

FHA 203(b) Standard Home Mortgage Insurance Program, 251 Adjustable Rate Mortgages, and 234(c) Mortgage Insurance for Condominium Units, Conforming and High Balance

		Purchase			
Eligible Underwriting <ul style="list-style-type: none"> TOTAL Scorecard (with DU Approve) No manually underwritten loans 	Principal Residence	LTV / CLTV	Minimum Credit Score	<ul style="list-style-type: none"> ⁽¹⁾Maximum CLTV if Secondary Financing is from: <ul style="list-style-type: none"> Governmental Entities, HOPE grantees, or HUD approved Non-profits - No maximum CLTV Family Members – Max CLTV is 100% Private Individual and Other Organizations - CLTV is equal to the FHA Maximum LTV See Secondary Financing for subordinate financing requirements. ⁽²⁾Maximum LTV for Identity of Interest and most Tenant-Landlord transactions is 85%. 	
	1-4 Unit	96.50 ⁽²⁾ / ⁽¹⁾	620		
Adjusted Value <ul style="list-style-type: none"> Use the property's Adjusted Value to calculate LTV/CLTV ratios and maximum mortgage amount. <i>II.A.2.(a) Maximum Mortgage Amounts</i> 	No Cash-Out – Rate and Term Refinance				
	Principal Residence	LTV / CLTV ⁽³⁾	Minimum Credit Score	4000.1 II.A.8.d.vi.(A) Rate and Term <ul style="list-style-type: none"> See Refinance Transactions for additional requirements. ⁽³⁾To calculate CLTV, for Loans with subordinating equity lines of credit, use the maximum line amount. <ul style="list-style-type: none"> See Secondary Financing for subordinate financing requirements. FHA requires that evidence of HOC approval for second homes be documented in the Loan file. 	
	1-4 Unit	97.75 / 97.75	620		
Not o/o w/in past 12 months	85.00 / 97.75				
Maximum Mortgage Amount Calculation <ul style="list-style-type: none"> Calculate maximum mortgage amount and LTV prior to UFMIP (Base Loan Amount). <i>II.A.2.a.iii. Financing of Upfront MI Premium</i> 	Second Home	LTV / CLTV ⁽³⁾	620		
	1 Unit Only	85.00 / 85.00			
Non-Occupying Borrower LTV <ul style="list-style-type: none"> Maximum LTV is 75%. Can sometimes be increased to a maximum of 96.5% for 1 unit properties if Borrower(s) are Family Members. <i>4000.1 II.A.2.b.(B)LTV Limitations Based on Non-Occupying Borrower Status</i>. See Non-Occupying Borrowers. 	No Cash-Out -Simple Refinance				
	Principal Residence	LTV / CLTV	Minimum Credit Score	NEW PRODUCT - 4000.1 II.A.8.d.vi.(B) Simple Refinance (Use "Rate and Term Refinance" product codes). <ul style="list-style-type: none"> See Refinance Transactions for additional requirements. See Secondary Financing for subordinate financing requirements. FHA requires that evidence of HOC approval for second homes be documented in the Loan file. 	
	1-4 Unit	97.75 / 97.75	620		
Second Home	LTV / CLTV				
	HUD to determine	85.00 / 85.00			
Cash-Out Refinance					
	Principal Residence	LTV / CLTV ⁽⁴⁾	Minimum Credit Score	4000.1 II.A.8.d.v. Cash-Out Refinances <ul style="list-style-type: none"> See Refinance Transactions for additional requirements. ⁽⁴⁾Combined 1st and 2nd mortgage cannot exceed Nationwide Mortgage Limit, 4000.1 II.A.9.v.(B)(1)(c), Nationwide Mortgage Limit. Seasoning: MUST BE owned and principal residence for 12 months prior to case number assignment date. (Exceptions for inheritance). Mortgage payment history restrictions apply. See Refinance Transactions. 	
	1-4 Unit	85.00 / 85.00	620		

FHA Standard Fixed Rate Product Codes

Product Codes	Minimum Loan Amount	Maximum Loan Amount
15 YR FIXED FHA FICO 620+ ACADIA	\$50,000	To determine if Loan is conforming for product and pricing purposes, use lesser of FHA County Limits or Fannie/Freddie Basic Standard Limits .
30 YR FIXED FHA FICO 620+ ACADIA		
30 YR FIXED FHA FICO 620+ HIGH BAL ACADIA	To Determine if the Loan is High Balance for Product Code/ Pricing Purposes: Use Fannie/Freddie Basic Standard Limits +\$1 .	FHA County Limits

FHA Standard Adjustable Rate Mortgage (ARM) Product Codes

Product Codes	Minimum Loan Amount	Maximum Loan Amount	ARM Caps	Margin/ Floor	Index	Qualifying Rate
5/1 CMT ARM FHA ACADIA	\$50,000	Lesser of FHA County Limits or Fannie/Freddie Basic Standard Limits	1/1/5	2.00 / 2.00	1 Year Weekly CMT	Note Rate
5/1 CMT ARM FHA HIGH BAL ACADIA	To Determine if the Loan is High Balance for Product Code / Pricing Purposes: Use Fannie/Freddie Basic Standard Limits +\$1	FHA County Limits				

• ARMs are not convertible. For initial interest rate adjustments, see *Government ARM Initial Interest Rate Adjustment Dates* on the *SellerWeb Resources* link. ARM APR is based on the sum of index plus margin. ARMs subsequently adjust every 12 months. Look-back period is 45 days. See the *Loan Document Requirements Matrix* on *SellerWeb / Resources / Resources* for additional ARM characteristics, disclosure and closing package details.

Topic Lender Seller Guide Section Last Updated	<p style="text-align: center;">FHA STANDARD 4000.1 PROGRAM GUIDELINES</p> <p style="text-align: center;"><u>Overlays are underlined in black font.</u> Blue font indicates a notable change from FHA guidelines in effect prior to 9/14/2015. "Days" are calendar days unless otherwise noted. Revisions since the last publication are in pink font.</p> <p style="text-align: center;">References to FHA Handbooks and other external resources are provided for reader convenience only and are not intended to represent the full requirement.</p>
General Eligibility Requirements	<ul style="list-style-type: none"> To be eligible for purchase by Lender, Mortgage Loans must be eligible for FHA insuring under the 203(b) Standard Home Mortgage Insurance Program, 251 Adjustable Rate Mortgages, or 234(c) Mortgage Insurance for Condominium Units program under the guidelines in effect for the Loan transaction, including, but not limited to: <ul style="list-style-type: none"> Effective with case assignment dates on or after September 14, 2015 – <i>Single Family Housing Policy Handbook 4000.1</i>, as amended by any HUD notices or Mortgagee Letters, and The terms of this Program Guide, the Lender Correspondent Seller Guide, and Loan must be eligible for Ginnie Mae pooling. Eminent Domain: For FHA-Insured to FHA-Insured Refinances with cases endorsed on or before September 30, 2015, Mortgages that refinance a Mortgage that has been subject to eminent domain condemnation or seizure of a Mortgage are not eligible. If property is in an area where eminent domain has been exercised, a Borrower certification stating the Mortgage being refinanced was not subject to eminent domain, condemnation or seizure must be obtained, <i>II.A.8.d.II.(D) General Mortgage Eligibility</i>.
Age of Loan and Credit Documents 5.3.1. Mortgage Loan File Age	<ul style="list-style-type: none"> Document Age: Follow FHA guidelines, <i>II.A.1.a.i.(A)(1)(a)-General Document Age</i>. In summary: <ul style="list-style-type: none"> For both existing and new construction, documents used in the origination and underwriting of a mortgage documents (e. g. credit, employment, income and asset) must be no more than 120 days old at Disbursement Date. Documents whose validity are not affected by the passage of time (e.g., divorce decree, tax returns, etc.) may be more than 120 days old at the Disbursement Date. The "clock" starts to run on the day after the effective date or issue date of the document, whichever is later. See <i>Appraisals</i> below for maximum age of appraisal.
Application, Signatures, Borrower Authorization	<p>Follow FHA requirements, <i>II.A.1.a.i.(A)(3) Signature Requirements, II.A.1.a.(B) Mortgage Application and Initial Supporting Documentation</i>. In summary:</p> <ul style="list-style-type: none"> Application Form: All Borrowers must sign and date the initial and final Fannie Mae form 1003/Freddie Mac Form 65 (URLA). Borrower's Authorization Form: Must be obtained. HUD 92900-A: All Borrowers must sign and date page two of the initial form HUD 92900-A and sign and date the final form HUD -92900-A. Co-Borrowers: The application may not be signed by any party who will not be on the Note. See <i>Borrower Eligibility, Co-Signers</i>. See <i>Non-Borrowing Spouse</i> for authorization requirements. See <i>Electronic Signatures</i> for electronic delivery and signature requirements.
Appraisals 9.0. Appraisal	<ul style="list-style-type: none"> Appraisal Age: FHA appraisals are valid for 120 days (not 4 months), <i>II.A.1.a.i.(A)(1)(b)(i) and (ii)- Appraisal Validity</i>: <ul style="list-style-type: none"> Extensions: Appraisals may be extended for 30 days if: <ol style="list-style-type: none"> The Mortgagee approved the Borrower or HUD issued the Firm Commitment before the expiration of the original appraisal; or The Borrower signed a valid sales contract prior to the expiration date of the appraisal. Updates: Must be performed before initial appraisal (without extension) has expired. Valid for 240 days after effective date of initial appraisal, <i>II.A.1.a.i.(A)(1)(b)(ii) Appraisal Update</i>, Appraisal Transfers: If the Borrower switches mortgagees, the first mortgagee must transfer the appraisal within 5 business days following Borrower's request, if the mortgagee has been reimbursed for the cost of the appraisal. The client name does not need to reflect the new mortgagee, <i>II.A.1.a.iii.(7) Transfers</i>. (Note: Case Numbers must be transferred immediately upon borrower request). Appraiser: The FHA appraiser must be in current and good standing on the <i>FHA Appraiser Roster, I.B.1.a. FHA Appraiser Roster</i>. <ul style="list-style-type: none"> The appraiser may not appear on any FHA or Lender ineligible vendor List. See <i>SellerWeb / Resources / Lender Ineligible Vendor and Counterparty List</i>. Appraisal Form: The Loan file must contain a complete appraisal report with all required property and inspection forms, including a <i>Fannie Mae Form 1004MC, Market Conditions Addendum to the Appraisal Report</i> meeting FHA requirements, <i>II.B.3.3 Acceptable Appraisal Reporting Forms and Protocols</i>. Property Condition on Appraisal: See <i>Property Eligibility</i>. Second Appraisals: May only be ordered in accordance with the <i>Property Flipping rule</i>, or if the underwriter finds the appraisal materially deficient, <i>II.A.1.iii.a.(8) Ordering Second Appraisal</i>.
Appraisal Delivery to HUD EAD 5/31/2016	<ul style="list-style-type: none"> For FHA loans with case numbers assigned on or after June 27, 2016: <ul style="list-style-type: none"> The appraisal must have been submitted to the FHA Electronic Appraisal Delivery (EAD) Portal, and <u>A copy of the Submission Status Report/Appraisal Findings Detail Report must be in the loan file delivered, and</u> <u>The report must show Document File Status (FHA) = Successful</u> See <i>ML 2015-08, 4000.1 II.A.1.a.i.(B)(10)(a-c)Appraisal Delivery – Electronic Appraisal Delivery Portal</i>.
ARM Loan Requirements	<ul style="list-style-type: none"> Initial interest rate adjustment: See <i>Government ARM Initial Interest Rate Adjustment Dates</i> on the <i>SellerWeb Resources</i> link. ARMS are not convertible, ARM APR is based on the sum of index plus margin. ARMs subsequently adjust every 12 months. Look-back period is 45 days. See the <i>Loan Document Requirements Matrix</i> on <i>SellerWeb / Resources / Resources</i> for additional ARM characteristics, disclosure and closing package details.

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<p style="text-align: center;">Assets and Reserves</p>	<ul style="list-style-type: none"> • Asset Documentation: All assets entered into the AUS must be verified and documented by a VOD and 1 statement, or a statement with prior and current month ending balance, or 2 months statements. <i>II.A.4.d.i.(C) Reserves (TOTAL),</i> • Cash on Hand: Must be deposited in a financial institution or with the escrow agent. A LOE must be provided. Must be reasonable, <i>II.A.4.d.iii.(B), II.A.5.c.iii.(B)</i> • Gift Funds: FHA requires (1) Gift letter with donor's name, address, phone, relationship to borrower, \$ amount, statement of no repayment required, (2) Donor's bank statement showing withdrawal, and (3) Evidence of deposit to Borrower's account or cashier's check or wire showing receipt of funds. Gift funds cannot be from cash on hand. Only family members can provide gift funds on sale transactions between family members. Eligible donors are: Borrower's family member, employer, labor union, documented close friend; charitable org; governmental agency. <i>II.A.4.d.iii.(F) Gifts (TOTAL), II.A.5.c.iii.(F).</i> • Gift of Equity: Must be from a Family Member only, and must meet FHA guidelines, <i>II.A.4.d.iii.(F)(4) Standard for Gifts of Equity (TOTAL), II.A.5.c.iii.(F).</i> See Family Member Defined. • Earnest Money Deposit (EMD): The deposit amount of source of funds must be verified and documented if the earnest money deposit exceeds 1% of the sales price or is excessive based on the Borrower's history of accumulating savings, <i>II.A.4.d.i.(A) Asset Requirements, Earnest Money Deposit (TOTAL), II.A.5.c.i.(A)</i> • Joint Funds: If the Borrower does not hold the deposit account solely, all non-Borrower parties (even spouses) on the account must provide a written statement granting Borrower full access and use of the funds. <i>II.A.4.d.iii.(A)(3) Sources of Funds (TOTAL), II.A.5.c.iii.(A)(3)</i> • Large Deposit: For recently opened accounts and recent individual deposits > 1% of Adjusted Value of subject property, document the deposits and verify no debts were incurred to obtain any part of MRI. Also see Closing Costs, Down Payment for Minimum Required Investment (MRI) requirements, <i>II.A.4.d.iii.(A)(2) Checking and Savings Accounts (TOTAL), II.A.5.c.iii.(A)(2).</i> • Retirement Accounts: FHA allows up to 60% of the value, less any Loans, unless the Borrower provides evidence that a higher percentage may be withdrawn after taxes and penalties. Most recent monthly or quarterly account statement required. Evidence of liquidation required if any portion of the funds are required to close, <i>II.A.4.d.iii.(C) Retirement Accounts (TOTAL), II.A.5.c.iii.(C)</i> • Reserve Requirements: Reserves are defined as the sum of the borrower's verified and documented assets minus the total funds the borrower is required to pay at closing, <i>II.A.4.d.i.(C) Reserves (TOTAL), II.A.5.c.(C)(1) and (2)</i> <ul style="list-style-type: none"> ○ 3-4 units – Verify and document reserves equal to 3 months PITI mortgage payments after closing, ○ Ineligible Reserve Sources: <ul style="list-style-type: none"> ▪ A salary advance may not be considered as assets to close. <i>II.A.4.d.iii.(M) Employer Assistance.</i> ▪ FHA does not allow cash taken at closing, incidental cash received at settlement in other Loan transactions, or equity in another property to be used as reserves, <i>II.A.4.d.i.(c) Reserves (TOTAL), II.A.5.(C).i.(C)</i> • Also see Closing Costs, Down Payment for Minimum Required Investment (MRI), Interested Party Contributions, eligible sources of funds and other requirements.
<p style="text-align: center;">Assets – 1031 Tax Deferred Exchanges 10.4.9. 1031 Tax Deferred Exchanges</p>	<ul style="list-style-type: none"> • 1031 Tax Deferred Exchanges are not eligible for delivery to Lender in any FHA programs.
<p style="text-align: center;">AUS and Underwriting 10.4. General Mortgage Loan and Transaction Eligibility Clarification 3/31/2016</p>	<ul style="list-style-type: none"> • Acceptable Underwriting Methodology: All non-Streamline refinance FHA transactions must be scored through TOTAL Scorecard, <i>II.A.4.a.i. Use of Total Scorecard</i>, and Lender will accept the following underwriting methodologies: <ul style="list-style-type: none"> ○ TOTAL Scorecard through Fannie Mae's Desktop Underwriter® DU®, with Approve findings, or <ul style="list-style-type: none"> ▪ Note: At the time of initial publication of this Program Guide, DU does not fully support the new guidelines, including some aspects of the Simple Refinance product. See DU for Government Release Notes, 7/23/2015. • TOTAL Scorecard Versions: Findings are valid and case #'s are 'grandfathered' for 90 days. After 90 days, rescoring are subject to any new TOTAL Scorecard version releases, <i>II.A.4.a.iii.(B).</i> • TOTAL Scorecard Tolerances: Cash reserves – 10% lower. Income 5% lower. Tax and Insurance Escrow 2% increase, <i>II.A.4.a.vii.</i> • Approve/Ineligible or Accept/Ineligible findings must be resolved and documented per FHA guidelines, <i>II.A.4.iv.(B) Accept/Ineligible</i>
<p style="text-align: center;">Borrower Eligibility 10.5. Borrower Eligibility 10.6 Trust Eligibility</p>	<ul style="list-style-type: none"> • All Borrowers must meet FHA guidelines, <i>II.A.1.b.ii Borrower Eligibility.</i> • <u>Borrower must be a natural person .</u> <ul style="list-style-type: none"> ○ <u>No title taken as business entities allowed.</u> <ul style="list-style-type: none"> ▪ <u>Nonprofit entities, organizations and government agencies considered by FHA to be eligible Borrowers are not eligible for any FHA products sold to Lender.</u> ▪ <u>Loans to owners and employees and/or its affiliates and subsidiaries of the Originating Broker Company are not eligible.</u> • <u>Maximum four (4) Borrowers per Loan.</u> • <u>Maximum four (4) properties serviced by Lender per Borrower.</u> • Social Security Number: All Borrowers must have a valid social security number, <i>II.A.1.b.ii.(A)(1) Social Security Number.</i> SSNs must be validated through FHA Connection (FHAC). • Residency: Borrowers with lawful permanent resident status are eligible, but must provide proof of lawful permanent residence. Note: FHA does not accept a social security card as sufficient to prove immigration or work status, <i>II.A.1.b.ii.(A)(9) Residency Requirements.</i> <ul style="list-style-type: none"> ○ <u>Non-permanent resident aliens, (foreign nationals) are not eligible</u> ○ <u>Borrowers with diplomatic immunity, and "foreign politically exposed" Borrowers are not eligible</u> • Co-signer Requirements: Cosigners are liable for the debt and must sign the Note. Cosigners do not hold an ownership interest and do not sign the security instrument. FHA requires that Cosigners be US Citizens or have principal residence in the US, <i>II.A.1.b.ii.(A)(5) Cosigner Requirements.</i> Also see Non-Occupying Borrowers in this program guide. • Non-Borrowing Spouse: If a non-borrowing spouse resides in a community property state, OR the property being insured is located in a community property state, see Non-Borrowing Spouse.

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<p>Borrower Benefit Refinance Transactions</p>	<ul style="list-style-type: none"> Loans must meet any Applicable Laws and FHA requirements for Net Tangible Benefit to the Borrower.
<p>Closing Costs, Down Payment, MRI, Prepaid Items, Repairs 8.9.6. Point and Fees 10.4.8. Down Payment Assistance Programs 5/13/2016</p>	<ul style="list-style-type: none"> MRI, Minimum Required Investment for purchase transactions: <ul style="list-style-type: none"> MRI: Borrowers must make a Minimum Required Investment (MRI) of at least 3.5 percent of the Adjusted Value, <i>II.A.2.a.iv. Calculating Maximum Mortgage Amounts on Purchases.</i> Commission Income: When commission income is used as funds to close through earnings or gift, Borrower or Family Member real estate license and entitlement to commission must be documented. Real Estate Tax Credits: Where real estate taxes are paid in arrears, the property seller's real estate tax credit may be used toward meeting the MRI, if the lender documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting, <i>II.A.4.d.i.(B)(2)(j) Real Estate Tax Credits (TOTAL), II.A.5.c.i.(B)(j).</i> Sale Proceeds: Must be documented by the fully executed settlement statement, must verify that transaction was arms-length, and that Borrower is entitled to proceeds, <i>II.A.4.d.iii.(P) Sale of Real Property.</i> Also see Assets in this program guide for asset documentation requirements, including gift fund and reserve requirements. Down Payment Assistance Programs (DAP): Must meet FHA guidelines, including that it must be from a 501(c)(3) charitable organization, <i>II.A.4.d.iii.(I) Down Payment Assistance Programs (TOTAL)</i> Interested Party Contributions and Financing Concessions: Are acceptable if they meet FHA Guidelines, generally 6% of the sales price, <i>II.A.4.iii.Source of Funds, II.A.4.d.iii.(G) Interested Party Contributions (TOTAL)II.A.5.c.iii.(G)</i> <ul style="list-style-type: none"> Settlement Statement (Closing Disclosure): On the settlement statement, the lender may apply interested party credits to the origination fees, other closing costs and discount points, prepaid items including any paid-outside-of-close (POC). The refund of the Borrower's POCs may be used toward the Borrower's MRI if the lender documents that the POCs were paid with the Borrower's own funds, The Mortgagee must identify the total interested party credits on the front page of the Closing Disclosure or similar legal document or in an addendum. The Mortgagee must identify each item paid by Interested Party Contributions, <i>II.A.4.d.(B)(2)(i) Interested Party Contributions on Settlement Statement (TOTAL), ii.A.5.c.i(B)(2)(i)</i> Excess contributions, personal property, sales commission contributions and rent below value may be considered inducements to purchase and result in reductions of the purchase price to determine Adjusted Value, <i>II.A.4.d.iii.(H) Inducements to Purchase (TOTAL), II.A.5.c.iii(H)</i> <ul style="list-style-type: none"> Builder-Provided below Market Rent: Builders missing completion deadlines providing temporary housing in other units owned is not considered an inducement. MCC's may not be used for qualifying "effective income." Prepaid Interest: Daily, per diem, interest is calculated at 1/365th of the annual rate, <i>II.A.6.a.xii. Per Diem Interest and Interest Credits.</i> <ul style="list-style-type: none"> Note: With implementation of the 4000.1 Handbook, there is no longer a 15-day interest requirement when estimating the GFE. Interest Credits: Amortization may be up to 7 days prior to disbursement date and provide an interest credit. Per Diem interest credit cannot be used to meet Borrower's MRI. Prepaid Items Include: Flood and hazard insurance premiums, MIPs, real estate taxes, and per diem interest. Secondary financing: See Secondary Financing. Section 8 Homeownership Vouchers: Are not eligible for Loans delivered to Lender.
<p>Compliance 8.9 Higher Priced Mortgage Loans 8.9.8. ATR 5/13/2016</p>	<ul style="list-style-type: none"> Origination Fees and Other Closing Costs: The Mortgagee may charge and collect from Borrowers those customary and reasonable closing costs necessary to close the Mortgage, including a Tax Service Fee. Charges may not exceed the actual costs. <i>II.A.4.d.i.(B)(2)(a).</i> The Mortgagee must comply with HUD's Qualified Mortgage Rule at <i>24 CFR § 203.19.</i> ATR/QM: For Loans subject to the ATR/QM Rules, FHA Loans sold to Lender must be safe harbor or rebuttable presumption Qualified Mortgage (QM) Loans according to the HUD Final Rule. High Cost Ineligible: Loans exceeding any applicable federal, state or municipal High Cost limits, are not eligible for purchase by Lender. Higher-Priced: Lender will NOT purchase Higher Priced Mortgage Loans (HPML) Disclosures: The Loan file delivered to Lender must document that the Borrower was provided with all disclosures required by FHA and Applicable Law. FHA disclosure requirements are provided in <i>II.A.1.a.ii. Disclosures and Legal Compliance, (A) HUD Required Disclosures.</i> <ul style="list-style-type: none"> TRID Closing Disclosure (CD) Signature Requirements: <ul style="list-style-type: none"> FHA requires that the Closing Disclosure or similar legal document be complete and signed by all required parties, and The Settlement Certification must be complete and signed by the Borrower, (property) seller (as applicable, except in case of HUD Real Estate Owned (REO) Sales), and settlement agent, <i>II.A.7.b.v.Closing Disclosure and Settlement Certification, 3/14/2016.</i> Also see Lender's TRID Quick Reference Guide at SellerWeb > Compliance > TRID Quick Reference Guide

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<p>Condominiums (Common Interest Communities) 10.7.5. Condominium Requirements 11/30/2015</p>	<ul style="list-style-type: none"> • The Condominium section of 4000.1 has not been implemented, <i>4000.1 II.A.1.b.iv.(B)(4) Condominium Unit</i>. HUD has advised Lenders to continue following the applicable Handbooks and Mortgagee Letters, including: <ul style="list-style-type: none"> ○ <i>ML 2011-22</i> introducing the <i>Condominium Project and Approval Processing Guide</i>; ○ <i>ML 2012-18</i> temporary guidelines amending 2011-22; ○ <i>ML 2014-17</i> extending 2012-18 through August 31, 2016; ○ <i>ML 2015-27</i> amending; 2011-22, 2012-18, and the <i>Condominium Project Approval Process Guide</i>. • To be eligible for sale to Lender, Loans secured by condominiums: <ul style="list-style-type: none"> ○ Must be located in an FHA approved condominium project on the HUD website: https://entp.hud.gov/idapp/html/condlook.cfm, 4155.1 4.B.1.c, <i>ML 2012-18</i> ○ Must additionally meet FHA guidelines, 4265.1 Section 234I, <i>Home Mortgage Insurance for Condominium Units</i> <ul style="list-style-type: none"> ▪ Note: FHA does not require Condominium Project approval for HUD REOs. ▪ Note: Site, detached, condos meeting the FHA definition do not need Condominium Project approval, <i>4000.1 II.A.1.b.iv.(B)(4)(b) Site Condominiums</i> • Lender requires a copy of the <i>Certificate for Individual Unit Financing</i> in the Loan file at delivery, <i>Condo Project Approval and Processing Guide, ML 2011-22</i>. • For all Mortgage Loans secured by properties located within a Condominium project: <ul style="list-style-type: none"> ○ <u>Lender Single Borrower Exposure:</u> <ul style="list-style-type: none"> ▪ Lender limits the number of units serviced by Lender for any single Borrower to the greater of one (1) unit or 10 percent of the units in a project ○ Single Entity Ownership Concentration Limit: <ul style="list-style-type: none"> ▪ No single entity (individual, investor group, partnership or corporation) may have ownership exceeding FHA ownership concentration limits within the project, <i>ML 2012-18</i>. <p>The following are NOT eligible:</p> <ul style="list-style-type: none"> • FHA non-eligible condo projects, <i>ML 2012-18</i> • Condo projects with any units less than 400 square feet • Commercial or business use exceeds the percentage of total square footage of buildings in the project allowed by FHA, generally 25% • <u>Continuing care condominium communities</u> • <u>Co-ops</u> • <u>Exposure Limits: Condominium projects that do not meet the Lender exposure limits in the Condominiums section above.</u> • <u>Litigation: Condo projects with unacceptable litigation, arbitration, or mediation as defined in <i>Seller Guide 10.7.5.3 Condo Litigation</i> or not acceptable to FHA</u> • <u>Manufactured home condo projects (MHCP)</u> • <u>Multi-dwelling unit condos</u> • <u>New condo projects where seller concessions are not disclosed on the settlement statement and/or are being offered in excess of FHA guidelines, <i>ML 2012-18</i>.</u> • Condotels, Hotel Condos, including: <ul style="list-style-type: none"> ○ Condo projects that both include registration services and offer the rental of units for a term of 30 days or less. (Condos must also meet FHA "transient use" requirements. ○ Projects that share facilities with a hotel or motel, project has services typically provided in a hotel or motel such as maid service, management desk, bellman, etc. ○ Condo projects that restrict owner's ability to occupy the unit ○ See <i>FHA Info. #13-42</i>, July 18, 2013 for additional FHA guidance on condominium projects with Transient Usage/Hotel Purposes. • Conversions from hotels or motels may be eligible if they meet FHA requirements.
<p>Credit Report, Credit Score Requirements 10.4.2. Credit Report Requirements</p>	<ul style="list-style-type: none"> • RMCR or traditional tri-merged credit report is required for each Borrower who will be obligated on the Loan. However, joint reports may be used for individuals with joint accounts, <i>II.A.4.vii.b.i General Credit Review Requirements (TOTAL), II.A.5.(a).i Credit Requirements</i> • <u>Each Borrower must generate at least one traditional credit score. Loans where every Borrower does not generate a traditional credit score are NOT eligible.</u> • <u>Use of non-traditional credit or a non-traditional credit report (NTMCR) are NOT eligible for purchase by Lender.</u> • Minimum Decision Credit Score must be must be ≥ 620. • Minimum Decision Credit Score, <i>II.A.1.b.ii.(A)(3) Borrower Minimum Decision Credit Score (MDCS)</i>, <ul style="list-style-type: none"> ○ Decision Credit Score is the middle of 3, or lower of 2 for each Borrower ○ Use the lowest Decision Credit Score of all Borrowers • Non-borrowing spouse credit report requirements, see <i>Non-Borrowing Spouse</i>.

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<p>Credit History Requirements 5/13/2016</p>	<ul style="list-style-type: none"> • Collection Accounts: Cumulative balances greater than \$2K must be paid off, or a payment must be considered in the Borrower's DTI, <i>II.A.4.iv.(L) Collection Accounts (TOTAL) II.A.5.iv.(N)</i> • Delinquent Federal Non-Tax Debt: <u>Verified delinquent federal non-tax debt makes the borrower ineligible, including deficiency judgements and other debt associated with past FHA-insured mortgages, II.A.1.b.ii.(A).(10).(a), 3/14/2016.</u> The lender must contact the creditor agency to whom the debt is owed to verify the information contained in CAIVRS. Loans may not be declined based on unverified CAIVRS findings. See <u>Exclusionary Lists</u> in this program guide. • Medical Collections: Medical collection obligations are not considered debt and can be disregarded, <i>II.A.4.b.iv.(P) Obligations Not Considered Debt (TOTAL), II.A.5.a.iv.(Q)</i> • Non-Traditional Credit: <u>Use of non-traditional credit or a non-traditional credit report (NTMCR) are NOT eligible for purchase by Lender.</u> • Short Payoff Refinance: <u>Short payoff refinance transactions are not eligible for delivery to Lender.</u> Also see <u>Refinance Transactions.</u> • Tax Liens: <u>FHA permits federal tax liens to remain unpaid provided the Borrower has entered into a valid repayment agreement, and made at least 3 months timely payments. Borrower cannot prepay scheduled payments to meet the 3 month requirements.</u> Tax lien holder must subordinate the tax lien to the FHA-insured mortgage, <i>II.A.1.b.ii.(A)(12) Delinquent Federal Tax Debt.</i> <p>TOTAL:</p> <ul style="list-style-type: none"> • Derogatory Credit, TOTAL: Explanation letters are not required for collection accounts, charge-offs, late payments, judgment or other derogatory information. <i>II.A.4.b.iii. (A) Evaluating Credit History (TOTAL).</i>
<p>Debt-to-Income Ratios 4/29/2016</p>	<ul style="list-style-type: none"> • FHA requires two types of ratio calculations: Total Mortgage Payment to Effective Income Ratio (PTI), and Total Fixed Payment to Effective Income ratio (DTI), <i>II.A.5.d.vii. Calculating Qualifying Ratios</i> • 30 Day Accounts: <u>Not included in ratios if Borrower has paid in full every month for the past 12 months. Document sufficient funds to pay off balance and close. If any late payments in 12 months, use 5%, II.A.4.iii.(I) 30-Day Accounts (TOTAL), II.A.4.iv.(I)</u> • Alimony and Child Support: Alimony may be treated as a reduction from gross income or as a monthly obligation. Child support and maintenance are to be treated as a recurring liability. <u>Must obtain 28 consecutive days paystubs to determine whether garnished. Calculate the monthly debt from the greater of the amount on the most recent decree or agreement, or the amount of the garnishment, II.A.4.iv.(E) Alimony, Child Support and Maintenance (TOTAL), II.A.5.iv.(D)</u> • Authorized User Accounts: <u>If primary account holder has made all of the previous 12 months payments timely, can omit from ratios. If less than 3 months history in past 12 months, include in ratios, II.A.4.iv.(A) General Liabilities and Debt (TOTAL)II.A.5.iv.(A)</u> • Deferred Obligation: <u>Must be included. Obtain evidence of the deferral, outstanding balance, terms, and anticipated monthly payment. Use the actual payment if available. If not available for installment debt, use the term of the debt or 5% of the outstanding balance, 4000.1 II.A.4.b.iv. (G)(TOTAL), II.A.5.a.iv.(F)</u> • Student Loans: <u>Must be included. Use either: 1. Greater of 1% of the outstanding balance or the credit report payment, or 2. Use the actual documented payment, if it will amortize over the life of the loan., Effective 6/30/2016: 4000.1 II.A.4.b.iv.(H)(TOTAL), II.A.5.a.iv.(G). See the SF Handbook for documentation requirements. Note: This calculation may be used immediately, but must be used beginning with case numbers assigned on or after 6/30/2016.</u> • Energy System Leases: Are not required to be included in DTI. • Installment Debt < 10 Months: <u>Closed-end debts that will be paid off w/in 10 months do not have to be included if the cumulative payments of all such debts are less than or equal to 5% of the Borrower's gross monthly income. Borrowers may not pay down debt to meet the 10 month requirement or achieve the percentage, II.A.4.iv.A. General Debts and Liabilities (TOTAL), II.A.5.iv.(A)</u> • Revolving Debt: <u>Use 5% of the outstanding balance or the payment shown on the credit report or statement, II.A.4.iv.(I) Revolving Charge Accounts (TOTAL), II.A.5.iv.(H)</u> • 2-4 Unit Properties with TOTAL Scorecard approve / Accept-Eligible transactions: Maximum 50% DTI ratio if ANY borrower is a first-time homebuyer. • See <u>Non-Borrowing Spouse</u> for treatment of non-borrowing spouse debt.
<p>Deed Restrictions 10.9. Resale Deed Restrictions</p>	<ul style="list-style-type: none"> • <u>Mortgage Loans subject to resale deed restrictions, other than an acceptable Age Deed Restriction on a one-unit Property for Borrower's principal residence, that otherwise meets FHA guidelines, are NOT eligible, II.B.3.c.ii.(E) Easements and Deed Restrictions.</u>
<p>Disaster Policy 10.10. Disaster Policy 5/13/2016</p>	<ul style="list-style-type: none"> • For properties in FEMA-Declared disaster areas, lender requires a prior-to-purchase inspection
<p>Escrows/Impounds 5.19. Escrows/Impounds 5/13/2016 Citation Added</p>	<ul style="list-style-type: none"> • Escrow/Impound Requirements: All Loans must meet FHA requirements for a RESPA compliant escrow/impound account for taxes, insurance, and mortgage insurance premiums, <i>II.A.6.a.viii. Projected Escrow, II.A.8.d.vi.(C).(4).(h) Funds to Close, 3/14/2016.</i> The escrow account must be sufficient to meet the following obligations when they become due: <ul style="list-style-type: none"> ○ Hazard insurance premiums, real estate taxes, MIP, special assessments, flood insurance premiums, Ground Rents (if applicable), and any item that would create a lien ahead of the mortgage, other than HOA fees. ○ Flood insurance must be equal to the lesser of: The outstanding mortgage balance, less est. land costs, OR, the maximum amount of NFIP insurance available for the property improvements, <i>II.A.1.b.iv.(1) Special Flood Hazard Areas.</i> • Escrow Netting: Not permitted
<p>Escrow Holdbacks or Repair Funds 5/13/2016</p>	<ul style="list-style-type: none"> • Escrow Holdbacks: Not permitted

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<p>Exclusionary Lists 10.4.5. Exclusionary List</p>	<ul style="list-style-type: none"> • CAIVRS: All obligors on the Loan must be screened on CAIVRS. CAIVRS alerts must be satisfactorily resolved and supporting documentation must be included in the Loan file. <ul style="list-style-type: none"> ○ Verified delinquent federal debt makes the Borrower ineligible, <i>II.A.1. (10) Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt</i>. See Credit History Requirements for CAIVRS findings verification requirements. • HUD LDP / SAM: Loans are not eligible for FHA insurance if anyone participating in the transaction is listed on the HUD Limited Denial of Participation (LDP) or SAM / GSA System for Award Management, including: <ul style="list-style-type: none"> ○ Property Seller (except if selling principal residence), listing or selling Real Estate Agent, MLO, Loan Processor, Underwriter, Appraiser, 203(k) Consultant, <i>II.A.1. (B)(2) Other Parties to the Transaction, II.A.1.(1)(b) Borrower, Required Documentation</i>
<p>Family Member Defined 5/13/2016</p>	<ul style="list-style-type: none"> • Family Member Defined: Family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status, <i>II.A.1.a.i.(E).(1).(a) Sales Contract Standard, II.A.2.b.ii.(A)(1) Limitations Based on Identities of Interest – Definitions, 3/14/2016:</i> <ul style="list-style-type: none"> ○ Child, parent, or grandparent; <ul style="list-style-type: none"> ▪ 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; ○ 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.
<p>Identity of Interest, Tenant/Landlord 10.4.4.2. Identity of Interest, Non Arms-Length</p>	<ul style="list-style-type: none"> • Identity of Interest: <ul style="list-style-type: none"> ○ Definition: FHA defines an Identity of Interest transaction as a sale between parties with an existing Business Relationship or between Family Members and applies specific requirements to Loan transactions where there is Identity of Interest, <i>II.A.2.b.ii.(A) LTV Limitations Based on Identities of Interest</i>. ○ Family Member: See Family Member Defined in this program guide for the HUD definition of Family Member. ○ Tenant/Landlord: Identity of Interest restrictions also apply to most Tenant/Landlord purchase transactions. Generally, FHA restricts Identity of Interest and Tenant/Landlord transactions to maximum 85% LTV, <i>II.A.2.b.ii.(A) LTV Limitations Based on Identities of Interest</i>. ○ Prior Ownership Review: <u>If property sold within previous 12 months, prior ownership must be reviewed for undisclosed Identity of Interest transactions.</u> • The following are NOT eligible for delivery to Lender: <ul style="list-style-type: none"> ○ <u>Identity of interest or non-arms-length transactions on second homes</u> ○ <u>Transactions involving assignments of the sales contract</u> ○ <u>Loans made to owners and employees and/or its affiliates and subsidiaries of the Originating Broker Company are not eligible.</u> See Borrower Eligibility.

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<p>Income and Employment 5/13/2016</p>	<p>All Transactions:</p> <ul style="list-style-type: none"> • Continuity of Income - Income must be reasonably likely to continue for 3 years and otherwise meet FHA requirements, <i>II.A.4.c. Income Requirements (TOTAL), II.A.5.b.</i> • Non-Occupying Borrower Income: Cannot be used to qualify for cash-out refinance transactions. See Refinance Transactions • Also see Debt-to-Income Ratios and Tax Transcripts and 4506-T in this program guide. <p>Wage Earner Income:</p> <ul style="list-style-type: none"> • Employment Gaps: No explanation required for gaps of less than 6 months, <i>II.A.4.c.xi.(B) Addressing Gaps in Employment (TOTAL), II.A.4.b.xi.(B)</i> • Employment Verification: Obtain most recent 30 day's pay stubs showing YTD earnings (if paid weekly or bi-weekly, must cover a minimum of 28 consecutive days) AND either a VOE covering 2 years, or an electronic verification, Or obtain paystubs, 2 years W-2's and a verbal VOE, <i>II.A.4.c.ii. Employment Related Income (TOTAL), II.A.5.b.ii.</i> • Employment Re-Verification: Must be completed w/in 10 days prior to Note date. Verbal re-verification is acceptable, <i>II.A.4.c.ii.(C)(1)Traditional Current Employment Verification (TOTAL), II.A.5.b.ii.(1)</i> • Expected/Projected Income: For expected raises (such as cost-of-living increases), new jobs or retirement income that will be received within 60 Days of mortgage closing; document existence and amount with employer in writing. Must state income is guaranteed to begin w/in 60 days of loan closing. Borrower must have sufficient income or cash reserves to support all obligations until income begins. See <i>II.A.4.c.xii.(L)Expected Income (TOTAL), II.A.5.b.xii.(L).</i> • Frequent Changes In Employment, Stability of Employment Income: If the Borrower has changed employers more than 3 times in the prior 12 months, or has changed lines of work, obtain transcripts for training or education showing qualification for new position, or employment documentation evidencing continuing increases in income and/or benefits, unless field of employment regularly requires borrowers to work for various employers (e. g. temp company or union trades), <i>II.A.4.c.xi.(A) Frequent Changes in Employment, (TOTAL), II.A.5.b.xi.(A).</i> • Hourly Earnings Calculation: If hours do not vary, use hourly rate. If hours vary use a 2 year average. If hours vary and there is documented increase in pay rate, use 12 month average of hours at current pay rate, <i>II.A.4.c.iii.(2) Primary Employment, Hourly (TOTAL), II.A.5.b.iii.(C).</i> • Overtime and Bonus Income Calculation: General rule: Must have been received for past 2 years. Exception: Periods between 1 and 2 years may be acceptable if consistently earned for at least 1 year and likely to continue. To calculate: Average over 2 years. If the income from the current year decreases by 20% or more from the prior year, use the current year's income, <i>II.A.4.c.v.(TOTAL), II.A.5.b.v.</i> • Part-Time Employment Income: 2 years of uninterrupted part-time employment are required. Average the income over prior 2 years, or use a 12-month average at current pay rate if there is a documented increase in pay rate. <i>II.A.4.c.iv Part-time Employment (TOTAL), II.A.5.b.v.</i> • Temporary Income Reduction: For borrowers with a temporary reduction of income due to a short-term disability or similar temporary leave, consider the Borrower's current income as Effective Income, if it can be documented and verified that the Borrower: intends to return to work; has the right to return to work; and qualifies for the mortgage taking into account any reduction of income due to the circumstance. For Borrowers returning to work before or at the time of the first Mortgage Payment due date, U/W's may use the Borrower's pre-leave income. For Borrowers returning to work after the first Mortgage Payment due date, the U/W may use the Borrower's current income plus available surplus liquid asset Reserves, above and beyond any required Reserves, as an income supplement up to the amount of the Borrower's pre-leave income. The amount of the monthly income supplement is the total amount of surplus Reserves divided by the number of months between the first payment due date and the Borrower's intended date of return to work, <i>II.A.4.c.xi.(C)Addressing Temporary Reduction in Income(TOTAL), II.A.5.b.ix.(C)(I)</i> • VA Disability: Obtain a copy of the last benefits letter. If the letter does not have a defined expiration date, lender may consider the income effective and reasonably like to continue for at least 3 years, <i>4000.1 II.A.4.c.xii.(A).(2).(b), II.A.5.B.xii.(A).(2).(b) (March 14, 2016, Replaces ML 15-76).</i> <p>Self-Employment and Commission Income:</p> <ul style="list-style-type: none"> • Federal tax returns must be obtained in accordance with FHA guidelines. FHA requires two years of signed, complete, individual tax returns (or transcripts) for self-employed and commissioned Borrowers <i>II.A.4.c.x.(C)(1) Individual and Business Tax Returns (TOTAL), II.A.5.b.x.(C)(1)</i> • Business Tax Returns: The borrower's business tax returns for the most recent 2 years must also be obtained unless the following criteria are met: Individual federal income tax returns show increasing self-employment Income over the past 2 years; funds to close are not coming from business accounts; and the mortgage to be insured is not a cash-out refinance. • Commission Income: Must have been earned for at least 1 year in same or similar line of work and likely to continue. Calculate by subtracting unreimbursed expenses from lesser of: average net commission earned over past 2 years (or however long it's been earned) or the average income earned of the prior 1 year. Greater than 25% requires tax returns, <i>II.A.4.c.ix.Commission Income (TOTAL), II.A.5.b.ix.</i> • Self-Employment Declining Income: Loan must be downgraded to manual underwriting and is therefore not eligible for FHA loans delivered to Lender under this program • P & L, Balance Sheet: Obtain an YTD P & L and balance sheet if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed. Balance sheet is not required for Schedule C. If income used to qualify the borrower exceeds the 2 year tax return average, audited P & L or quarterly tax returns must be provided. <i>II.A.4.x.c.(C)Profit and Loss Statements and Balance Sheets (TOTAL), II.A.5.b.X.(C).</i> • Tax Return Analysis: Instruction for IRS form analysis is located in <i>4000.1 Appendix 2.0 – Analyzing IRS Forms</i> <p>Other Income</p> <ul style="list-style-type: none"> • MCC's are not allowed. • Military Income: A copy of the borrower's Military Leave and Earnings Statement is required. • Non-Taxable Income: Gross up using greater of 15% or actual tax rate. If borrower did not file a return use tax rate of 15%, <i>II.A.4.c.xii.(P)Non-Taxable Income (TOTAL), II.A.5.b.xii.(P).</i> • Pension, IRA and 401k Income Calculation: Use current amount if consistent. For IRA and 401(k), fluctuating amounts require use of 2 year (or time of receipt if less) average, <i>II.A.4.c.xii.(H)Pension (TOTAL) II.A.5.b.xii.(H)(2-3).</i> • Rental Income - For rental income calculations and history of rental income, follow FHA guidelines, <i>II.A.4. c. xii.(A).(I). Rental Income.</i> • Retained Primary Residence Rental Income: See Occupancy for requirements. • Section 8 Homeownership Vouchers: Are not eligible for Loans delivered to Lender. • Alimony, Child Support and Maintenance Income: If using voluntary payment agreement: obtain 12 months cancelled checks, deposit slips or tax returns. If there is evidence of receipt for most recent 6 months, may use the current payment to calculate income. If there are not 6 months of consistent payments, may average income received over prior 2 years, or less if the income has not been received that long, <i>II.A.4.c.xii.(B) Alimony, Child Support, and Maintenance Income (TOTAL), II.A.5.b.xii.(B)(Manual).</i>

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Inspections	<ul style="list-style-type: none"> Inspections: All required Certificates of Completion, clear final inspections (CO), and any other FHA required inspection documents, must be provided in the Loan file delivered to Lender, <i>II.B.3.b.iv Inspection by a Qualified Individual or Entity, II.A.3. Underwriting the Property.</i>
Leasehold Estates 10.8 Leasehold Estates	<ul style="list-style-type: none"> Leasehold Estates: Not allowed
Mortgage Insurance Premiums 5.19.11. FHA Insurance	<p>Mortgage Insurance Premium (MIP) Levels</p> <ul style="list-style-type: none"> FHA publishes MIP levels in <i>4000.1 Appendix 1.0 Mortgage Insurance Premiums.</i> <p>Mortgage Collection and Payment of Annual MIP</p> <ul style="list-style-type: none"> FHA requires that an escrow account must be established at loan closing, including escrows for the monthly payments of Annual MIP, <i>II.A.6.viii. (A).</i>
Non-Borrowing Spouse	<ul style="list-style-type: none"> Borrower's Authorization must be obtained for non-borrowing spouse and non-borrowing spouse consent must be obtained for SSN verification with the Social Security Administration, <i>II.A.1.a.i.(A)(3) Signature Requirements, II.A.1.(B) Mortgage Application and Initial Supporting Documentation,</i> Title: The non-borrowing spouse is not required to be a Borrower or a Cosigner. However, if necessary to perfect a valid first lien under state law, FHA requires the non-borrowing spouse to execute the security instrument, <i>II.A.1.ii.(4) Borrower and Co-Borrower Ownership, II.A.1.(13)(a) Consent of Non-Borrower Spouses.</i> If a non-borrowing spouse resides in a community property state, OR if the property being insured is located in a community property state, then, unless excluded by state law: <ul style="list-style-type: none"> Credit report must be obtained for the non-borrowing spouse, <i>II.A.4.b.i General Credit Requirements (TOTAL), II.A.5.(a),</i> and <ul style="list-style-type: none"> The credit report must indicate that the non-borrowing spouse's SSN was matched with the SSA, or provide separate documentation of such. Debt of the non-borrowing spouse must be included on the URLA and considered in the DTI unless excluded by state law (the Seller must notate in the file the specific law), <i>II.A.4.iv.(F) Non-Borrowing Spouse Debt (TOTAL) II.A.5.iv.(E)</i> Credit history is not considered a reason to deny a mortgage application, <i>II.A.4.iv.(F) Non-Borrowing Spouse Debt (TOTAL), II.A.5.iii.(A) General Credit</i> Disputed derogatory credit is not included in the cumulative balance for determining downgrade to Refer, <i>II.A.4.iii.(B)(2) Standard (TOTAL) II.A.5.iv.(K)</i> Judgements must be resolved or paid in full, <i>II.A.4.iii.(D) Judgements (TOTAL) II.A.5.iii.(G)</i> Collection Accounts must be included in the \$2,000 cumulative balance <i>II.A.4.iii.(L)(2) Collection Accounts (TOTAL) II.6.A.iv.(N)</i>
Non-Occupying Borrowers	<ul style="list-style-type: none"> FHA defines non-occupying Borrower transactions as involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the property as their primary residence: <i>II.A.2.b.(B). LTV Limitations Based on Non-Occupying Borrower Status</i> <ul style="list-style-type: none"> Generally, the maximum LTV is limited to 75% For one unit properties, the LTV can be increased to 96.5% if the Borrowers are Family Members, if the transaction does not involve a Family Member selling to a Family Member who will be a non-occupying co-Borrower Income from non-occupying Borrowers may not be used to qualify for cash-out refinance transactions. See Refinance Transactions. Residency: FHA requires that non-occupying co-Borrowers be US Citizens or have principal residence in the US, <i>II.A.1.ii.(5) Cosigner Requirements.</i> Non-occupying borrowers must sign the Note and all security instruments. Additionally, all Lender borrower eligibility restriction apply - see Borrower Eligibility.
Occupancy	<ul style="list-style-type: none"> See Refinance Transactions for occupancy documentation requirements. Principal Residence: FHA defines Principal Residence as "a dwelling where the Borrower maintains or will maintain their permanent place of abode, and will typically occupy for the majority of the calendar year, <i>II.A.1.b.iii.(A)(2) Standard.</i>" <ul style="list-style-type: none"> FHA requires that at least one Borrower occupy the property within 60 days after signing the security instrument and intend to occupy for at least one year. A person may have only one Principal Residence at a time.* <ul style="list-style-type: none"> *Conversion to Rental: Borrowers may obtain a second FHA Loan for new principal residence when relocating for employment and current residence is more than 100 miles from new residence area. One year lease and evidence of security deposit or first month's rent must be obtained. If no history of rental income for the property since the last tax filing, document that borrower has at least 25% equity in the property, <i>II.A.4.c.xii.(I) Rental Income (TOTAL), II.4.5.(b)xii.(I).</i> Second Home: FHA defines a secondary residence as a property that a Borrower occupies in addition to his/her principal residence, but less than the majority of the year, <i>II.A.1.b.iii.(B) Secondary Residence.</i> Restrictions include: <ul style="list-style-type: none"> The HUD must provide written approval and evidence of HUD approval must be provided in the Loan file LTV is restricted to 85% The secondary residence may not be a Vacation Home for recreational purposes There must not be affordable rental housing available within 100 miles of the Borrower's employment Investment Property (Not eligible for delivery to Lender): <i>II.A.1.b.iii.(C) Investment Property</i> <ul style="list-style-type: none"> FHA defines an investment property as "a property that is not occupied by the Borrower as a primary or secondary residence." Investment properties are not eligible for FHA Loans delivered to Lender in this program.

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<p>Power of Attorney 6.10 Power of Attorney 10/30/2015</p>	<ul style="list-style-type: none"> In certain situations, a specific, special, military, or limited Power of Attorney may be acceptable. Use of Power of Attorneys is not allowed for transactions with any of the following characteristics (not all characteristics may be applicable to this program): cash-out refinance; <u>investment properties</u>; title taken as trust; Texas (a)(6); identity of interest or non-arms-length transactions; <u>non-occupant borrowers may not use a POA.</u> See <i>Seller Guide Section 6.10. Power of Attorney</i> for complete Lender requirements. For FHA requirements, see FHA Handbook <i>II.A.I.a.i.(A)(3), III.A.6.a.xiii.(A)Use of Power of Attorney at Closing.</i>
<p>Product and Program Eligibility 7/29/2016</p>	<ul style="list-style-type: none"> Eligible Programs: All Loans must be eligible for insuring as a Title II forward mortgage as a Purchase, Cash-Out Refinance, No Cash-Out (Rate and Term Refinance, or Simple Refinance) transaction under the Section 203(b) Standard, 234(c) Condominium, or 251 Adjustable Rate Mortgages program. <ul style="list-style-type: none"> Programs and Products must be eligible to Lender and meet FHA requirements, <i>II.A.8. Programs and Products.</i> Ineligible FHA Products and Programs: <i>4000.1 II.A.8. Programs and Products</i> <ul style="list-style-type: none"> <u>1031 Tax Deferred Exchange</u> <u>"\$100 Down" and "Good Neighbor Next Door" Programs - See HUD REO Transactions</u> for HUD Transaction requirements. <u>203(h) Disaster Victims</u> <u>203(k) programs, including Standard 203(k) and Limited 203(k) Rehabilitation</u> <u>223(e) Economic Life</u> <u>235: Refinance or assumption of an existing Section 235 Mortgage Assistance Loan with an ongoing subsidy, <i>II.A.8.d.i.(B)(5)Refinancing of an Existing Section 235 Mortgage</i></u> <u>248 Indian Lands (IL)</u> <u>255 HECM (Reverse Mortgage)</u> <u>FHA "Assumption Program" Loans, <i>II.A.(8)</i></u> <u>Building on Own Land Program</u> <u>"Construction to Permanent" Single Close Loans, <i>4000.1 II.A.8.j</i>, or construction Loan modifications</u> <u>New Construction, <i>II.A.8.i. New Construction</i>, "Unless:</u> <ul style="list-style-type: none"> The Loan is for the construction-to-permanent refinancing of a construction Loan and the Loan meets all of the following: Property is complete, separate documentation, new qualification, new underwrite and new Note. The transaction must be in a Loan program otherwise eligible for delivery to Lender. <u>EEM, EEH, Energy Efficient programs.</u> <u>Escrow holdbacks –Loans with undisbursed escrow holdbacks are NOT eligible (including but not limited to <i>Weatherization, Solar and Wind Technologies</i>, unless all funds have been disbursed, and the <i>Escrow Closeout Certification</i> screen in FHAC was completed within 30 days after the escrow account was closed, for case numbers assigned on or after 10/31/2016.)</u> <u>Manufactured Home or Manufactured Condo (MHCP) Programs (Also see <u>Property Eligibility</u>)</u> <u>PACE: Loans secured by properties with Property Assessed Clean Energy (PACE) obligations or PACE-like clean energy program assessments are not eligible</u> <u>Refinance of Borrowers in Negative Equity Position – or any Short Refinance</u> <u>Loans to Non-Profit Organizations</u> <u>State and Geographic restrictions apply.</u> Programs not referenced in the <i>4000.1 Handbook</i>, that are not eligible for delivery to Lender: <ul style="list-style-type: none"> <u>203(i) Outlying Areas, 203(n) Single Family Cooperative Program, 220(d)(3)(A), 220(h) Urban Renewal, 223 I Misc. Housing Insurance, 238 I MIAs, 245(a) GPM GEM, Temporary Buy-downs</u> Ineligible Features: <ul style="list-style-type: none"> <u>Building on own land</u> <u>Construction-to-perm</u> <u>Easements and deed restrictions</u> <u>Loans with resale and deed restrictions</u> <u>Proposed or Under-Construction</u> <u>Loans to non-profit organizations</u>

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<p>Property Eligibility 10.7 Property Eligibility 7/29/2016</p>	<p>Eligible Property Types:</p> <ul style="list-style-type: none"> Lender purchases new (completed) and existing detached or semi-detached dwellings, including: Single Family Residence, PUDs, Condominiums and 2-4 unit residences. <ul style="list-style-type: none"> Must be an FHA and Lender eligible property type, <i>II.A.I.iv.(B) Property Types</i>. See <i>Ineligible Property Types</i> below in this section. Property must meet FHA requirements, set forth in HUD's <i>Minimum Property Standards (MPS)</i>, <i>II.A.I.iv.(C)(3) Verifying HUD's Minimum Property Standards/Minimum Property Requirements (MPR)</i> with no <i>Legal Restrictions on Conveyance, II.A.I.v.</i>, and <i>II.A.3.a.II, Minimum Property Requirements and Minimum Property Standards</i>. <p>Condition:</p> <ul style="list-style-type: none"> Property must be appraised "as-is" and otherwise meet FHA requirements, set forth in HUD's Minimum Property Requirements and <i>Minimum Property Standards (MPS), II.A.I.iv.(C)(3) Verifying HUD's Minimum Property Standards/Minimum Property Requirements (MPR)</i>. *Loans with pending work/escrow holdbacks are not eligible for delivery. If appraised "subject to", then all repairs must be completed prior to Loan delivery to Lender, and full "as is" appraisal, or 1004D/442 documenting satisfactory evidence that all repair work has been completed, must be provided. Properties with ratings of C5, C6 or UAD quality rating of Q6 are not allowed unless the issues that caused the ratings are cured prior to Loan delivery and acceptable documentation is provided by the appraiser. <p>Modular Homes: Modular homes are eligible (manufactured homes are not). Modular homes must be treated by the appraiser the same as stick built housing, <i>II.B.3.vii.(D) Appraisal, Modular Housing</i>.</p> <p>Mixed Use: FHA defines mixed use as a property suitable for a combination of residential and commercial, retail, office or parking space use, <i>II.A.I.iv.(A)(5) Mixed Use of Property</i>.</p> <ul style="list-style-type: none"> The appraiser must determine: <i>II.B.3.ii.(b) Non-Residential Use of Property</i> <ul style="list-style-type: none"> That a minimum of 51% of the entire building square footage is used for residential use. That the non-residential use: <ul style="list-style-type: none"> Does not affect the health and safety of the occupants; Has conforming zoning and is legally permitted; Does not impair the property's residential character or marketability. <p>Shared Wells: <i>Shared wells are allowed only when: Connection to public or community water systems is not feasible, and local officials have determined public connection is not feasible, II.A.3.a.i.(O)(3), Shared Wells.</i></p> <p>Ineligible Property Types:</p> <ul style="list-style-type: none"> Acreage greater than 15 acres (truncating acreage for appraisal purposes is not allowed) Assisted living or board and care facilities Bed and breakfast (or tourist houses), boarding houses, commercial enterprises fraternity or sorority houses, or non-real property such as houseboats, mobile homes, private clubs Condition Ratings: Properties with ratings of C5, C6 or UAD quality rating of Q6 are not allowed unless the issues that caused the ratings are cured prior to Loan delivery and acceptable documentation is provided by the appraiser. Ineligible condo projects, including condotels, motels or hotels (See <i>Condominiums</i>) Co-ops Condos not on FHA's Approved List Exotic or non-traditional types of structures such as dome homes or log homes Land Loans (unimproved properties or vacant land) Manufactured homes (whether or not built to MHCSS standards), Manufactured condos (FHA MHCP program) Native American Indian Trust Lands Properties with Property Assessed Clean Energy (PACE) obligations or PACE-like clean energy program assessments are not eligible Private clubs Proposed, under construction (Construction take-out financing is allowed on eligible property types if there is a new Loan with a new Note and new qualification, and the property is complete. See <i>Product and Program Eligibility</i>). Vacation Homes Working farms or ranches State and Geographic Restrictions apply
<p>Property Flipping (Rapid Re-Sales), Purchase Contract Assignment 9.9 Property Flipping and Assignment of Sale Contract</p>	<ul style="list-style-type: none"> Purchase Contract Assignment: Transactions with purchase contracts that have been assigned are not eligible for sale to Lender, <i>Seller Guide Section 9.9.1. Property Seller Status and Assignment of Purchase Contract</i>. Prior Ownership Review: If property sold within previous 12 months, evidence of prior ownership must be reviewed for undisclosed Identity of Interest transactions. See <i>Identity of Interest</i>. Property Flipping Rule: Is measured by the time between the dates the property seller acquired title and execution of the purchase contract, <i>II.A.I.b. iv.(A)(3) Restrictions on Property Flipping</i>. <ul style="list-style-type: none"> 90 Days: Properties resold within 90 days are not eligible for FHA insurance. <ul style="list-style-type: none"> Exceptions: Certain exceptions apply. See <i>II.A.I. b.iv.(3) iv. Exceptions to Time Restrictions on Resale</i>, for the list of sales transactions that are exempt from the Property Flipping Rule. 91-180 Days: If the resale occurs between 91 and 180 days after the property seller acquired the property (and the resale price is 100% or more above the initial price paid) then the Lender must obtain a second appraisal to determine current market value. If second appraisal is >5% lower, use lesser value, <i>II.A.I.b. iv. (3) iii. Resales Occurring Between 91 Days and 180 Days after Acquisition</i>.

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Property Listed for Sale	<ul style="list-style-type: none"> • Eligibility requirements: <ul style="list-style-type: none"> ○ Rate/Term, Simple Refinance or Streamline Refinance if listing was expired or cancelled prior to application date. ○ Cash-out Refinance if listing was expired or cancelled > 90 days prior to loan application date.

Refinance Transactions
5/13/2016

General Refinance Guidelines:

- Refinance transactions that are investment properties are not eligible for delivery to Lender.
- As long as the borrower has legal title to the property (even though not originally on the loan) the borrower is eligible to refinance the loan, *HQ Policy, 11.A.8.d.i.(A), FHA FAQ Preview, 6/17/2015*
- Lender must review the borrower's employment documentation or obtain utility bills to evidence that the borrower meets the specific occupancy requirements below.
- If the mortgage(s) on the property are not on the borrower's credit report or are not in the name of the borrower, obtain verification to evidence payment history for previous 12 months.
- Obtain the payoff statement(s) for all existing mortgages to satisfy documentation requirements relating to maximum mortgage amount.
- "Skipped payment" restrictions no longer apply (see "Mortgage Payment History" below).

No Cash –Out Refinance: There are two types of (non-Streamline) no-cash out refinances transactions, *Rate and Term* and *Simple Refinance*. Both types require appraisals.

- **General Requirements - No Cash-Out:** *11.A.8.d.vi. No Cash-Out Refinances.*
 - Borrowers can receive no more than \$500 cash back.
 - Refunds of unused escrow balance must not be considered in the cash back limit whether received at or subsequent to disbursement.
 - Excess funds may be used to reduce the Borrower's outstanding principal balance. Mortgagees must submit Mortgages for endorsement at the reduced principal amount,
- **Rate and Term Refinance** is a no-cash-out refinance of **any mortgage** in which all of the proceeds are used to pay existing mortgage liens and Loan costs, *11.A.8.d.vi.(A), Rate and Term.*
 - **Primary Residence:**
 - Maximum LTV is **97.75** percent for Principal Residences that have been the borrower's principal residence for previous 12 months, or principal residence since acquisition if acquired within 12 months, at case number assignment;
 - Maximum LTV is **85** percent for a Borrower who has occupied the subject Property as their Principal Residence for fewer than 12 months prior to the case number assignment date; or if owned less than 12 months, has not occupied the Property for that entire period of ownership.
 - **Primary Residence Occupancy Documentation:** Provide employment documentation or utility bills to document that Borrower currently occupies the property as their principal residence, and for how long.
 - **Secondary Residence:** Maximum LTV is **85** percent for all HUD-approved Secondary Residences. FHA requires documented evidence of second home HOC approval in Loan file.
 - **CLTV:** Maximum CLTV for rate and term refinances is **97.75**. For Loans with subordinating equity lines of credit, use the maximum line amount to calculate CLTV.
 - **Short payoffs** (where the maximum mortgage is not sufficient to extinguish the existing mortgage debt) are not eligible.
 - **Mortgage Payment History:**
 - Payments for all mortgages on subject must have been made **for the month prior to disbursement.**
 - **For Month Prior** - The Borrower must have made the payments for all Mortgages secured by the subject Property for the month prior to mortgage Disbursement.
 - **Required Documentation** - If the Mortgage on the subject Property is not reported in the Borrower's credit report, the Mortgagee must obtain a verification of Mortgage to evidence payment history for the previous 12 months.
- **Simple Refinance** is a no cash-out refinance of an **existing FHA insured mortgage** in which all of the proceeds are used to pay existing mortgage liens and Loan costs, *11.A.8.d.vi.(B) Simple Refinance.*
 - **Primary residence 97.75/97.75.**
 - **Second home 85/85.** FHA requires documented evidence of second home HOC approval in Loan file.
 - **Primary Residence Occupancy Documentation:** Provide employment documentation or utility bills to document Borrower currently occupies the property as their principal residence.
 - **Title:** At least one Borrower on the refinancing mortgage must hold title prior to case number assignment, *11.A.8.ii.(B) General Borrower Eligibility (FHA Insured to FHA Insured).*
 - **For Month Prior:** The Borrower must have made the payments for all Mortgages secured by the subject Property **for the month prior to mortgage Disbursement.**

Cash-Out Refinance, is a refinance of any mortgage **or** a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes. Cash-out refinances are designed to pull equity out of the property, *11.A.1.b.i.(C) Types of Refinances, 11.A.8.d.i.(B)(1) Cash-Out.*

- **LTV/CLTV: 85/85% of Adjusted Value, 11.A.8.d.v.(B) Maximum Mortgage Amount.**
 - **Combined Loan Amounts:** The combined mortgage amount of the first Mortgage and any subordinate liens cannot exceed the Nationwide Mortgage Limit described in National Housing Act's Statutory Limits, *11.A.8.d.v.(B)(1)(c) Nationwide Mortgage Limit.*
- **Seasoning and Occupancy:** MUST have been owned and occupied as principal residence for 12 months prior to case number assignment date. (Exceptions allowed for inheritance), *11.A.8.d.v.(A)(1) Occupancy Requirements.*
 - Provide employment documentation or utility bills to document borrower has occupied for 12 months.
 - **Non-Occupant Co-Borrowers:** Income from non-occupying Borrowers may not be used to qualify (but co-Borrower may be added to Note, per FHA FAQ). See Non-Occupying Borrowers.
- **Mortgage Payment History:** *11.A.8.d.v.(A)(2) Payment History Requirements*
 - **Subject:** Payments for all mortgages secured by subject property must have been paid within the month due for the month prior to **prior to mortgage loan disbursement.**
 - **For "all" mortgages:**
 - The borrower must have made all payments for all of their mortgages within the lesser of the month due for the previous 12 months or since obtaining the mortgages.
 - If the Mortgage on the subject Property is not reported in the Borrower's credit report or is not in the name of the Borrower, the Mortgagee must obtain a verification of Mortgage, bank statements or other documentation to evidence that all payments have been made by the Borrower in the month due for the previous 12 months.
 - Properties with mortgages must have a minimum of six months of mortgage payments. Free and clear properties may be refinanced as cash-out.
- **Ineligible Refinance Types:** Refinance of Borrowers in Negative Equity Positions (Short Refinance), and Rehabilitation or Repair Refinance are not eligible. See Product and Program Eligibility.
- **Refinance of Section 235:** Subsidy may not be ongoing. FHA will subordinate any secondary financing it has provided. See Secondary Financing.

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Restructured Mortgages	<ul style="list-style-type: none"> • Must meet agency requirements and must have a 24 months mortgage payment history immediately after the loan was restructured • In addition to meeting agency requirements during the 6-12 month payment period, no late payments are allowed during the 13-24 month period immediately after the loan was restructured.
Secondary Financing and Subordinate Liens 10.4.7. Subordinate Financing	<ul style="list-style-type: none"> • Valid First Liens: The Loan purchased by Lender must be in first lien position. Any other financing for subject property must subordinate, <i>II.A.1.b.ii.(A)(13) Valid First Liens.</i> • New Secondary Financing: <i>II.A.4.d.iii.(J) Secondary Financing (TOTAL), II.A.5.c.iii.(J)Secondary Financing</i> <ul style="list-style-type: none"> ○ All secondary financing must be from a source permissible by FHA, which includes: Governmental Entities, HOPE Grantees, HUD-Approved Nonprofits, Family Members, Private Individuals and other organizations. ○ All secondary financing must be disclosed, and create a lien. A copy of the Loan instrument must be provided. Periodic payments must be included in DTI, with no balloon in first 10 years. <ul style="list-style-type: none"> ▪ Additional requirements vary by the source of the secondary financing. See the applicable 4000.1 section • Re-subordinating secondary financing requirements: <ul style="list-style-type: none"> ○ <u>A certified copy of the subordination agreement or equivalent (requirements vary by property state)</u> ○ A copy of the Loan instrument (Note) is required • No Property Assessed Clean Energy (PACE) loans – applies to new or existing subordinate financing on purchase and refinance transactions • For refinance of an existing first with a subordinate or new second, also see Refinance Transactions. • Family Member Provided Secondary Financing: Must be disclosed at application; no costs may be financed into the new first mortgage; no balloons in first 10 years; all payments must be level and monthly payments and other restrictions apply, II.A.4.d.iii(J)(3)Family Members (TOTAL) II.A.5.c.iii.(J)(3). See Family Member Defined.
State and Geographic Restrictions	<ul style="list-style-type: none"> • Properties in the following states are eligible: <ul style="list-style-type: none"> ○ <u>California, Oregon, Washington, Arizona, Colorado</u>
Streamline Refinance	<ul style="list-style-type: none"> • See the Lender <i>FHA Streamline Refinance 4000.1 Program Guide</i>.
Tax Returns, Tax Transcripts and 4506T 10.5.6. Tax Return Transcripts	<ul style="list-style-type: none"> • A signed 4506-T must be obtained as required by FHA guidelines, <i>II.A.1. A.(3)Tax Verification Form or Equivalent</i> • <u>Lender requires</u> <ul style="list-style-type: none"> ○ <u>Tax transcripts matching the income verified for each year's income documented in the Loan file if available from the IRS.</u> ○ <u>If only W-2 income is considered in qualifying, and FHA does not require tax transcripts, then W-2 transcripts are acceptable to Lender, Seller Guide 10.5.6.</u>
Title Policy, Tax Payments 5.19.13 Title Insurance	<ul style="list-style-type: none"> • A title commitment (title policy) insuring the Lender in first lien position and applicable endorsements are required for all Loans, II.A.1.iii.(A)(5) Ordering Title Commitments. • Short form policy is acceptable on a refinance if provided through the original title company. • Sellers are responsible for all tax payments with economic loss dates or discount dates prior to purchase by Lender and/or 30 calendar days following purchase by Lender.
Trusts 10.6. Trust Eligibility	<ul style="list-style-type: none"> • Loans may not be in the name of a trust