li>- The borrower is relocating or has relocated for an employment-related reason, <b>and</b></li> <li>- Borrower is relocating/has relocated and is establishing a new primary residence in an area at least <b>100 miles</b> from his/her current primary residence.</li> </ul> </li> </ul> </li> <li><b>NOTE:</b> If the borrower moves back to the original area, the borrower is not required to live in the original house and may obtain a new FHA-insured mortgage on a new primary residence, provided the relocation meets the two requirements above.</li> <li>- <b>Increase in Family Size (Dependents)</b> <ul style="list-style-type: none"> <li>- Borrower is required to provide evidence of the increase in legal dependents and the current properties failure to no longer meet the family's needs, and</li> <li>- The LTV ratio of the current property must be 75% LTV or less, based on the outstanding mortgage balance and an appraisal. If not, the borrower must pay the current loan down to 75% LTV or less.</li> </ul> </li> <li>- <b>Vacating a Jointly Owned Property</b> <ul style="list-style-type: none"> <li>- Borrower is vacating their primary residence property (with no intent to return) and the residence will remain occupied by an existing co-borrower</li> </ul> </li> <li>- <b>Non-Occupying Co-Borrower</b> <ul style="list-style-type: none"> <li>- A borrower that is a non-occupant co-borrower on another FHA-insured mortgage is eligible for an FHA-insured mortgage on a property to be their own primary residence</li> <li>- An individual is eligible to be a non-occupant co-borrower on multiple FHA-insured mortgages subject only to their ability to qualify</li> </ul> </li> </ul> </li> </ul>
<p><b>New Construction: Definitions/Types</b></p>	<p>HUD separates "new construction" into three types:</p> <ul style="list-style-type: none"> <li>• <b>Proposed Construction:</b> Property where <b>no</b> concrete <b>or</b> permanent material has been placed. Digging of footing and placement of rebar is <b>not</b> considered permanent.</li> <li>• <b>Under Construction:</b> The period from the first placement of permanent material to 100% completion without a Certificate of Occupancy (CO) (or equivalent) having been issued.</li> <li>• <b>Existing for &lt; 1 year:</b> The property is 100% complete and has been completed &lt; 1 year from the issuance of the Certificate of Occupancy (or equivalent) <b>and</b> the property has <b>never been occupied.</b></li> </ul>

## FHA Program Guidelines

<b>New Construction: Eligibility with Homebridge</b>	<p><b>New Construction Eligibility</b></p> <ul style="list-style-type: none"> <li><b>Proposed Construction:</b> Ineligible with the exception of manufactured housing; proposed construction is eligible if the proposed construction involves a manufactured home</li> <li><b>Under Construction:</b> Eligible only when the property is complete with the exception of cosmetic items (flooring, paint, appliances, etc.)</li> <li><b>Existing for &lt; 1 year:</b> Eligible</li> </ul> <p><b>New Construction Additional Information</b></p> <ul style="list-style-type: none"> <li>Refer to the <a href="#">Appraisals</a> topic for information regarding new construction appraisals</li> <li>Refer to the <a href="#">DTI</a> topic for information regarding property taxes</li> </ul>
<b>New Construction: LTV Limit</b>	<ul style="list-style-type: none"> <li>Properties that are under construction (see above for eligibility with Homebridge) <b>or</b> are existing for &lt; 1 year but not occupied <b>are limited to a maximum of 90% LTV unless:</b> <ul style="list-style-type: none"> <li>- The property meets the following pre-approval requirements: <ul style="list-style-type: none"> <li>- The property was appraised and the Conditional Commitment Direct Endorsement Statement of Appraised Value was issued (HUD Form 92800.5B) before construction started, <b>or</b></li> <li>- A building permit (or equivalent) was issued by a local jurisdiction, <b>or</b></li> <li>- An Early Start Letter was issued</li> </ul> </li> </ul> <p style="text-align: center;"><b>AND</b></p> </li> <li>In addition to one of the above, all of the required documentation for maximum financing must also be obtained. Refer to the <a href="#">Required Documentation for Maximum Financing</a> topic below for requirements.</li> </ul>

<p><b>New Construction:  Permanent  Financing - Built  on Own Land</b></p>	<p>HUD refers to the permanent financing of a newly constructed dwelling that was built on land owned by the borrower as "Build on Own Land". The permanent financing may include the payoff of construction loans. In addition to the below, <b>all other new construction requirements apply.</b></p> <p><b>Eligibility</b></p> <p>The builder of the dwelling must be a licensed general contractor. The borrower is only eligible to act as the general contractor if they are <b>licensed</b> as one.</p> <p><b>Determining the Adjusted Value</b></p> <ul style="list-style-type: none"> <li>• The adjusted value is determined using the <b>lesser of</b>: <ul style="list-style-type: none"> <li>- The appraised value, or</li> <li>- The documented acquisition cost</li> </ul> </li> </ul> <p><b>Calculating the Maximum Mortgage Amount</b></p> <ul style="list-style-type: none"> <li>• The maximum mortgage amount is calculated using the applicable purchase LTV percentage of the <b>lesser of</b>: <ul style="list-style-type: none"> <li>- The appraised value, or</li> <li>- The documented acquisition cost (see below for details)</li> </ul> </li> <li>• The documented acquisition cost of the property includes: <ul style="list-style-type: none"> <li>- The builder's price or the sum of all subcontractor bids and materials, <b>and</b></li> <li><b>NOTE:</b> For a manufactured home, the builder's price includes the sum of the cost of the home, the cost to transport, and all on-site installation costs</li> <li>- Borrower-paid options and construction costs not included in the builder's price to build, <b>and</b></li> <li>- Interest and other costs associated with a construction loan obtained by the borrower to fund construction, if applicable, <b>and</b></li> <li>- One of the following: <ul style="list-style-type: none"> <li>- The <b>lesser</b> of: The cost of the land <b>or</b> the appraised value of the land if the land is owned <math>\leq</math> 6 months at time of case number assignment, <b>OR</b></li> <li>- The appraised value of the land if the land has been owned <math>&gt;</math> 6 months at time of case number assignment or the land was received as an acceptable gift</li> </ul> </li> </ul> </li> </ul> <p><b>Borrower's Minimum Required Investment (MRI)</b></p> <ul style="list-style-type: none"> <li>• The borrower's cash investment in the acquisition cost of the property <b>or</b> land equity may be used to satisfy the borrower's MRI requirement.</li> </ul> <p><b>Borrower's Additional Equity in the Property</b></p> <p>The following applies to additional equity in the property:</p> <ul style="list-style-type: none"> <li>• The borrower cannot receive any cash-back from the equity, however the borrower may be reimbursed for the following when itemized documentation, that includes the cost of each item, is provided: <ul style="list-style-type: none"> <li>- Borrower paid extras over and above the contract specifications, and</li> <li>- Any out of pocket expenses not included in the builder's price</li> </ul> </li> </ul> <p><b>Required Documentation</b></p> <p>The following documentation requirements apply:</p> <ul style="list-style-type: none"> <li>• The borrower's cash investment must be documented that it came from an acceptable source per HUD's requirements</li> <li>• Documentation that the funds used to pay borrower paid options came from an acceptable source</li> <li>• Documentation that itemizes the options, expenses and the cost of each item</li> <li>• A copy of the Closing Disclosure, or other similar legal document must be obtained to document the date of purchase of the land</li> <li>• If the land the dwelling was built on was a gift: <ul style="list-style-type: none"> <li>- Standard gift documentation applies, and</li> <li>- Documentation must also be obtained that the donor was not a prohibited source as defined by HUD</li> </ul> </li> </ul>
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## FHA Program Guidelines

<p><b>New Construction:          Required          Documentation for          Maximum          Financing</b></p>	<p><b>Non-Manufactured New Construction</b>          All of the following are required for the property to be eligible for maximum financing:</p> <ul style="list-style-type: none"> <li>• <b>Under Construction</b> <ul style="list-style-type: none"> <li>- Copies of the building permit and CO, <b>or</b></li> <li>- A final inspection issued by the local authority with jurisdiction over the property, or an ICC certified RCI or CI</li> </ul> </li> <li>• <b>Existing &lt; 1 year (100% complete):</b> Homebridge will require one of the following:             <ul style="list-style-type: none"> <li>- Copies of the building permit and Certificate of Occupancy (or equivalent), <b>or</b></li> <li>- A final inspection issued by the local authority with jurisdiction over the property, or a certified RCI or CI, <b>and</b></li> <li>- An appraisal confirming the property is 100% complete</li> </ul> </li> </ul> <p>NOTE: In the event the local jurisdiction or RCI/CI cannot complete the required inspection, HUD will allow inspections to be completed by a third party source who is a registered architect, professional engineer or trades person/contractor with a minimum of 5 years' experience. The third party must be licensed and bonded in the state where the property is located</p> <p><b>Manufactured New Construction</b>          All of the following are required for the property to be eligible for maximum financing when the property is manufactured housing:</p> <ul style="list-style-type: none"> <li>• <b>Proposed Construction:</b> Property where <b>no</b> concrete <b>or</b> permanent material has been placed. Digging of footing and placement of rebar is <b>not</b> considered permanent.              Proposed construction requires:             <ul style="list-style-type: none"> <li>- Copies of the building permit and Certificate of Occupancy (or equivalent), <b>or</b></li> <li>- Two inspections (footing and final) performed by the local authority with jurisdiction over the property, <b>or</b></li> <li>- Two inspections (footing and final) performed by a certified RCI or CI on HUD Form 92051, Compliance Inspection Report</li> </ul> </li> </ul> <p><b>NOTE: Homebridge requires proposed/under construction transactions to have the foundation complete and the home fully installed prior to loan closing</b></p> <ul style="list-style-type: none"> <li>• <b>Under Construction:</b> The period from the first placement of permanent material to 100% completion without a Certificate of Occupancy (CO) (or equivalent) having been issued             <ul style="list-style-type: none"> <li>- Copies of the building permit and CO, <b>or</b></li> <li>- A final inspection issued by the local authority with jurisdiction over the property, or an ICC certified RCI or CI</li> </ul> </li> <li>• <b>New Construction 100% Complete</b> (home that has been permanently erected on &lt; 1 year prior to case number assignment <b>and</b> the property has <b>never been occupied.</b>). New construction requires:             <ul style="list-style-type: none"> <li>- Copies of the building permit and Certificate of Occupancy (or equivalent), <b>or</b></li> <li>- A final inspection issued by the local authority with jurisdiction over the property, or a certified RCI or CI, <b>and</b></li> <li>- An appraisal confirming the property is 100% complete</li> </ul> </li> </ul>
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## FHA Program Guidelines

<p><b>New Construction: Required Documentation for Maximum Financing (cont.)</b></p>	<p><b>Third Party Inspection</b></p> <p>In the event the local jurisdiction or RCI/CI cannot complete any of the required inspections required above, HUD will allow inspections to be completed by a third party source who is a registered architect, professional engineer or trades person/contractor with a minimum of 5 years' experience. The third party must be licensed and bonded in the state where the property is located</p> <p><b>All Transactions (Non-Manufactured and Manufactured)</b></p> <ul style="list-style-type: none"> <li>• The following is required for <b>all</b> transactions (Under Construction and Existing &lt; 1 year):</li> <li>• <b>Form HUD-92541</b> (dated 6/2023) <i>Builder's Certification of Plans/Specifications &amp; Site</i></li> <li>• <b>Form HUD 92544</b> (dated 4/2023) <i>Warranty of Completion of Construction</i></li> <li>• Wood Infestation Report unless the property is located in an area HUD has indicated has no-to-slight infestation on HUD's <a href="#">Termite Treatment Exception Areas</a> list:</li> <li>• <b>Form HUD-NPMA-99-A</b> <i>Subterranean Termite Protection Builder's Guarantee</i>. Required for all new construction. If the property is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The builder must indicate this on Form 92541</li> <li>• <b>Form HUD-NPMA-99-B</b> <i>New Construction Subterranean Termite Service Record</i> is required when the proposed property is treated with a soil chemical termiticide. Post construction soil treatment, when the termiticide is only applied around the perimeter of the foundation is <b>not</b> acceptable.</li> <li>• Well Analysis Report (if applicable) provided by the local health authority, when required by the local jurisdictional authority</li> <li>• Septic Analysis Report (if applicable) provided by the local health authority, when required by the local jurisdictional authority</li> </ul>
<p><b>New Construction: Required Documentation ≤ 90% LTV All Property Types</b></p>	<ul style="list-style-type: none"> <li>• <b>Form HUD-92541</b> (dated 6/2023) <i>Builder's Certification of Plans, Specifications, &amp; Site</i></li> <li>• Final inspection or appraisal of property 100% complete</li> <li>• Wood Infestation Report unless the property is located in an area HUD has indicated has no-to-slight infestation on HUD's <a href="#">Termite Treatment Exception Areas</a> list:             <ul style="list-style-type: none"> <li>- <b>Form HUD-NPMA-99-A</b> <i>Subterranean Termite Protection Builder's Guarantee</i>. Required for all new construction. If the property is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The builder must indicate this on Form 92541</li> <li>- <b>Form HUD-NPMA-99-B</b> <i>New Construction Subterranean Termite Service Record</i> is required when the proposed property is treated with a soil chemical termiticide. Post construction soil treatment, when the termiticide is only applied around the perimeter of the foundation is <b>not</b> acceptable.</li> </ul> </li> <li>• Well Water Analysis Report provided by the local health authority <b>OR</b> a qualified lab  <b>NOTE:</b> Well water testing is required on <b>all</b> new construction properties; refer to the <a href="#">Water Testing</a> topic for acceptable testing providers and complete requirements</li> <li>• Septic Analysis Report (if applicable) provided by the local health authority, when required by the local jurisdictional authority</li> </ul>

## FHA Program Guidelines

<p><b>New Construction: Property in Flood Zone</b></p>	<p>New construction properties (<b>SFR and condo projects</b>) located within an SFHA flood zone are <b>ineligible</b> unless:</p> <ul style="list-style-type: none"> <li>• A FEMA issued Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) that removes the property from the SFHA is obtained (flood insurance <b>not</b> required), <b>OR</b></li> <li>• A FEMA National Flood Insurance Program (NFIP) Elevation Certificate <a href="#">FEMA Form FF-206-FY-22-152</a> is obtained.             <ul style="list-style-type: none"> <li>- The Elevation Certificate, based on the finished construction, with a building permit application submission date (<b>or its equivalent date*</b>) <b>prior to January 1, 2025</b>, must document the following:                 <ul style="list-style-type: none"> <li>- The lowest floor, including the basement and all related structures or equipment essential to the property value are built <b>at or above</b> the 100 year flood elevation in compliance with NFIP criteria, <b>OR</b></li> <li>- The Elevation Certificate, based on the finished construction, with a building permit application submission date (or its equivalent date*) of <b>January 1, 2025, or after</b>, must document the following:                     <ul style="list-style-type: none"> <li>- The lowest floor, including the basement and other permanent enclosures, and all related structures or equipment essential to property value are <b>at least two (2) feet</b> above the FEMA determined Base Flood Elevation (BFE)</li> </ul> </li> </ul> </li> <li><b>*NOTE:</b> In jurisdictions where building permits are not issued, an equivalent application submission date represents the request for required jurisdictional approval to start construction. The construction start date serves as the equivalent date when no prior application submission date is available</li> </ul> </li> <li>- <b>Additionally, the following applies:</b> <ul style="list-style-type: none"> <li>- The Elevation Certificate must be prepared by a licensed engineer or surveyor, <b>and</b></li> <li>- Flood insurance under the NFIP, or private flood insurance that meets HUD requirements, is required</li> </ul> </li> </ul>
<p><b>Non-Occupant Co-Borrower</b></p>	<ul style="list-style-type: none"> <li>• Maximum 75% LTV (1-4 units)</li> <li>• The 75% LTV may be exceeded up to 96.50% LTV on a <b>1-unit property only</b> if the non-occupant co-borrower is:             <ul style="list-style-type: none"> <li>- A family member as defined by HUD. Refer to the <a href="#">Family Member Definition</a> topic for HUDs definition of a family member</li> <li>NOTE: A family member selling to a family member who will be the non-occupant co-borrower ineligible for higher LTV; the maximum LTV is limited to 75%</li> </ul> </li> <li>• Non-occupant co-borrower may not be included income when the occupying borrower does not have a credit score</li> <li>• Non-occupant co-borrowers are eligible on purchase and rate/term transactions. An individual is eligible to be a non-occupant co-borrower on multiple FHA-insured mortgages subject only to their ability to qualify</li> <li>• Cash-out transactions with a non-occupant's co-borrower subject to:             <ul style="list-style-type: none"> <li>- The non-occupant co-borrower's income may <b>not</b> be used for qualifying</li> <li>- The non-occupant co-borrower's assets and debts are considered</li> </ul> </li> <li>• Manually underwritten transaction involving a non-occupant co-borrower, when determining the maximum qualifying ratio, the following applies:             <ul style="list-style-type: none"> <li>- <b>All Borrowers Have Credit Score:</b> If all borrowers (occupying and non-occupying) have a credit score the lowest minimum decision score of all borrowers is used. Both the occupying borrower and the non-occupying borrower's income is used</li> <li>- <b>At Least One Borrower has a Credit Score:</b> The minimum decision score of the borrower with the credit score is used. Both the occupying and non-occupying borrower's income is used.</li> <li>- <b>No Borrower has a Credit Score:</b> The requirements under the <a href="#">No Credit Score/Not All Borrowers Have a Credit Score</a> topic apply and ratios are determined without the non-occupant co-borrower's income regardless of transaction time (purchase, rate/term and cash-out)</li> </ul> </li> </ul>

## FHA Program Guidelines

<b>Non-Borrowing/ Purchasing Spouse in a Community Property State</b>	<p>The following applies to a non-borrowing/purchasing spouse in a community property state:</p> <ul style="list-style-type: none"> <li>• The borrowers reside in a community property state, or</li> <li>• The property being purchased is located in a community property state, <b>and</b></li> <li>• A credit report in the name of the non-purchasing spouse must be obtained, <b>and</b></li> <li>• The debts of the non-borrowing/purchasing spouse must be included in the borrower’s qualifying ratios, unless specifically excluded by state law. <ul style="list-style-type: none"> <li>- If debt is excluded from the DTI calculation due to a state law, the underwriter must make a note in the file referencing the specific law used to exclude, <b>and</b></li> </ul> <p style="margin-left: 40px;"><b>NOTE:</b> The credit history of the non-borrowing spouse <b>is not</b> considered a reason to deny a loan</p> </li> <li>• Collection accounts in the name of the non-borrowing spouse are included when determining the cumulative outstanding balance, <b>and</b></li> <li>• Disputed accounts are not considered when determining the cumulative total of disputed accounts, <b>and</b></li> <li>• Judgments against the non-borrowing spouse are required to be paid off prior to or at closing, <b>and</b></li> <li>• Form SSA-89 must be completed and signed by the non-borrowing/purchasing spouse in order to verify their social security number with the Social Security Administration when the SSN is on the credit report, <b>and</b></li> <li>• In the event the non-borrowing spouse does not have a SSN, the credit report must contain all of the following: <ul style="list-style-type: none"> <li>- Name,</li> <li>- Date of birth, and</li> <li>- Residential address for previous 2-years.</li> </ul> </li> </ul>
<b>Occupancy</b>	<p>Owner-occupied primary residence</p> <p><b>NOTE:</b> Active duty military that are deployed more than 100 miles from the subject property are eligible if a family member will occupy the property during the deployment <b>or</b> provides a statement of their intent to occupy the property as their primary residence upon discharge.</p>

## FHA Program Guidelines

### Power of Attorney

A durable Power of Attorney (POA) is allowed on a case-by-case basis subject to all of the following:

- Must be specific to the transaction
- Must include the borrower name, property address and loan amount
- The POA must be fully executed and notarized
- A letter of explanation required from the borrower to document reason for using a POA
- The POA must meet all applicable state laws
- Homebridge to review and approve prior to loan closing
- The POA must be recorded along with the mortgage
- Eligible for initial application/disclosures and/or closing as detailed below:

Eligible Individuals for POA	Requirements
<p><b>Military Personnel</b> (POA eligible for initial <b>or</b> final application but <b>not</b> both)</p>	<p>A POA only allowed for <b>one application</b> (initial or final), but <b>not</b> both when the following applies:</p> <ul style="list-style-type: none"> <li>• The service member is on overseas duty or on an unaccompanied tour, <b>and</b></li> <li>• The service member's signature cannot be obtained on the application by mail or fax, <b>and</b></li> <li>• The POA is a durable POA that provides the attorney-in-fact specific authority to obligate the borrower on a mortgage</li> </ul>
<p><b>Incapacitated Borrower</b> (POA eligible for both initial <b>and</b> final)</p>	<ul style="list-style-type: none"> <li>• The borrower is incapacitated and unable to sign the mortgage application, <b>and</b></li> <li>• The borrower will occupy the property to be insured by FHA unless it is an eligible investment property, <b>and</b></li> <li>• The POA is a durable POA that gives the attorney-in-fact the authority to encumber the property and to obligate the borrower on the mortgage.</li> </ul>



## FHA Program Guidelines

<b>Prepayment Penalty</b>	Not permitted
<b>Products</b>	<ul style="list-style-type: none"> <li>• <b>Fixed Rate:</b> <ul style="list-style-type: none"> <li>- 15 to 30 years available in one year increments (i.e. 15, 16, 17, 18, etc. up to 30 yrs)</li> <li>- A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 temporary buydown feature eligible on fixed rate transactions; refer to the <a href="#">Temporary Buydown</a> topic for complete eligibility requirements</li> </ul> <p><b>NOTE:</b> Manufactured homes limited to fixed rate only. The 203(h) program is limited to a fixed rate with a 30 year loan term only</p> </li> <li>• <b>ARM:</b> <ul style="list-style-type: none"> <li>- 3/1 and 5/1; Treasury index; Caps: 1/1/5; Margin/floor: 2.000; Qualified at Note rate</li> </ul> </li> </ul>
<b>Properties – Eligible</b>	<ul style="list-style-type: none"> <li>• Single family residences (SFR)</li> <li>• SFRs with a single accessory dwelling unit (ADU)</li> <li>• 2-4 units. 3-4 units must meet HUD’s self-sufficiency requirements. Refer to the <a href="#">Self-Sufficiency: 3-4 Units</a> topic for requirements</li> <li>• PUDs (attached/detached)</li> <li>• Condominiums (FHA approved projects. Approval must be valid at time of case number assignment)</li> <li>• Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.</li> <li>• Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are <b>ineligible</b>).</li> <li>• Mixed use properties are subject to the following: <ul style="list-style-type: none"> <li>- A minimum of 51% of the entire building square footage is for residential use, <b>and</b></li> <li>- The commercial use will not affect the health and safety of the occupants of the residential property, <b>and</b></li> <li>- Mixed use properties require Homebridge management review and approval</li> </ul> </li> </ul>
<b>Properties - Ineligible</b>	<ul style="list-style-type: none"> <li>• Non FHA approved condominium projects</li> <li>• Cooperative projects</li> <li>• Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)</li> <li>• Unique properties</li> <li>• Farms, orchards, ranches</li> <li>• Rural property &gt;10 acres.</li> <li>• Commercial property</li> <li>• Properties located in lava zones 1 and 2</li> <li>• Second home/investment property secured by manufactured home</li> <li>• Single wide manufactured/mobile homes</li> <li>• Manufactured home located on a leasehold estate</li> <li>• Manufactured home located in a condo project</li> <li>• Manufactured home located in senior projects</li> <li>• A manufactured home involving trade equity or traded manufactured home</li> <li>• A manufactured home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site.</li> </ul>

## FHA Program Guidelines

<b>Property Acquired at Auction</b>	If the subject property is purchased at auction, the buyer's premium may be included in the calculation of the final sales price, as long as the amount of the buyer's premium is reasonable and customary for the area
<b>Property Flips</b>	<p>The time frame for determining a property flip is measured from the date the seller acquired the property to the date of the purchase contract. Properties located in states with a foreclosure redemption period also use the date the seller acquired the property, not the date the redemption period was over.</p> <ul style="list-style-type: none"> <li>• The following is required on all properties sold 0-360 days from the date the seller originally acquired the property. <ul style="list-style-type: none"> <li>- The purchase contract must indicate the seller is the current owner of record. The transaction may not involve any sale or assignment of the contract.</li> <li>- All sales must be arm's length transactions.</li> <li>- The following sellers are exempt from FHA's property flipping rules: <ul style="list-style-type: none"> <li>- HUD, VA, FNMA, FHLMC and other Government Agencies</li> <li>- Banks and/or mortgage companies</li> <li>- Properties acquired through inheritance</li> <li>- Relocation firms</li> <li>- Properties acquired by non-profits under agreements with state/local government agencies, and</li> <li>- Builders selling a newly built (i.e. not previously occupied) home.</li> </ul> </li> </ul> </li> <li>• Property flip restrictions: <ul style="list-style-type: none"> <li>- Properties being re-sold within 90 days of previous acquisition unless seller is one of the above entities</li> </ul> </li> <li>• 1- 4 unit single family property flip transactions, except as noted above, are eligible subject to all of the following guidelines.</li> </ul> <p><b>Property Re-Sold 0-90 Days from Acquisition</b></p> <ul style="list-style-type: none"> <li>• Ineligible <b>however</b> sales contracts that were executed during the 0-90 day time period <b>may be</b> re-executed on the 91<sup>st</sup> day. The existing 1003, DU Finding, loan number and case number (if unexpired) may be used.</li> </ul> <p><b>Property Re-Sold 91 to 180 Days from Acquisition</b></p> <ul style="list-style-type: none"> <li>• Two appraisals are required if the sales price is an increase greater than 100% of the acquisition cost. At underwriter discretion, a second appraisal may be required when the increase is &lt; 100%. The borrower cannot be charged for the second appraisal.</li> </ul> <p><b>Property Re-Sold 181-360 Days from Acquisition</b></p> <ul style="list-style-type: none"> <li>• Second appraisal only required at under writer discretion. The borrower cannot be charged if a second appraisal is required.</li> </ul>

<p><b>Properties with and Accessory Dwelling Unit (ADU)</b></p>	<p>An ADU is a single habitable living unit that is a private space added to, created within, or detached from a single family residence. The SFR and single ADU are considered a single-family dwelling.</p> <p><b>Overview</b></p> <p>ADUs are eligible subject to the following:</p> <ul style="list-style-type: none"> <li>• The primary unit is a 1-unit SFR; ineligible with a 2-4 unit property</li> <li>• Only one (1) ADU is allowed; multiple ADUs are considered units and <b>not</b> an ADU</li> <li>• The ADU must meet FHA’s minimum requirements for a living unit which includes the following: <ul style="list-style-type: none"> <li>- Continuing/sufficient supply of safe and potable water with adequate pressure</li> <li>- Sanitary facilities and a safe method of sewage disposal</li> <li>- A minimum of one bathroom which includes a toilet, sink, and shower/bath</li> <li>- Adequate space and heat for healthful/comfortable living conditions</li> <li>- Domestic hot water</li> <li>- Electricity adequate for lighting, cooking and any mechanical equipment used in the living unit</li> </ul> </li> <li>• The ADU must be smaller in size than the primary dwelling</li> <li>• The unit must have a separate ingress/egress</li> </ul> <p><b>Rental Income</b></p> <ul style="list-style-type: none"> <li>• Rental income from the ADU is eligible for qualifying on <b>purchase and rate/term refinance transactions only; rental income is not eligible on cash-out transactions.</b> The following documentation is required when using ADU rental income: <ul style="list-style-type: none"> <li>- An appraisal (FNMA Form 1004/FHLMC Form 70), <b>and</b></li> <li>- A Single Family Comparable Rent Schedule (FNMA Form 1007/FHLMC Form 1000), showing fair market rent, <b>and</b></li> <li>- Prospective leases, if available</li> </ul> </li> <li>• When there is <b>limited or no history of rental income</b> received from the ADU, the amount of rental income eligible for effective income calculation cannot exceed 30% of the total monthly effective income used to qualify the borrower</li> <li>• When calculating rental income, refer to the <b>Employment/Income: <a href="#">Rental Income - Other Real Estate Owned</a> and Employment/Income: <a href="#">Rental Income – Subject Property</a></b></li> </ul> <p><b>NOTE:</b> A renter of an ADU is <b>not</b> considered a boarder by FHA</p> <ul style="list-style-type: none"> <li>• <b>If rental income is being used for qualifying two (2) months PITI (including MIP) reserves required</b></li> </ul> <p><b>Appraisal Requirements</b></p> <ul style="list-style-type: none"> <li>• When the highest and best use analysis determines the property to be an SFR with an ADU, the appraiser must: <ul style="list-style-type: none"> <li>- Provide a description of the ADU characteristics,</li> <li>- Summarize the ADU’s market acceptance,</li> <li>- Report the gross living area of the ADU <b>separate</b> from the primary dwelling,</li> <li>- State whether the ADU can be legally rented without restrictions, and</li> <li>- Report the current ADU occupancy and the relevant details of any known lease agreements</li> <li>- The comparables must include a sufficient number of comparable rents to provide a credible ADU market rent estimate <b>AND</b> at least one SFR with a rented ADU</li> </ul> <p><b>NOTE:</b> If an SFR with a rented ADU is unavailable the appraiser must supplement with the most appropriate rental available and provide an explanation for the low selection and how marketability of the ADU was determined</p> <ul style="list-style-type: none"> <li>- Comparables cannot include properties rented for hotel or transient purposes <b>OR</b> for periods less than 30 days (e.g. short-term rentals)</li> </ul> </li> </ul>
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## FHA Program Guidelines

<p><b>Refinance Transactions</b></p>	<ul style="list-style-type: none"> <li>Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced.</li> <li><b>Rate/Term Refinance:</b> The refinance of a loan that is currently not an FHA loan or an existing FHA loan paying off a 1<sup>st</sup> and 2<sup>nd</sup>. The maximum LTV is:             <ul style="list-style-type: none"> <li><b>97.75%</b> when the borrower has occupied the property as their primary residence for <math>\geq</math> 12 months at time of case number assignment <b>or</b>, if owned &lt; 12 months, has continuously occupied the property as their primary residence since acquisition, <b>OR</b></li> <li><b>85%</b> when the borrower has occupied the subject property as their primary residence for &lt; 12 months at time of case number assignment <b>or</b>, if owned &lt; 12 months, has not continuously occupied the property since time of acquisition.</li> </ul> </li> <li><b>Simple Refinance:</b> The refinance of an FHA loan to an FHA loan with a maximum 97.75% LTV/CLTV. Refer to the Refinance Transactions: <a href="#">Property Ownership Seasoning</a> topic for ownership requirements</li> <li><b>Cash-out Refinance:</b> Eligible when the borrower has owned <b>and</b> occupied the property as their primary residence for the 12 months prior to the case number assignment. The maximum LTV/CLTV for cash-out transactions is determined by case number assignment as noted below:             <ul style="list-style-type: none"> <li>Maximum 80% LTV/CLTV</li> <li>Properties owned <math>\leq</math> 12 months are not eligible for cash-out with the exception of inherited properties (see below)</li> <li>Inherited properties are <b>not</b> subject to the 12 month ownership/occupancy requirement if the borrower has <b>not rented</b> the property since the inheritance. If rented <b>any</b> time following the inheritance the 12 month occupancy as a primary residence requirement applies.</li> </ul> </li> <li>If a borrower is refinancing their former investment property and have occupied it for &lt; 12 months, it may only eligible for a rate/terms refi and the maximum LTV is 85%. Refer to the <a href="#">Transaction Types</a> topic for additional information.</li> </ul>
<p><b>Refinance Transactions: Property Ownership Seasoning</b></p>	<p>All ownership requirements are measured from acquisition to case number assignment date.</p> <p><b>Rate/Term and Simple Refinance – Properties Owned &lt; 12 Months:</b></p> <ul style="list-style-type: none"> <li>Properties owned &lt; 12 months the value is <b>lesser of:</b></li> <li>Purchase price plus documented improvements, or</li> <li>Current appraised value</li> </ul> <p>NOTE: The appraisal cannot be re-used if property ownership is &lt; 12 months; a new appraisal is required</p> <p><b>Rate/Term, Simple Refinance, and Cash-Out – Properties Owned <math>\geq</math> 12 Months</b></p> <ul style="list-style-type: none"> <li><math>\geq</math>12 month property ownership current appraised value is used to determine LTV</li> </ul> <p><b>Cash-Out Refinance (Transactions must meet both FHA and Ginnie Mae requirements; seasoning applies to first lien being paid off only)</b></p> <ul style="list-style-type: none"> <li>12 months ownership and occupancy as primary residence prior to case number assignment, <b>AND</b></li> <li>A minimum of 6 consecutive payments have been made on the loan being refinanced. The borrower <b>cannot</b> prepay the payment to meet the 6 payment requirement and the 6<sup>th</sup> payment <b>cannot</b> be made at closing, <b>AND</b></li> <li>A minimum of 210 calendar days have passed between the first payment due date of the loan being refinanced and the first payment due date of the new loan (see Modified Loans topic below for modified loan requirements)</li> </ul> <p>NOTES: Properties owned free and clear are <b>not</b> subject to seasoning requirements</p> <p>Inherited properties are not required to have been owned and occupied as primary residence as long as the property was not an investment property at any time since the inheritance</p>

## FHA Program Guidelines

<b>Refinance Transactions: Property Ownership Seasoning (cont.)</b>	<p><b>Modified Loans</b></p> <p>Seasoning requirements <b>apply</b> to a loan being refinanced that was previously modified</p> <ul style="list-style-type: none"> <li>The 210 day seasoning requirement is measured <b>using the first payment due date of the modified loan (as identified on the modification documents), to the Note date of the new loan (not the first payment due date of the loan before it was modified) i.e. a minimum of 210 days must have passed between the first payment due date of the modified loan and the Note date of the new loan</b></li> <li>When the loan being refinanced is subject to a modification agreement, a minimum of 6 payments must have been made under the modification agreement</li> </ul>
<b>Reserves</b>	<p>HUD defines reserves as the borrower’s verified and documented liquid assets minus any funds the borrower is required to pay at closing.</p> <p>FHA requires the following in reserves:</p> <ul style="list-style-type: none"> <li>1-2 units: Not required with “Approve/Eligible” Finding</li> <li>1-2 units: 1 month PITI if manual underwrite (loans downgraded or with a “Refer/Eligible” Finding)</li> <li>1-unit SFR with ADU using rental income from the ADU to qualify: 2 months PITI reserves (including MIP). Applies to all transactions regardless of method of underwriting (i.e. Total Score Card, downgrade to manual, or manual underwrite)</li> <li>3-4 units: 3 months PITI reserves regardless of underwriting method <ul style="list-style-type: none"> <li>- Gift funds eligible to meet reserves with “Approve/Eligible” finding</li> <li>- Gift funds <b>ineligible</b> with manual underwrite</li> </ul> </li> <li>Borrower with non-traditional/insufficient credit 2 months PITI reserves required (cannot use gift funds)</li> </ul> <p><b>NOTE: Manually Underwritten Loans:</b> Reserve requirements cannot be satisfied using gift funds</p>
<b>Self-Sufficiency: 3-4 Unit Properties</b>	<p>HUD requires 3-4 unit properties to meet self-sufficiency requirements</p> <p>Net self-sufficiency refers to the rental income produced by the subject property over and above the <b>total mortgage payment</b>. The total mortgage payment includes:</p> <ul style="list-style-type: none"> <li>Principal and interest</li> <li>Real estate taxes</li> <li>Hazard insurance</li> <li>Flood insurance (if applicable)</li> <li>MIP</li> <li>HOA or condominium association fees/expenses (if applicable)</li> <li>Ground rent</li> <li>Special assessments</li> <li>Payments for any acceptable secondary financing, and</li> <li>Any other escrow payments</li> </ul> <p><b>Net Self-Sufficiency Rental Income Calculation</b></p> <p>The net self-sufficiency is calculated using the appraiser’s estimate of fair market rent from all units (including the unit the borrower will occupy), <b>minus the greater of:</b></p> <ul style="list-style-type: none"> <li>The appraiser’s estimate for vacancies and maintenance, <b>OR</b></li> <li>25% of the fair market rent</li> </ul> <p><b>NOTE:</b> The <b>total mortgage payment</b> divided by the monthly net self-sufficiency rental income may <b>not</b> exceed 100% for the 3-4 unit property</p> <p><b>HUD Form 92561: Borrower’s Contract with Respect to Hotel and Transient Use of Property</b></p> <p>Three-to-four unit properties require the borrower to complete and sign HUD form 92561 <a href="#">Borrower’s Contract with Respect to Hotel and Transient Use of Property</a></p>

## FHA Program Guidelines

<p><b>Special Flood Hazard Area (SFHA)</b></p>	<ul style="list-style-type: none"> <li>• <b>Existing SFR properties</b> located in a FEMA designated SFHA are eligible when: <ul style="list-style-type: none"> <li>- Flood insurance under the National Flood Insurance Program (NFIP) or acceptable private flood insurance is obtained. Private flood insurance must meet the requirements stated in <a href="#">HUD ML 2022-18</a>, <b>OR</b></li> <li>- A Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) that <b>removes the property from the SFHA</b> is obtained</li> </ul> </li> <li>• <b>Existing condo projects</b> located in a FEMA designated SFHA are only eligible when: <ul style="list-style-type: none"> <li>- The project must be located in a community that participates in the National Flood Insurance Program (NFIP), NFIP is available, and the Condominium Association has obtained flood insurance on buildings located within the SFHA. Flood insurance may be NFIP or private, however the project <b>must be eligible for NFIP, regardless of whether or not the NFIP coverage is obtained</b></li> <li>- Coverage must be equal to the replacement cost of the covered improvements <b>OR</b> the NFIP maximum per condo unit multiplied by the number of condo units, <b>whichever is less</b></li> </ul> </li> <li>• Refer to the <a href="#">Manufactured Housing: SFHA</a> topic for FHA <b>unique requirements</b> when the property is a manufactured home</li> <li>• Refer to the <a href="#">New Construction: Property in Flood Zone</a> topic for FHA specific requirements when the property is new construction</li> </ul>
<p><b>Subordinate Financing</b></p>	<ul style="list-style-type: none"> <li>• Eligible subject to the CLTV limits on the matrix located on page 1.</li> <li>• The combined loan amount cannot exceed the applicable county limit</li> <li>• If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the CLTV.</li> <li>• FHA has specific subordinate financing requirements. Subordinate financing is eligible from specific parties as follows: <ul style="list-style-type: none"> <li>- Government agencies</li> <li>- Nonprofit organizations</li> <li>- Private individuals or other organizations</li> <li>- Family members</li> </ul> </li> <li>• Documentation of all subordinate financing terms and loan instruments must be provided</li> <li>• Costs incurred for participating in a down payment assistance program may only be included in the amount of the second lien</li> <li>• The combined loan amount of the first and second lien cannot exceed 100% of the lesser of the appraised value or sales price plus normal closing costs, prepaids and discount points.</li> <li>• The combined loan amounts cannot exceed the borrower's reasonable ability to repay.</li> <li>• The CA HERO programs are ineligible subordinate financing</li> <li>• Complete HUD guidelines regarding subordinate financing can be found in HUD's 4000.1 Handbook at <a href="#">HUD.GOV</a></li> </ul>

**Temporary Buydown**

Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate

The temporary buydown feature is subject to the following:

- Fixed rate **purchase** transactions **ONLY**; **REFINANCE TRANSACTIONS INELIGIBLE**
- **Buydowns may be funded by one of the following:**
  - Seller,
  - Realtor - Selling Agent (aka Buyer's Agent) **or** Listing Agent (aka Seller's Agent), or
  - Lender

**NOTE: Buydowns may only be funded by one party;** funding of the buydown cannot be split between parties

- Interested party contributions apply
- Buydowns are qualified at the Note rate
- A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available
- Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment

**Example of a 2/1 Buydown**

- Initial Note Rate: 5%
- First Year: Interest rate is 3% (2% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: The initial Note rate of 5% is in place for the remainder of the loan term

**Example of a 3/2/1 Buydown**

- Initial Note Rate: 5%
- First Year: Interest rate is 2% (3% lower than initial)
- Second Year: Interest rate is 3% (2% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial)
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

**Example of a 1/1/1 Buydown:**

The Interest rate is 1% below the Note rate for the first 3-years of the loan

- Initial Note Rate: 5%
- First Year: Interest rate is 4% (1% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial)
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

**Example of a 1/1/1 Buydown:**

The Interest rate is 1% below the Note rate for the first 3-years of the loan

- Initial Note Rate: 5%
- First Year: Interest rate is 4% (1% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial)
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Eligible Transactions Quick Reference Guide	
Transaction Types	Eligible
Fixed rate	Yes
ARM	No
Primary residence (1-4 units)	Yes
Purchase transactions	Yes
Refinance transactions (rate/term and cash-out)	No
Manufactured	No

## FHA Program Guidelines

### Transaction Types

- **Purchase**
  - Mortgage amount is limited to 96.50% of the lesser of:
    - The sales price **minus** any inducements to purchase, or
    - The appraised value.
- **Rate/Term Refinance** – No cash-out refinance of **any** mortgage
  - Maximum mortgage amount is limited to the **lesser of**:
    - 97.75% LTV, **or**
    - The sum of existing debt.
  - LTV determination:
    - 97.75% LTV eligible for transactions where the subject property has been owner-occupied for ≥ 12 months prior to case number assignment, **or**
    - 85% LTV for transactions where the subject property has been owner-occupied for < 12 months
  - The following can be added to the existing first mortgage amount:
    - Any purchase money second mortgage.
    - Any junior liens over 12 months old
    - The unpaid principal balance of a PACE/HERO loan,
    - Closing costs,
    - Prepays
    - Borrower-paid repairs required by the appraisal, and
    - Discount points.

NOTE: If the balance or any portion of an equity line of credit in excess of \$1000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond \$1,000 of the line of credit is **not** eligible for inclusion in the new mortgage.

  - Cash back to the borrower cannot exceed \$500.00. Any funds greater than \$500 may be applied as a principal reduction

NOTE: The borrower cannot receive **any** cash back if the property securing the refinance transaction is located in the state of Texas
- **Simple Refinance** – No cash-out refinance of **an existing FHA** mortgage (FHA to FHA)
  - Fully credit qualified and requires an appraisal
  - The maximum mortgage amount is limited to the **lesser of**:
    - 97.75%, **or**
    - The sum of existing debt
  - The following can be added to the existing first mortgage amount:
    - Closing costs,
    - Pre-pays
    - The unpaid principal balance of a PACE/HERO loan
    - Borrower-paid repairs required by the appraisal
  - Junior liens **cannot** be included in the new mortgage amount including PACE loans
  - Cash back to the borrower cannot exceed \$500.00. Any funds greater than \$500 may be applied as a principal reduction

NOTE: The borrower cannot receive **any** cash back if the property securing the refinance transaction is located in the state of Texas

(cont. on next page)



**Transaction  
Types (cont.)**

**Cash-out Refinance**

- Maximum 80% LTV/CLTV
- The following can be added to the current unpaid principal balance:
  - Closing costs,
  - Points,
  - Prepaids,
  - Subordinate mortgage liens,
  - The unpaid principal balance of a PACE/HERO loan, and
  - Additional cash to the borrower.
- Borrower must have owned and occupied the subject property as their primary residence for a minimum of 12 months prior to case number assignment. Documentation of owner occupancy is required (e.g. utility bill, etc.). Refer to the [Mortgage/Rental History](#) topic for pay history requirements
- Cash-out transactions where the loan is currently delinquent, in arrears or there has been a mortgage delinquency on **any** mortgage (including HELOCs) within the most recent 12 months, **cash-out is ineligible.**
- Mortgages with < 6 months' pay history are not eligible for cash out. The borrower must have made, at minimum, 6 mortgage payments on their current loan, to be eligible for cash-out.
- No seasoning requirement on the subordinate lien(s)
- Non-occupant co-borrowers or co-signers cannot be added to the Note to meet underwriting guidelines.
- If non-occupant co-borrower is on the transaction the following applies:
  - Income cannot be used for qualifying, **and**
  - Debts/assets are considered.
- Rental income from an ADU cannot be used for qualifying
- Properties owned free and clear, including inherited properties, are eligible for cash-out.

## FHA Program Guidelines

<p><b>Transaction Types (cont.)</b></p>	<p><b>\$100 Down Payment (HUD REO Properties)</b></p> <ul style="list-style-type: none"> <li>• Buyers must be approved by HUD for the \$100.00 Down Payment Program.</li> <li>• The maximum LTV is 100%. The maximum loan amount is the lesser of the appraised “as-is” appraised value of the property or the loan amount, less the \$100 down payment. If the UFMIP exceeds the appraised value, it cannot be financed and the borrower will be required to bring funds to close. Closing costs and pre-pays may <b>not</b> be financed.</li> <li>• An earnest money deposit is required from the borrower. The minimum earnest money deposit requirement established by HUD is \$500 and the maximum is \$2,000 depending on the property specific requirements.</li> <li>• Borrower must be provided HUD’s For Your Protection: Get a Home Inspection (Form 92564-CN) no later than time of loan application.</li> <li>• If necessary, the appraiser will identify repairs that are required to bring the property up to FHA’s minimum property requirements (MPR). Repair costs can be included in the loan amount calculation when a repair escrow is established. The maximum LTV with a repair escrow is 110%. The maximum repair cost is \$10,000. Refer to the <a href="#">Escrow Holdbacks</a> topic for details.</li> <li>• The appraisal is provided by HUD via the Asset Manager; an appraisal should <b>not</b> be ordered from an AMC. If the REO appraisal expires (older than 120 days) then a new appraisal must be obtained and the borrower may be charged for it.</li> <li>• The utilities should be on at the time of the appraisal unless documented extenuating circumstances were noted by the appraiser.</li> <li>• Refer to HUD <a href="#">Mortgage Letter 2011-19</a> Financing of Transaction Costs for REO Purchased under FHA \$100 Down Sales Incentive issued April 28, 2011</li> <li>• HUD REO properties can be located by searching <a href="http://www.hudhomestore.com">www.hudhomestore.com</a>.</li> <li>• HUD’s policy on establishing the market value for an REO policy is that the price should reflect the appropriate price for a property sold in a competitive and open market and comparables should be based on arm’s length transactions. Additionally, properties sold at market value are characterized by the following: <ul style="list-style-type: none"> <li>- The buyer and seller are typically motivated,</li> <li>- Both parties are knowledgeable and are acting in their own best interest</li> <li>- The property was on the open market for a reasonable time,</li> <li>- Payment is made in cash or a mortgage loan,</li> <li>- The price represents the normal consideration for the property being sold and is not affected by special/creative financing or sales concessions granted by anyone associated with the transactions.</li> </ul> </li> </ul> <p>Refer to the <a href="#">Appraisals</a> topic for specific guidance on HUD REO appraisal</p>
<p><b>Transactions – Ineligible</b></p>	<ul style="list-style-type: none"> <li>• FHA Secure</li> <li>• Hope for Homeowners</li> <li>• MCC (Mortgage Credit Certificates) – Borrower can do an MCC after closing, but MCC cannot be used to qualify.</li> <li>• FHA Energy Efficient Mortgage (EEM)</li> <li>• Transactions involving a Community Land Trust</li> <li>• Second home and investment transactions</li> <li>• No test case loans</li> <li>• Transactions involving a property being re-sold within 90 days of previous acquisition. See <a href="#">Property Flips</a> topic for exclusions.</li> <li>• Transactions with CA HERO program subordinate financing</li> <li>• Texas Section 50(a)(6) transactions</li> <li>• Transactions where the property securing the loan is subject to a private transfer fee covenant</li> </ul>