

FHA STANDARD & HIGH BALANCE PROGRAMS

GENERAL

Conforming Terms Available	Fixed Rate: 30-Year, 15-Year ARM: N/A
High Balance Terms Available	Fixed Rate: 30-Year ARM: N/A
AUS	Approve/Eligible; Manual Underwriting allowed (See grid below for minimum FICO Requirement)
Minimum Credit Score	580 – Refer to LTV Matrix and Manual UW Guidelines; (640: Manufactured Home)

LOAN LIMITS

State/County Limits of Conforming Loans – Please click [here](#) to look up FHA mortgage limits by State, County or Metropolitan Statistical Area (MSA).

Units	General Limits	High Cost Limits	AK/Guam, HI, US Virgin Island
1	\$420,680	\$970,800	\$1,456,200
2	\$538,650	\$1,243,050	\$1,864,575
3	\$651,050	\$1,502,475	\$2,253,700
4	\$809,150	\$1,867,275	\$2,800,900

LTV MATRIX (STANDARD AND HIGH BALANCE)

Transaction Type	Purchase		No Cash Out Refinance		Streamline Refinance		Cash Out Refinance	
	LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO	LTV/CLTV	MIN FICO
AUS Approve/Eligible	96.50%	580	97.75%	580	N/A	N/A	80%	580
Manual UW	96.50%	580	97.75%	620	97.75%	620	80%	640

**West Virginia: Maximum 50% DTI*

CREDIT

Characteristics	Parameters
Bankruptcy	<ul style="list-style-type: none"> • Chapter 7 – A two (2) Year waiting period required, measured from discharge or dismissal date • Chapter 13 - A Chapter 13 bankruptcy does not disqualify a Borrower from obtaining an FHA-insured Mortgage, if at the time of Case Number assignment at least 12 months of the pay-out period under the Bankruptcy has elapsed. <p>The Lender must determine that during this time:</p> <ul style="list-style-type: none"> • The Borrower’s payment performance has been satisfactory, and • All required payments have been made on time, and • Borrower has received the Bankruptcy court’s written permission to enter into the mortgage transaction.
Credit	<p>Credit Score: All Borrowers must have a valid credit score</p> <p>Non-Traditional Credit: Not permitted</p> <p>Collection Accounts: A Collection Account refers to a Borrower’s loan or debt that a Creditor has submitted to a collection agency.</p> <p>If the credit reports used in the analysis show cumulative outstanding collection account balances of \$2,000 or greater, the Lender must:</p> <ul style="list-style-type: none"> • Verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds, • Verify that the Borrower has made payment arrangements with the Creditor and include the monthly payment in the Borrower’s Debt-to-Income ratio (DTI), or • If a payment arrangement is not available, calculate the monthly payment using 5% of the outstanding balance of each collection and include the monthly payment in the Borrower’s DTI. <p>Collection accounts of a non-borrowing spouse in a community property state must be included in the \$2,000 cumulative balance and analyzed as part of the Borrower’s ability to pay all collection accounts, unless excluded by state law.</p> <p>Unless the Lender uses 5% of the outstanding balance, the Lender must provide the following:</p> <ul style="list-style-type: none"> • Evidence of payment in full, if paid prior to settlement, • The Payoff Statement, if paid at settlement, or • The payment arrangement with the Creditor, if not paid prior to or at settlement.

CREDIT (Continued)

Characteristics	Parameters
<p align="center">Credit (Continued)</p>	<p>Contingent Liability: A Contingent Liability refers to a liability that may result in the obligation to repay only when a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include Cosigner liabilities and liabilities resulting from a mortgage assumption without release of liability.</p> <p>The Lender must include monthly payments on contingent liabilities in the calculation of the Borrower’s monthly obligations unless:</p> <ul style="list-style-type: none"> • The Lender verifies and documents that there is no possibility that the debt holder will pursue debt collection against the Borrower should the other party default, or • The other legally obligated party has made 12 months of timely payments and does not have a history of delinquent payments on the loan. <p>REQUIRED DOCUMENTATION</p> <ul style="list-style-type: none"> • <u>Mortgage Assumptions:</u> The agreement creating the contingent liability or Assumption Agreement and Deed showing transfer of title out of the Borrower’s name (i.e., a release of liability). • <u>Cosigned Liabilities:</u> If the cosigned liability is not included in the monthly obligation, documentation to evidence that the other party to the debt has been making regular on-time payments during the previous 12 months. • <u>Court-Ordered Divorce Decree:</u> A copy of the divorce decree ordering the spouse to make payments. <p>Disputed Accounts: Disputed Derogatory Credit Account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. If the credit report indicates that the Borrower is disputing derogatory credit accounts, the Borrower must provide a letter of explanation and documentation supporting the basis of the dispute. If the disputed derogatory credit resulted from identity theft, credit card theft or unauthorized use balances, the Lender must obtain a copy of the police report or other documentation from the Creditor to support the status of the accounts. If the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, the Lender must include a monthly payment in the Borrower’s debt calculation.</p>

CREDIT (Continued)

Characteristics	Parameters
<p align="center">Credit (Continued)</p>	<p><u>Disputed Accounts:</u> (Continued)</p> <p>The following items are excluded from the \$1,000 cumulative balance:</p> <ul style="list-style-type: none"> • Disputed medical accounts • Disputed derogatory credit resulting from identity theft, credit card theft, or unauthorized use • Accounts of a non-borrowing spouse in a community property state <p>If a Borrower is disputing non-derogatory accounts or is disputing accounts which are not indicated on the credit report as being disputed, the Lender must analyze the effect of the disputed accounts on the Borrower’s ability to repay the loan. If the dispute results in the Borrower’s monthly debt payments utilized in computing the DTI ratio being less than the amount indicated on the credit report, the Borrower must provide documentation of the lower payments. Non-Derogatory Disputed Accounts include the following types of accounts:</p> <ul style="list-style-type: none"> • Disputed accounts with zero balance • Disputed accounts with late payments aged 24 months or greater • Disputed accounts that are current and paid as agreed <p><u>Deferred Obligations:</u> (Excluding Student Loans)</p> <p>Deferred obligations (excluding Student Loans) refer to liabilities that have been incurred but where payment is deferred or has not yet commenced, including accounts in forbearance.</p> <p>The Lender must obtain written documentation of the deferral of the liability from the Creditor and evidence of the outstanding balance and terms of the deferred liability. The Lender must obtain evidence of the actual monthly payment obligation, if available.</p> <p>The Lender must use the actual monthly payment to be paid on a deferred liability, whenever available. If the actual monthly payment is not available for installment debt, the Lender must utilize the terms of the debt or 5% of the outstanding balance to establish the monthly payment.</p> <p><u>Judgments:</u> Must be paid in full or resolved prior to or at closing.</p>

CREDIT *(Continued)*

Characteristics	Parameters
<p align="center">Credit <i>(Continued)</i></p>	<p>Student Loans: Student Loan refers to liabilities incurred for educational purposes. The Lender must include all Student Loans in the Borrower’s liabilities, regardless of the payment type or status of payments.</p> <p>REQUIRED DOCUMENTATION</p> <p>If the payment used for the monthly obligation is less than the monthly payment reported on the Borrower’s credit report, the Lender must obtain the following written documentation from the Creditor or student loan Servicer: (1) The actual monthly payment, (2) the payment status, and (3) Evidence of outstanding balance and terms.</p> <p>CALCULATION OF MONTHLY OBLIGATION (TOTAL and Manual)</p> <p>The Lender may exclude the payment from the Borrower’s monthly debt calculation if written documentation indicates that the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.</p> <p>For outstanding student loans, regardless of the payment status, the Lender must use:</p> <ul style="list-style-type: none"> • The payment amount reported on the credit report or the actual documented payment when the payment amount is above zero, OR • 0.5% of the outstanding loan balance, when the monthly payment reported on the Borrower’s credit report is zero. <p>Revolving Credit: If there is no payment on the credit report for revolving credit, use 5% of balance on the credit report or the payment amount from the most recent statement.</p>
<p align="center">Deed in Lieu or Foreclosure or Short Sale</p>	<ul style="list-style-type: none"> • A Borrower is generally not eligible for a new FHA-insured mortgage if the Borrower had a Foreclosure or a Deed-in-Lieu of Foreclosure in the three-year period prior to the date of Case Number assignment. This three-year period begins on the date on which title transferred from the Borrower. • A Borrower is generally not eligible for a new FHA-insured mortgage if the Borrower relinquished a property through a Short Sale within three (3) years from the date of Case Number assignment. The Lender must document the passage of three (3) years since the date of the Short Sale. If the Short Sale occurred within three (3) years of the Case Number assignment date, the mortgage must be downgraded to a Refer and manually underwritten. This three-year period begins on the date of transfer of title by Short Sale. If the credit report does not verify the date of the transfer of title by Short Sale, the Lender must obtain the Short Sale documents.

CREDIT (Continued)

Characteristics	Parameters
<p>Deed in Lieu or Foreclosure or Short Sale (Continued)</p>	<p><u>Exception for Borrower Current at Time of Short Sale:</u></p> <p>A Borrower is considered eligible for a new FHA-insured mortgage if, from the date of Case Number assignment for the new mortgage:</p> <ul style="list-style-type: none"> • All mortgage payments on the prior mortgage were made within the month due for the 12-month period preceding the Short Sale, and • Installment debt payments for the same time period were also made within the month due.
<p>Forbearance</p>	<ul style="list-style-type: none"> • Borrowers cannot remain in active mortgage forbearance for loans secured by any real estate owned. • Evidence of forbearance termination is required prior to the note date. • Generally, a Borrower who was granted Mortgage Payment Forbearance is eligible for a new FHA-insured mortgage provided: <ul style="list-style-type: none"> - The Borrower continued to make regularly scheduled payments and the Forbearance Plan is terminated, or - For Cash-Out refinances, the Borrower has completed Forbearance and made at least 12 consecutive monthly payments post-forbearance; or - For Purchase and No Cash-Out refinances, the Borrower has completed the Forbearance Plan and made at least three consecutive monthly payments post-forbearance; or - For Credit Qualifying Streamline refinance, the Borrower has completed the Forbearance Plan and made less than three consecutive monthly payments post- forbearance; and - For all Streamline refinance transactions, the Borrower has made at least six payments on the FHA-insured mortgage being refinanced (where the FHA-insured Mortgage has been modified after forbearance, the Borrower must have made at least six payments under the Modification).
<p>Mortgage Seasoning for Refinances</p>	<p>For existing mortgages that have been modified, the first payment due date of the new mortgage must be on or after the later of:</p> <ul style="list-style-type: none"> • The date that is 210 days after the date on which the first modified monthly payment was due on the mortgage being refinanced, and • The date on which six (6) modified payments have been made on the mortgage being refinanced.

CREDIT (Continued)

Borrower Eligibility	<ul style="list-style-type: none"> The proposed Borrower is required to have legal residency of USA. He / she can be a Citizen, permanent or non-permanent resident alien. Social Security Number is required (no ITINs). Borrowers may hold title individually, as joint tenants, as tenants in common, or inter vivos (except if Texas Home Equity transaction). Titles held in the following are not eligible for purchase consideration: <ul style="list-style-type: none"> Corporations Partnerships Real Estate Syndications Non-Resident Aliens (Foreign Nationals) shall not be allowed for Mortgage financing. Irrevocable trusts are not eligible for purchase consideration.
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DTI / INCOME / ASSETS

Characteristics	Parameters		
Debt-to-Income (DTI) Ratio	<ul style="list-style-type: none"> Follow AUS Approve-Eligible Manual Underwrite 		
	Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
	580 and above	31/43	<ul style="list-style-type: none"> No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
	580 and above	37/47	One of the following: <ul style="list-style-type: none"> Verified and documented cash Reserves Minimal increase in housing payment Residual Income
	580 and above	40/40	No discretionary debt
580 and above	40/50	Two of the following: <ul style="list-style-type: none"> Verified and documented cash Reserves Minimal increase in housing payment Significant additional income not reflected in Effective Income Residual Income. 	

DTI / INCOME / ASSETS (Continued)	
Characteristics	Parameters
<p>Residual Income Calculation (Manual Underwrite)</p>	<ul style="list-style-type: none"> • Residual Income is calculated as total effective income of all occupying Borrowers less: <ul style="list-style-type: none"> - State income taxes - Federal income taxes - Retirement or Social Security - Total fixed payments (includes total Mortgage Payment and monthly obligations on all debts and liabilities) - Estimated maintenance and utilities - Job-related expenses (e.g., child care) - Amount of the gross-up of any non-taxable income • If available, Lenders must use federal and state tax returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. If tax returns are not available, the Lender may rely upon current pay stubs. • For estimated maintenance and utilities, multiply the gross living area of the property by the maintenance and utility factor found in the Lenders Handbook - VA Pamphlet 26-7. • To use Residual Income as a compensating factor, the Lender must count all members of the household of the occupying Borrower without regard to the nature of their relationship and without regard to whether they are joining on title or the Note to determine “family size.” The Lender may omit any individuals from “family size” who are fully supported from a source of verified income which is not included in effective income in the mortgage analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception. • From the table provided in Lenders Handbook - VA Pamphlet 26-7, select the applicable mortgage amount, region and household size. If Residual Income equals or exceeds the corresponding amount on the table, it may be cited as a compensating factor.
<p>Non-Taxable Income</p>	<p>May be grossed up 115%.</p>

DTI / INCOME / ASSETS (Continued)	
Characteristics	Parameters
<p>Rental Income <i>(Continued)</i></p>	<p>Rental Income from other real estate holdings may be considered Effective Income if the documentation requirements listed below are met. If Rental Income is being derived from the property being vacated by the Borrower, the Borrower must be relocating to an area more than 100 miles from the Borrower’s current Principal Residence. The Lender must obtain a lease agreement with a duration of at least one (1) year after the mortgage is closed and evidence of payment of the security deposit or first months’ rent.</p> <p>DOCUMENTATION REQUIREMENTS</p> <p>Limited/No History of Rental Income Since Previous Tax Filing</p> <p>Including property being vacated by the Borrower, the Lender must obtain an appraisal evidencing market rent and that the Borrower has at least 25% equity in the property. The appraisal need not be completed by an FHA Roster Appraiser.</p> <ul style="list-style-type: none"> • 2-4 Units: Verify and document the proposed Rental Income by obtaining an appraisal showing fair market rent and the prospective leases, if available. • 1-Unit: Verify and document the proposed Rental Income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, <i>Uniform Residential Appraisal Report</i>; Fannie Mae Form 1007/Freddie Mac Form 1000, <i>Single Family Comparable Rent Schedule</i>; and Fannie Mae Form 216/Freddie Mac Form 998, <i>Operating Income Statement</i>; showing fair market rent and, if available, the prospective lease. <p>History of Rental Income</p> <p>Obtain the Borrower’s last two (2) years’ tax returns with Schedule E.</p> <p>CALCULATION OF EFFECTIVE NET RENTAL INCOME</p> <p>Limited/No History of Rental Income Since Previous Tax Filing</p> <p>The Lender must deduct the Principal, Interest, Taxes and Insurance (PITI) from the lesser of:</p> <ul style="list-style-type: none"> • The monthly operating income reported on Fannie Mae Form 216/Freddie Mac Form 998, or • 75% of the lesser of: <ul style="list-style-type: none"> – Fair market rent reported by the Appraiser; or <p>The rent reflected in the lease or other rental agreement.</p>

DTI / INCOME / ASSETS (Continued)		
Characteristics	Parameters	
Rental Income <i>(Continued)</i>	History of Net Rental Income <ul style="list-style-type: none"> The Lender must calculate the net Rental Income by averaging the amount shown on Schedule E, provided the Borrower continues to own all properties included on Schedule E. Depreciation shown on Schedule E may be added back to the net income or loss. If the property has been owned for less than two (2) years, the Lender must annualize the Rental Income for the length of time the property has been owned. For properties with less than two (2) years of Rental Income history, the Lender must document the date of acquisition by providing the Mortgage/Deed of Trust, Closing Disclosure or other legal document. Positive net Rental Income must be added to the Borrower's Effective Income. Negative net Rental Income must be included as a debt/liability. 	
Self-Employed	<ul style="list-style-type: none"> The Lender must obtain complete federal income tax returns (2 Years), including all schedules. Lender must obtain a YTD profit and loss (P&L) statement and balance sheet if more than a calendar quarter has elapsed since the date the most recent calendar or fiscal year-end tax return was filed by Borrower. A balance sheet is not required for self-employed Borrowers filing Schedule C income. 	
Compensating Factors (Manual UW)	Minimal Increase in Housing Payment	<p>A minimal increase in housing payment may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> The new total monthly Mortgage Payment does not exceed the current total monthly housing payment by more than \$100 or 5%, whichever is less, and There is a documented 12-month housing payment history with no more than one (1) 30-day late payment. In cash-out refinance transactions all payments on the mortgage being refinanced must have been made within the month due for the previous 12 months. If the Borrower has no current housing payment, Lenders may not cite this compensating factor. <p>The current total monthly housing payment refers to the Borrower's current total Mortgage Payment or current total monthly rent obligation.</p>

DTI / INCOME / ASSETS (Continued)		
Characteristics	Parameters	
Compensating Factors (Manual UW)	Cash Reserve	<p>Verified and documented Cash Reserves may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> • <i>1 and 2 units</i>: Reserves are equal to or exceed three (3) total monthly Mortgage Payments, or • <i>3 and 4 Units</i>: Reserves are equal to or exceed six (6) total monthly Mortgage Payments. <p>Reserves are calculated as the Borrower's total assets, less:</p> <ul style="list-style-type: none"> • The total funds required to close the mortgage, • Gifts, • Borrower funds, and <p>Cash received at closing in a cash-out refinance transaction or incidental cash received at closing in the mortgage transaction.</p>
	No Discretionary Debt	<p>"No discretionary debt" may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> • The Borrower's housing payment is the only open account with an outstanding balance that is not paid off monthly, • The credit report shows established credit lines in the Borrower's name open for at least six (6) months, and • The Borrower can document that these accounts have been paid off in full monthly to at least the past six (6) months. <p>Borrowers who have no established credit other than their housing payment, no other credit lines in their own name open for at least six (6) months, or who cannot document that all other accounts are paid off in full monthly for at least the past six months, do not qualify under this criterion. Credit lines not in the Borrower's name but for which he or she is an authorized user do not qualify under this criterion.</p>

DTI / INCOME / ASSETS (Continued)		
Characteristics	Parameters	
Compensating Factors (Manual UW) (Continued)	Significant Additional Income	<ul style="list-style-type: none"> Additional income from overtime, bonuses, part-time or seasonal employment that is not reflected in effective income can be cited as a compensating factor subject to the following requirements: <ul style="list-style-type: none"> The Lender must verify and document that the Borrower has received this income for least one (1) year, and it will likely continue, and The income, if it were included in gross effective income, is sufficient to reduce the qualifying ratios to not more than 37/47. Income from non-borrowing spouses or other parties not obligated for the mortgage may not be counted under this criterion. This compensating factor may be cited only in conjunction with another compensating factor when qualifying ratios exceed 37/47 but are not more than 40/50.
	Residual Income	See Specific Calculation for Residual Income .
Reserves	<ul style="list-style-type: none"> The Lender must verify and document reserves equivalent to: <ul style="list-style-type: none"> 1-2 Units (TOTAL/AUS A/E): None 3-4 Units: Three (3) months' Principal, Interest, Taxes, and Insurance (PITI) after closing For manually underwritten mortgages, the Lender must verify and document reserves equivalent to one (1) months' PITI after closing for 1 – 2-unit properties. The Lender must verify and document all assets submitted to the Automated Underwriting System (AUS). Reserves refer to the sum of the Borrower's verified and documented liquid assets, minus the total funds the Borrower is required to pay at closing. Manual Underwriting of the Borrower - Reserves do not include: <ul style="list-style-type: none"> The amount of cash taken at settlement in cash-out transactions, Incidental cash received at settlement in other loan transactions, Gift funds, Equity in another property, or Borrowed funds from any source. 	

DTI / INCOME / ASSETS (Continued)	
Characteristics	Parameters
<p>Reserves <i>(Continued)</i></p>	<ul style="list-style-type: none"> • Underwriting the Borrower Using the TOTAL Mortgage Scorecard (TOTAL) - Reserves do not include: <ul style="list-style-type: none"> – The amount of cash taken at settlement in cash-out transactions, – Incidental cash received at settlement in other loan transactions, – Equity in another property, or – Borrowed funds from any source.
<p>Asset Documentation</p>	<p><u>Bank Statements:</u></p> <ul style="list-style-type: none"> • The Lender must verify and document the existence of and amounts in the Borrower’s checking and savings accounts. For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value, the Lender must obtain documentation of the deposits and verify that no debts were incurred to obtain part, or all, of the Minimum Required Investment (MRI). • If the Borrower does not hold the deposit account solely, all non-Borrower parties on the account must provide a written statement that the Borrower has full access and use of the funds. • The Lender must obtain: <ul style="list-style-type: none"> – A written Verification of Deposit (VOD) and the Borrower’s most recent statement for each account, or – Electronic verification by a Third Part Verification (TPV) vendor of the Borrower’s account covering activity for a minimum of the most recent available month, subject to the following requirements: <ul style="list-style-type: none"> ▪ The Borrower has authorized the Lender to use a TPV vendor to verify assets, and ▪ The date of the data contained in the completed verification is current within 30 days of the date of the verification. <p>ALTERNATIVE DOCUMENTATION</p> <p>If a VOD or direct electronic verification by a TPV vendor is not obtained, a statement showing the previous month’s ending balance for the most recent month is required. If the previous month’s balance is not shown, the Lender must obtain statement(s) for the most recent two (2) months.</p>

DTI / INCOME / ASSETS (Continued)	
Characteristics	Parameters
Asset Documentation <i>(Continued)</i>	<p><u>Retirement Account:</u></p> <p>Retirement Accounts refer to assets accumulated by the Borrower for the purpose of retirement. The Lender may include up to 60% of the value of assets, less any existing loans, from the Borrower’s retirement accounts, such as IRAs, thrift savings plans, 401(k) plan, and Keogh accounts, unless the Borrower provides conclusive evidence that a higher percentage may be withdrawn after subtracting any federal income tax and withdrawal penalties. The portion of the assets not used to meet closing requirements, after adjusting for taxes and penalties, may be counted as Reserves. The Lender must obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the Borrower’s retirement accounts, the Borrower’s eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account. If any portion of the asset is required for funds to close, evidence of liquidation is required.</p>
Gifts	<p>Gifts refer to contributions of cash or equity with no expectation of repayment.</p> <ul style="list-style-type: none"> • Gifts may be provided by: <ul style="list-style-type: none"> – The Borrower’s Family Member (defined as): <ul style="list-style-type: none"> ▪ Child - Son, Stepson, Daughter, or Stepdaughter ▪ Parent or Grandparent – Stepparent/Grandparent, or Foster Parent/Grandparent Spouse or Domestic Partner ▪ Legally-adopted Son or Daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption ▪ Foster child ▪ Brother, Stepbrother, Sister, Stepsister ▪ Uncle or Aunt ▪ Son-in-Law, Daughter-in-Law, Father-in-Law, Mother-in-Law, Brother-in-Law or Sister-in-Law of the Borrower – The Borrower’s Employer or Labor Union – A close Friend with a clearly defined and documented interest in the Borrower – A Charitable Organization – A Governmental Agency or Public Entity that has a program providing homeownership assistance to low- or moderate-income families or first-time homebuyers

DTI / INCOME / ASSETS (Continued)	
Characteristics	Parameters
<p style="text-align: center;">Gifts <i>(Continued)</i></p>	<ul style="list-style-type: none"> • Cash on Hand is not an acceptable source of Donor gift funds. • Only Family Members may provide equity credit as a gift on property being sold to other Family Members. <p>DOCUMENTATION REQUIREMENTS</p> <p>The Lender must obtain a gift letter signed and dated by the Donor and Borrower that includes the following:</p> <ul style="list-style-type: none"> • The Donor’s name, address, telephone number • The Donor’s relationship to the Borrower • The dollar amount of the gift • A statement that no repayment is required <p>VERIFICATION REQUIREMENTS</p> <ul style="list-style-type: none"> • The Lender must verify and document the transfer of gift funds from the Donor to the Borrower in accordance with the following requirements: <ul style="list-style-type: none"> – If the gift funds have been verified in the Borrower’s account, obtain the Donor’s bank statement showing the withdrawal and evidence of the deposit into the Borrower’s account. • If gift funds are not verified in the Borrower’s account, obtain the certified check, money order, cashier’s check, wire transfer or other official check evidencing payment to the Borrower or settlement agent, and the Donor’s bank statement evidencing sufficient funds for the amount for the gift. • If gift funds are paid directly to the settlement agent, Lender must verify that the settlement agent received the funds from the Donor for the amount of the gift, and that the funds were from an acceptable source.
<p style="text-align: center;">Gifts of Equity</p>	<ul style="list-style-type: none"> • Only Family Members may provide equity credit as a gift on property being sold to other Family Members. The Lender must obtain a gift letter signed and dated by the Donor and Borrower that includes the following: <ul style="list-style-type: none"> – The Donor’s name, address, telephone number – The Donor’s relationship to the Borrower – The dollar amount of the gift • A statement that no repayment is required

PROPERTY	
Characteristics	Parameters
Eligible Properties	<ul style="list-style-type: none"> • Single Family Residence (Attached/Detached) • Condos – HUD Approved or Single Unit Approval (Site Condos or Detached Condos do not require approval) • 2-4 Units • Manufactured Homes (see Manufactured Guidelines below)
Ineligible Properties	<ul style="list-style-type: none"> • Co-ops (co-operatives) • Land trust • Leasehold estate condo projects • Indian/Tribal Lands • Condo Hotels • Non-Warrantable Condos • Properties encumbered with private Transfer Fees • FHA Loans: The following are ineligible: <ul style="list-style-type: none"> - Manufactured Homes – Single and Leasehold - Properties with individual purification water system
Disaster Policy	<p>If an appraisal was completed on or prior to the incident period date(s) of the disaster, a disaster inspection will be required.</p> <ul style="list-style-type: none"> • The inspection must be dated after the incident period • If utilities have not been fully restored to the area, the Appraiser is not required to ensure utilities are on at the time of reinspection, • All damages must be repaired, and the subject property restored to its pre-disaster condition, or better, with appropriate and applicable documentation. • Lender Certification may be provided in lieu of Reinspection • If an appraisal was not required due to product type (FHA Streamline), a disaster inspection with interior and exterior photos is required

Property (Continued)

Characteristics	Parameters
<p align="center">Unpermitted Conversions/Additions</p>	<p>Garage Conversions:</p> <ul style="list-style-type: none"> • If the garage door is still attached: The appraiser must appraise it as a garage, assign a cost to cure, state whether it was done in a workmanlike manner and that the addition conforms to the original structure and meets HUD Minimum Property Requirements (MPR). • If the garage door has been removed: The above requirements apply and the appraiser must include at least one comparable that has an unpermitted garage conversion with the door removed in order to give it value as a garage. If the appraiser cannot find at least one comparable to support that is common for the area, no value may be given to the garage at all. <p>Unpermitted Room Additions:</p> <ul style="list-style-type: none"> • HUD allows unpermitted room additions, such as a bedroom, bathroom etc. The appraiser must certify that it has been done in a workmanlike manner, conforms to the structure and meets HUD’s MPR. • If the appraiser gives the unpermitted room addition value, HUD requires at least one comparable closed sale to document market acceptance of the property. If no closed comparables are available, value may not be given to the room addition(s). <p>Unpermitted Accessory Units:</p> <ul style="list-style-type: none"> • HUD allows unpermitted accessory units, also referred to as mother-in-law units or guest quarters. It is the appraiser’s responsibility to certify that the property complies with local zoning requirements. • The appraiser must comply with the same requirements as listed above for unpermitted room additions. • The accessory unit MAY NOT be income producing. <p>Unpermitted/Illegal Units:</p> <p>This type of unit differs from an accessory unit insofar that it is income producing and separately metered and does not comply with local zoning requirements. This is not permitted under any circumstances.</p>

Property (Continued)

Characteristics	Parameters
<p>FHA Flips</p>	<p>The eligibility of a property for a mortgage insured by FHA is determined by the time that has elapsed between the date the Seller acquired title to the property and the date of execution of the sales contract that will result in the FHA-insured mortgage. FHA defines the Seller’s date of acquisition as the date the Seller acquired legal ownership of that property. FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the property with an FHA-insured mortgage.</p> <p>Resales Occurring within 90 Days or Fewer After Acquisition:</p> <p>A property that is being resold within 90 days or fewer following the current owner’s date of acquisition is not eligible for an FHA-insured Mortgage.</p> <p>Resales Occurring Between 91-180 Days After Acquisition:</p> <ul style="list-style-type: none"> • A Lender must obtain a second appraisal by another appraiser if: <ul style="list-style-type: none"> - The resale date of a property is between 91 and 180 days following the acquisition of the property by the Seller, and - The resale price is 100% “over the purchase price” paid by the Seller to acquire the property. • The second appraisal from a different appraiser must include documentation to support the increased value. • If the second appraisal supports a value of the property that is more than 5% lower than the value of the first appraisal, the lower value must be used as the property value in determining the adjusted value. The cost of the second appraisal may not be charged to the Borrower. The Lender must obtain a 12-month chain of title documenting compliance with time restrictions on resales. <p><u>Exceptions to FHA property flipping restrictions are made for:</u></p> <ul style="list-style-type: none"> • Properties acquired by an employer or relocation agency in connection with the relocation of an employee • Resales by HUD under its real estate owned (REO) program • Sales by other U.S. government agencies of Single-Family Properties pursuant to programs operated by these agencies

Property (Continued)	
Characteristics	Parameters
<p>FHA Flips <i>(Continued)</i></p>	<p>Exceptions to FHA property flipping restrictions are made for: <i>(Continued)</i></p> <ul style="list-style-type: none"> • Sales of properties by nonprofits approved to purchase HUD-owned Single-Family Properties at a discount with resale restrictions • Sales of properties that are acquired by the Seller by inheritance • Sales of properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE) • Sales of properties by local and state government agencies • Sales of properties within Presidentially Declared Major Disaster Areas (PDMDA), only upon issuance of a notice of an exception from HUD. <p>The restrictions listed above and those in 24 CFR 203.37a do not apply to a builder selling a newly built house or building a house for a Borrower planning to use FHA-insured financing.</p>
<p>Manufactured Guidelines</p>	<ul style="list-style-type: none"> • The Borrower must have a minimum FICO score of 640. • To be eligible for FHA mortgage insurance as a Single-Family Title II Mortgage, all Manufactured Housing must comply with the following: <ul style="list-style-type: none"> - Have a floor area of not less than 400 sq. feet. - Be constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards, as evidenced by the affixed HUD Certification Label - The Manufactured Home and site exist together as a real estate entity in accordance with state law (but need not be treated as real estate for purposes of state taxation) - Be built and remain on a permanent chassis - Be designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing (PFGMH). - Have been directly transported from the manufacturer or the dealership to the site. - The finished grade elevation beneath the Manufactured Home or, if a basement is used, the grade beneath the basement floor is at or above the 100-year return frequency flood elevation. - Be designed for occupancy as a Principal Residence by single family or a lease that meets Valuation of Leasehold Interests requirements.

PROPERTY *(Continued)*

Characteristics	Parameters
<p>Manufactured Guidelines <i>(Continued)</i></p>	<p><u>HUD Certification Label</u>: The HUD Certification Label, also known as a HUD seal or HUD tag, refers to a two inch by four-inch aluminum plate permanently attached to manufactured housing. Manufactured homes must have an affixed HUD Certification Label located at one end of each section of the house, approximately one (1) foot up from the floor and one (1) foot in from the roadside, or as near that location on a permanent part of the exterior of the house as practicable.</p> <p>Etched on the HUD Certification Label is the certification label number, also referred to as the HUD label number. Label numbers are not required to be sequential on a multi-section house.</p> <p>If the appraisal indicates the HUD Certification Label is missing from the manufactured housing unit, the Lender must obtain label verification from the Institute for Building Technology and Safety (IBTS) at https://lvr2.ibts.org/#/LandingPage</p> <p><u>HUD Data Plates</u>: Data Plate is a paper document located on the interior of the property that contains specific information about the unit and its manufacturer. Manufactured homes have a data plate affixed in a permanent manner, typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen.</p> <p>The appraiser must report the information on the data plate within the appraisal, including the manufacturer’s name, serial number, model and date of manufacture, as well as wind, roof load and thermal zone maps. If the data plate is missing or the appraiser is unable to locate it, the appraiser must report this in the appraisal and is not required to secure the data plate information from another source.</p> <p>In title evidence for Manufactured Housing, the Lender must include evidence that:</p> <ul style="list-style-type: none"> • The Manufactured Home is attached to the land, and • The Manufactured Home is classified and taxed as real estate. <p>The Lender must ensure that all state or local requirements for proper purging of the title have been met.</p> <p><u>Additions to Manufactured Home</u>: If the Appraiser observes additions or structural changes to the original manufactured home, the Appraiser must condition the appraisal upon inspection by the state or local jurisdiction administrative agency that inspects Manufactured Housing for compliance, or a licensed structural engineer may report on the structural integrity of the manufactured dwelling and the addition if the state does not employ inspectors.</p>

MISCELLANEOUS

Characteristics	Parameters
<p>Manufactured Guidelines <i>(Continued)</i></p>	<p>For FHA loans, the following are not permitted:</p> <ul style="list-style-type: none"> • Single • Leasehold Estate • Units located in Hawaii • Units on a property with a hobby farm • Newly Constructed Units • Units located in a mobile home park • Units with mixed-use
<p>Non-Occupant Co-Borrower</p>	<ul style="list-style-type: none"> • A Non-Occupying Borrower Transaction refers to a transaction involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the property as their Principal Residence. For Non-Occupying Borrower Transactions, the maximum Loan-to-Value (LTV) is 75%. The LTV can be increased to a maximum of 96.5% if the Borrowers are Family Members, provided the transaction does not involve: <ul style="list-style-type: none"> – A Family Member selling to a Family Member who will be a Non-Occupying Co-Borrower, or • A transaction on a two- to four-unit property. Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status: <ul style="list-style-type: none"> – A child, parent, or grandparent – A child is defined as a son, stepson, daughter, or stepdaughter – A parent or grandparent includes a stepparent/grandparent or foster parent/grandparent – Spouse or domestic partner – Legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption – Foster child – Brother, stepbrother – Sister, stepsister – Uncle – Aunt, or – Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower. • To be eligible, all Occupying and Non-Occupying Borrowers and Co-Borrowers must take title to the property in their own name or a Living Trust at settlement, be obligated on the Note or credit instrument, and sign all security instruments.

MISCELLANEOUS <i>(Continued)</i>									
Characteristics	Parameters								
Identity of Interest	<p>An Identity-of-Interest transaction is a sale between parties with an existing business relationship or between family members as defined in Handbook 4000.1 II.A.2.b.ii.(A). The maximum Loan-to-Value (LTV) percentage for Identity-of-Interest transactions on Principal Residences, including transactions where a tenant-landlord relationship exists at the time of contract execution, is restricted to 85%. The 85% maximum LTV restriction does not apply for Identity-of-Interest transactions under the following circumstances:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="vertical-align: top; width: 30%;">Family Member Transactions</td> <td> <ul style="list-style-type: none"> The principal residence of another family member, or A property owned by another family member in which the Borrower has been a tenant for at least six (6) months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required. </td> </tr> <tr> <td style="vertical-align: top;">Builder’s Employee Purchase</td> <td>An employee of a builder, who is not a family member, purchases one of the builder’s new houses or models as a principal residence.</td> </tr> <tr> <td style="vertical-align: top;">Corporate Transfer</td> <td>A corporation transfers an employee to another location, purchases the employee’s house, and sells the house to another employee.</td> </tr> <tr> <td style="vertical-align: top;">Tenant Purchase</td> <td> <ul style="list-style-type: none"> The current tenant purchases the property where the tenant has rented the property for at least six (6) months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required. </td> </tr> </table>	Family Member Transactions	<ul style="list-style-type: none"> The principal residence of another family member, or A property owned by another family member in which the Borrower has been a tenant for at least six (6) months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required. 	Builder’s Employee Purchase	An employee of a builder, who is not a family member, purchases one of the builder’s new houses or models as a principal residence.	Corporate Transfer	A corporation transfers an employee to another location, purchases the employee’s house, and sells the house to another employee.	Tenant Purchase	<ul style="list-style-type: none"> The current tenant purchases the property where the tenant has rented the property for at least six (6) months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required.
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Tenant Purchase	<ul style="list-style-type: none"> The current tenant purchases the property where the tenant has rented the property for at least six (6) months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required. 								
Purchase Contracts	No assigned purchase contracts								
Subordinate Financing	No negative amortization or balloon payments								
Tax Transcripts	<p>W2 or tax transcripts, as applicable, must be obtained when:</p> <ul style="list-style-type: none"> Handwritten paystubs are used as verification of income There is a non-arm’s length transaction 								

MISCELLANEOUS (Continued)	
Characteristics	Parameters
Property Assessed Clean Energy (PACE)	For properties where the PACE obligation will remain in place after the sale of the property or the closing on a mortgage not eligible for FHA mortgage insurance, see Specific Calculation for Residual Income.
Age of Documents	Credit docs (credit/income/assets/title/appraisal) must not be more than 120 days old at time of disbursement
Escrow Holdback	Allowed for external weather-related repairs, or internal repairs that cannot be completed PTD. (HUD form 92300 to be completed by UW)
203(k)	Unavailable
Principal Curtailment/Reduction	Max principal curtailment/reduction is \$500
Texas Home Equity Refinance	Refinance A refinance transaction that is subject to Texas Home Equity Section 50(a)(6) is not permitted