

FHA Standard Product

Purchase		No Cash-out Refinance		Cash-out Refinance	
LTV ¹	Min FICO	LTV/CLTV	Min FICO	LTV/CLTV	Min FICO
96.5% ²	580 620 for Manual U/W	97.75%	580 620 for Manual U/W	80%	580 620 for Manual U/W

See FHA Streamline Product Profile for Streamline requirements

¹See Down Payment Assistance and Secondary Financing section for CLTV limitations

²See HUD REO section for HUD REO LTV/CLTV exceptions

COVID-19	<ul style="list-style-type: none"> Please refer to the following for all updates related to COVID-19: <ul style="list-style-type: none"> FHA website for mortgagee letters and additional information https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee All COVID specific requirements and flexibilities have ended. Follow standard FHA underwriting guidelines.
Appraisals	<ul style="list-style-type: none"> A full appraisal (e.g. form 1004 or equivalent) is required for all submissions Appraisers may perform an update of a previously completed appraisal using the Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005 when requested by the Mortgagee. Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.
AUS/Underwriting Method	<ul style="list-style-type: none"> All loans must be submitted through FHA TOTAL Mortgage Scorecard utilizing DU or LPA. Loans receiving a Refer recommendation or loans that require a downgrade may be manually underwritten in accordance with FHA manual underwriting requirements. See FHA's Handbook 4000.1 II.A.4.a.v for scenarios that require downgrades to manual underwriting.
Borrower Eligibility	<ul style="list-style-type: none"> U.S. citizens Permanent resident aliens, with proof of lawful residence Nonpermanent resident alien immigrants, with proof of lawful residence DACA recipients are eligible with proof of legal status, including but not limited to a valid Employment Authorization Document card. See Non-U.S. Citizen Documentation Requirements.
Condominiums	<ul style="list-style-type: none"> Must be located in an FHA approved Condominium Project HUD REOs do not require FHA Condominium Project approval Condominiums involved in minor litigation subject to DE approval and in accordance with FHA requirements.

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Credit

- Minimum FICO score of 580
- Each borrower must have at least one credit score to be eligible.
- Frozen Credit: No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS rerun with the updated credit
- Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying

Derogatory Credit

- 2 years elapsed since completion or discharge of Ch. 7 or Ch. 13 Bankruptcy, to case number assignment date.
- 3 years elapsed since completion of Foreclosure, Deed in Lieu or Short Sale, to case number assignment date.
- Purchase or Rate/Term refinances require manual downgrade if payment history for any mortgage, including HELOCs, reflect 3x30x12, or 1x60x12 plus 1x30x12, or 1x90x12 within the most recent 12 months prior to case assignment or if the borrower has made less than three consecutive payments since completion of a mortgage forbearance plan. In addition, where a mortgage has been modified, the borrower must have made at least six payments under the modification agreement to be eligible for a no-cash refinance.
- Cash-Out refinance requires manual downgrade if payment history for any mortgage, including HELOCs, reflects current delinquency; any delinquency within 12 months of case number assignment; or the borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan.
- All transactions: Undisclosed mortgage debt may not be currently delinquent, have more than 0x30 for 12 months prior to case number, or have more than 2x30x24 prior to case number.
- Collections:
 - If the total outstanding balance for all borrowers is less than \$2,000, a capacity analysis is not required to be performed.
 - If the total outstanding balance for all borrowers is equal to or greater than \$2,000 at time of underwrite, lender must perform a capacity analysis.
- Capacity analysis includes:
 - o Payment in full of collection accounts, prior to or at closing, along with documentation of acceptable source of funds,
 - o Borrower makes payment arrangements, and provides proof of arrangement with payment included in DTI, or
 - o 5% of the outstanding balance of each collection account is included as monthly payment in DTI.
- Non-borrowing spouse collection accounts ARE included in cumulative balance in community property states.
- Medical collections and charge offs are excluded.
- Judgments: Judgments must be paid prior to or at closing. An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. Provide a copy of the agreement and proof of 3 months payments made prior to credit approval. Borrowers may not prepay the scheduled payments to qualify

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<p>Derogatory Credit: Disputed Accounts and Tax Liens</p>	<p>Disputed accounts:</p> <ul style="list-style-type: none"> - If the credit report utilized by TOTAL Mortgage Scorecard indicates that the borrower has \$1,000 or more collectively in disputed derogatory credit accounts, the mortgage must be downgraded to a Refer and manually underwritten. - Cumulative outstanding balance of disputed derogatory accounts less than \$1,000: Manual downgrade NOT required. - Disputed medical accounts and disputed derogatory accounts resulting from identity theft may be excluded from the \$1,000 limit. Identity theft documentation must be provided. Disputed derogatory accounts are defined as: <ul style="list-style-type: none"> o Disputed charge-off accounts, o Disputed collection accounts, and o Disputed accounts with late payments in the last 24 months. - The following disputed non-derogatory accounts are not included in the \$1,000 limit: <ul style="list-style-type: none"> o Disputed accounts with \$0 balance, o Disputed accounts with late payments 24 months or older, or o Disputed accounts that are current and paid as agreed. <p>Tax liens</p> <ul style="list-style-type: none"> - Tax liens may remain unpaid if the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. - Lender must provide proof of satisfactory payment agreement, and minimum of three months timely payments. - Lender must include the payment amount in the agreement in the calculation of the borrower's Debt-to-Income (DTI) ratio.
<p>Disaster Policy</p>	<p>= A post-disaster inspection may be required when the appraisal occurred before the incident end date of the disaster.</p>
<p>Documentation Type</p>	<ul style="list-style-type: none"> - Follow TOTAL Scorecard and FHA requirements. - A year-to-date Profit and Loss (P&L) statement and balance sheet is 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. A balance sheet is not required for self-employed borrowers filing Schedule C income. If income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax return must be obtained from the IRS. - Additionally, if income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from IRS are required. - Private mortgages may be verified with cancelled checks or bank statements. - Income or assets derived from the following sources are ineligible for qualifying: <ul style="list-style-type: none"> o The production or sale of marijuana o Bitcoin or other cryptocurrencies
<p>Escrow Account</p>	<ul style="list-style-type: none"> - Escrow impound accounts must be established for taxes and insurance premiums for all loans.

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Financing Concessions	<ul style="list-style-type: none"> - Financing concessions cannot exceed 6% of the sales price.
High-Cost / Higher Priced	<ul style="list-style-type: none"> - High-Cost Loans are not eligible - Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> o Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. o Must meet all applicable state and/or federal compliance requirements.
HUD REO Transactions	<ul style="list-style-type: none"> - Owner-occupied and Non-owner occupied transactions allowed <ul style="list-style-type: none"> o Investment properties eligible up to maximum 75% LTV - Approve/Ineligible due to LTV/CLTV is acceptable for owner-occupied transactions only. - 110% of the estimated cost of the repairs, not to exceed \$11,000, may be included in the mortgage amount. See 4000.1 II.A.8.o for full details. - Title policy is not required
Identity of Interest Transaction	<ul style="list-style-type: none"> - Generally, the maximum LTV percentage for Identity-of-Interest transactions on Principal Residences is restricted to 85%, see 4000.1 II.A.2.b.ii (A) for exceptions. - An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members. - Business Relationship refers to an association between individuals or companies entered into for commercial purposes. - 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"> o Child, parent, or grandparent; - a child is defined as a son, stepson, daughter, or stepdaughter; - a parent or grandparent includes a step-parent/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.
Loan Limits	<ul style="list-style-type: none"> - FHA mortgage limits for all areas: https://entp.hud.gov/idapp/html/hicostlook.cfm. Refer to Rate Sheet for High Balance price adjustments.

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Loan Purpose

- Purchase
- Streamline Refinances – see FHA Streamline Refinance Product Profile
- Limited Cash-Out/Rate & Term Refinance
 - o Includes Simple Refinances meeting FHA requirements
 - o Proceeds can be used to pay off an FHA or non-FHA first mortgage regardless of age
 - o Proceeds can be used to pay off any junior liens related to the purchase of the subject property, or that are seasoned at least 12 months. Exception: A partial claim may not be paid off with loan proceeds from a FHA Rate & Term Refinance and must be paid from a borrower’s own funds. A partial claim may only be paid off using loan proceeds when it’s a cash-out transaction.
 - o Pay related closing costs and prepaid items
 - o Disburse cash out to the borrower in an amount not to exceed \$500
- Cash-Out
 - o The property securing the cash-out refinance must have been owned and occupied by at least one borrower as their Principal Residence for the 12 months prior to the date of case number assignment. Exception:
 - * In the case of inheritance, a borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the borrower has not treated the subject property as an Investment Property at any point since inheritance of the property.
 - * If the borrower rents the property following inheritance, the borrower is not eligible for cash- out refinance until the borrower has occupied the property as a Principal Residence for at least 12 months.
 - o Borrower must be 0x30x12 on the subject mortgage history
 - o Non-occupant co-borrowers may not be added in a cash out refinance transaction in order to meet FHA’s credit underwriting guidelines for the mortgage. Any co-borrower or co-signer being added to the note must be an occupant of the property.
 - o Income from a non-occupant co-borrower may not be used to qualify for a cash-out refinance.
 - o To meet Ginnie Mae seasoning requirements: the borrower must have made at least six consecutive payments on the loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the refinanced loan.
 - o To meet Ginnie Mae seasoning on modified loans:
 - * The borrower has made at least six consecutive monthly payments on the modified loan being refinanced, beginning with the payment made on the first payment due date as of the modification date.
 - * The first payment due date of the new loan may not occur earlier than 210 days after the first payment due date of the modified loan paid off through the transaction.

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<p>Loan Purpose: Ineligible Transactions</p>	<p>Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions. Unacceptable transactions of this type may have some or all of the following characteristics:</p> <ul style="list-style-type: none"> - Gift of equity from the seller - Large amount of seller credits. - Family member remaining in the home and on title after the “purchase” - Seller unable to qualify for a cash-out transaction of their own
<p>Mortgage Products, Eligible</p>	<ul style="list-style-type: none"> - Fixed Rate: 10, 15, 20, 25 & 30 year terms. (FHA High Balance allowed on all terms) - Simple Refinances allowed in accordance with FHA's guidelines. - For Streamline Refinance transactions, please refer to the FHA Streamline Refinance Product Profile.
<p>Mortgage Products, Ineligible</p>	<ul style="list-style-type: none"> - Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above, including but not limited to Energy Efficient Mortgages, Weatherization, Solar and Wind, GPM, and One Time Close Construction to Permanent CP.
<p>Occupancy</p>	<ul style="list-style-type: none"> - Owner-occupied
<p>Property, Eligible Types</p>	<ul style="list-style-type: none"> - Single Family Detached - Single Family Attached - 2–4 Unit Detached/Attached - PUDs - Low-rise and High-rise condominiums (must be FHA eligible) - Rural Properties (in accordance with Agency guidelines, loans must be residential in nature)
<p>Property, Ineligible Types</p>	<ul style="list-style-type: none"> - Mobile Homes - Manufactured home - Cooperatives - Condotels - Hotel Condominiums - Timeshares - Working Farms and Ranches - Unimproved Land and property currently in litigation - Non-Del Only: Properties located in lava zone 1 or 2

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Property Flipping Policy	<ul style="list-style-type: none"> - Properties resold 90 days or fewer following the date of acquisition by the seller are not eligible for FHA financing unless the loan meets the exceptions set forth in 4000.1 II.A.1.b.iv (A)(3). The date of acquisition is defined as date of settlement on the seller's purchase of the property. The resale date is defined as the date of execution of the sales contract by a buyer intending to finance the property with an FHA-insured loan. - Properties resold between 91 and 180 days after acquisition require a second appraisal by a different appraiser if the resale price is 100% or more over the price paid by the seller when the property was acquired.
Ratios	<ul style="list-style-type: none"> - Per AUS or FHA Manual Underwriting requirements
Recently Listed Properties	<ul style="list-style-type: none"> - No Cash-Out Transaction - Allowed when the property is listed for sale. The property and the borrower must be eligible and qualified for the refinance. - Cash-Out Transaction - the listing must have expired or been withdrawn prior to the application date.
Reserves	<ul style="list-style-type: none"> - All assets submitted to the AUS (FHA TOTAL Scorecard) must be verified and documented. This includes the assets that exceed the amount required for closing i.e. Reserves - 3-4 Unit Properties: the equivalent of at least three months PITIA after closing must be verified and documented for 3- 4 unit properties.
State Restrictions	<ul style="list-style-type: none"> - Texas 50 (a)(6) refinance mortgages are eligible: <ul style="list-style-type: none"> o Owner-Occupied, 1 unit only o Maximum 80% LTV/CLTV o 2% fee restriction in accordance with Texas requirements o Full appraisal required o No new secondary financing o Loans must comply with FHA and Texas requirements o Power of Attorney allowed in accordance with Texas requirements
Temporary Interest Rate Buydowns	<p>Allowed subject to the following:</p> <ul style="list-style-type: none"> - Max total interest rate reduction of 3%, max increase per year of 1% (only 1/0, 1/1, 2/1 and 3/2/1 buydowns allowed) - Maximum 3 years to reach standard note rate - Minimum 660 FICO - Owner Occupied only - Purchase only - Must qualify at the standard note rate without benefit of the buydown - Must meet all other applicable FHA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown. - Seller and lender paid only