FHA Training

Learn and Grow

Overview

- Eligibility – borrower can buy anywhere but there are maximum loan amounts that change per region
- No income limits
- Higher LTV allowed than on conventional financing – 96.5% LTV on a purchase, 97.75% on a rate term refinance and 85% allowed on a cash out refinance
- No homebuyer education
- Don't need to be a first time homebuyer!
- Can run LPA or DU to run TOTAL FHA SCORECARD – just by choosing FHA, the AUS will run it through correctly
- Have UFMIP (upfront mortgage insurance premium) AND monthly premium
- Need a clear CAIVRS, and the LDP and GSA list checked on every person involved in the transaction

FHA Mortgage Purpose

- Purchase (203B)

- Refinance (203B)
  - Cash-out refinance
  - No cash-out refinance – can payoff any liens against the property and maximum of $500 cash out
  - Streamline – payoff FHA 1st lien only and maximum of $500 cash out
- Rehabilitation or repair (203K)

- Primary residence only
  - May not currently have a FHA loan unless granted an exception for relocation or increase in family size
  - Second Homes – HUD grants case-by-case exceptions with waiver, we do not do these.
  - Investment Properties – FHA Streamline Refinance only

Maximum Loan to Value

Purchase – maximum 96.5%

- Identity of interest transactions = 85%
- Non-occupant co-borrower LTV limitations = 75% unless…
- Non-occupant co-borrower = 96.5% for one-unit properties, If the non-occupying co-borrower is a family member AND the non-occupying co-borrower is not the seller.

Refinance

- No Cash-out = 97.75%
- Cash-out = 85%

Calculating the LTV: Base loan amount (before the upfront MIP is added in) divided by the lesser of the appraised value or sales price (if applicable).

Identity of Interest

- An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members.
- The maximum LTV percentage for Identity-of-Interest transactions is restricted to 85 percent.
- The maximum LTV percentage for a transaction where a tenant-landlord relationship exists at the time of contract execution is restricted to 85 percent.
- The 85 percent LTV restriction may be exceeded if a Borrower purchases as their Principal Residence:
  - the Principal Residence of another Family Member; or
  - a Property owned by another Family Member in which the Borrower has been a tenant for at least six months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required.
- The 85 percent LTV restriction may be exceeded if an employee of a builder, who is not a Family Member, purchases one of the builder's new houses or models as a Principal Residence.
- The 85 percent LTV restriction may be exceeded if a corporation transfers an employee to another location, purchases the employee's house, and sells the house to another employee
- The 85 percent LTV restriction may be exceeded if the current tenant purchases the Property where the tenant has rented the Property for at least six months immediately predating the sales contract.

Basic FHA terminology

- CHUMS – Computerized homes underwriting management system, Underwriters have a CHUMS ID.
- DE – Direct Endorsed – saying we are endorsed to underwrite for the FHA program (DE underwriter has a CHUMS ID)
- FHA connection – Used by lenders to order and transfer FHA case numbers and all other case number assignment work
- Neighborhood Watch – Used to self- monitor performance of loans delivered to FHA. QC reviews our default rates monthly to ensure we stay in compliance with FHA requirements.
- HECM – Home Equity Conversion Mortgage or better knows as a Reverse Mortgage (we do not offer these programs), only for seniors age 62 or older
- HUD – Housing and Urban Development – runs the FHA program

What is the max LTV on a sale of a home from a mom to her son?
What is a CHUMS ID?
What does HECM stand for?

What is the max LTV on a sale of a home from a mom to her son? **85%**

What is a CHUMS ID? **The ID given to the underwriter to show they are approved to underwrite FHA loans.**

What does HECM stand for? **Home Equity Conversion Mortgage**

Maximum age of mortgage documents

- Documents used in the origination and underwriting of a Mortgage may not be more than 120 Days old at the Disbursement Date
- The 120 Day validity period for an appraisal may be extended for 30 Days at the option of the Mortgagee if (1) the Mortgagee approved the Borrower or HUD issued the Firm Commitment before the expiration of the original appraisal; or (2) the Borrower signed a valid sales contract prior to the expiration date of the appraisal.
- An appraisal update must be performed before the initial appraisal, with no extension, has expired. Where the initial appraisal is subsequently updated, the updated appraisal is valid for a period of 240 Days after the effective date of the initial appraisal report that is being updated

Handling of documents

- Mortgagees must not accept or use documents relating to the employment, income, assets, or credit of Borrowers that have been handled by, or transmitted from or through the equipment of unknown parties, or Interested Parties
- Mortgagees may not accept or use any third party verifications that have been handled by, or transmitted from or through any Interested Party, or the Borrower
- The Mortgagee must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header or the sender's email address) or contacting the source of the document by telephone to verify the document's validity
- The Mortgagee must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The Mortgagee must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the Mortgagee's visit to the URL and website.

POA

- A Power of Attorney (POA) may not be used unless the Mortgagee verifies and documents that all of the following requirements have been satisfied:
- For military personnel, a POA may only be used for one of the applications (initial or final), but not both:
  - when the service member is on overseas duty or on an unaccompanied tour;
  - when the Mortgagee is unable to obtain the absent Borrower's signature on the application by mail or via fax; and
  - where the attorney-in-fact has specific authority to encumber the Property and to obligate the Borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.
- For incapacitated Borrowers, a POA may only be used where:
  - a Borrower is incapacitated and unable to sign the mortgage application;
  - the incapacitated individual will occupy the Property to be insured, or the Property is being underwritten as an eligible Investment Property; and
  - the attorney-in-fact has specific authority to encumber the Property and to obligate the Borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.

Sales Contract

- The Mortgagee must not originate an insured Mortgage for the purchase of a Property if any provision of the sales contract violates FHA requirements.
- The Mortgagee must ensure that (1) all purchasers listed on the sales contract are Borrowers, and (2) only Borrowers sign the sales contract.
- An addendum or modification may be used to remove or correct any provisions of the sales contract that do not conform to these requirements.
- The Family Member of a purchaser, who is not a borrower, may be listed on the sales contract without modification or removal.

Family Member defined

- Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:
  - 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

- An unmarried couple is going to buy a house together using FHA financing. The man has terrible credit so they agree that the woman will be the one getting the home loan. She qualifies on her own.
- They both sign the purchase agreement.
- Does this pose a problem for FHA?

- Yes, this is a problem, since it is not a family member that signed the purchase contract, the man needs to be removed.
- Either get a new purchase contract signed or an addendum to the purchase contract removing the man.

Amendatory Clause

- If the Borrower does not receive form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value, before signing the sales contract, the sales contract must be amended before closing to include an amendatory clause. (or the Amendatory Clause needs signed separately).
- The borrower AND the seller must sign the amendatory clause
- An amendatory clause is not required in connection with:
  - HUD REO sales;
  - FHA's 203(k) mortgage program;
  - Sales in which the seller is:
    - Fannie Mae;
    - Freddie Mac;
    - U.S. Department of Veterans Affairs (VA);
    - United States Department of Agriculture (USDA) Rural Housing Services;
    - other federal, state, and local government agencies; o a Mortgagee disposing of REO assets; or
    - a seller at a foreclosure sale; or
  - Sales in which the Borrower will not be an owner-occupant (for example, sales to nonprofit agencies).

Amendatory Clause

- "It is expressly agreed that notwithstanding any other provisions of this contract, the purchaser shall not be obligated to complete the purchase of the property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise, unless the purchaser has been given, in accordance with HUD/FHA or VA requirements, a written statement by the Federal Housing Commissioner, Department of Veterans Affairs, or a Direct Endorsement lender setting forth the appraised value of the property of not less than $_____*. The purchaser shall have the privilege and option of proceeding with consummation of the contract without regard to the amount of the appraised valuation. The appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value or condition of the property. The purchaser should satisfy himself/herself that the price and condition of the property are acceptable."
- * Mortgagees must ensure the actual dollar amount of the sales price stated in the contract has been inserted in the amendatory clause. Increases to the sale price require a revised amendatory clause.

Real Estate Certification

- The Borrower, seller, and the real estate agent or broker involved in the sales transaction must certify, to the best of their knowledge and belief, that (1) the terms and conditions of the sales contract are true and (2) any other agreement entered into by any parties in connection with the real estate transaction is part of, or attached to, the sales agreement.
- A separate certification is not needed if the sales contract contains a statement that (1) there are no other agreements between parties and the terms constitute the entire agreement between the parties, and (2) all parties are signatories to the sales contract submitted at the time of underwriting.
- This document goes out with RESPA and must be signed by all parties by closing if not already part of the contract or already signed.

LOAN #:

REAL ESTATE CERTIFICATION:

The borrower, seller, and the selling real estate agent or broker involved in the sales transaction certify that the terms and conditions of the sales contract are true, to the best of their knowledge and belief, and that any other agreement entered into by any of the parties in connection with the real estate transaction is part of, or attached to, the sales agreement.

Annual email on Amendatory Clause and RE Certification

- The **amendatory clause** must be signed by the buyer and seller prior to ordering the appraisal on FHA transactions. If the amendatory clause is in the purchase contract that is acceptable and the separate form is not necessary.
- The **real estate cert** must be signed by the buyer, seller, and buyer's real estate agent on FHA transaction. The real estate agent can sign this document at closing if not done prior. It has been brought to my attention that contracts in the State of PA do not have a real estate agent sign them. If the real estate agent does not sign as the real estate agent (not a witness) then the separate form is required and can be signed at closing. The purchase contract will not work for the real estate cert portion of the form.
- The form that is generally used has both forms combined to one so that can be a bit confusing.
- The top part of the form needs signed by the seller/buyer before ordering the appraisal but the bottom portion where the Realtor signs does not need done until closing.
- Underwriting will only verify buyer/seller have signed then stip for the real estate agent to sign by closing, as necessary.

FHA required Disclosures

- Informed Consumer Choice Disclosure
- Form HUD – 92900B – Important Notice to Homebuyers
- Lead Based Paint (if property built prior to 1978)
- Form HUD 92564-CN, For Your Protection Get a Home Inspection
- FHA Notice to Homeowner
- Energy Efficient Mortgage Fact Sheet
- FHA Amendatory Clause and Real Estate Cert – Purchase only

U.S. Department of
Housing and Urban
Development
Federal Housing Administration (FHA)

OMB Approval No: 2502-0538 (exp. 04/30/2018)

For Your Protection: Get a Home Inspection

CAUTION

Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information about the overall condition of the home prior to purchase. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

Evaluate the physical condition: structure, construction, and mechanical systems;
Identify items that need to be repaired or replaced; and
Estimate the remaining useful life of the major systems, equipment, structure, and finishes.

You Must Ask for a Home Inspection

A home inspection will only occur if you arrange for one. FHA does not perform a home inspection.

Decide early. You may be able to make your contract contingent on the results of the inspection.

Appraisals are Different from Home Inspections

An appraisal is different from a home inspection and does not replace a home inspection. Appraisals estimate the value of the property for lenders. An appraisal is required to ensure the property is marketable. Home inspections evaluate the condition of the home for buyers.

FHA Does Not Guarantee the Value or Condition of your Potential New Home

If you find problems with your new home after closing, FHA cannot give or lend you money for repairs, and FHA cannot buy the home back from you. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Radon Gas Testing and other safety/health issues

The United States Environmental Protection Agency and the Surgeon General of the United States have recommended that all houses should be tested for radon. For more information on radon testing, call the toll-free National Radon Information Line at 1-800-SOS-Radon or 1-800-767-7236.

Ask your home inspector about additional health and safety tests that may be relevant for your home.

Be an Informed Buyer

It is your responsibility to be an informed buyer. You have the right to carefully examine your potential new home with a qualified home inspector. To find a qualified home inspector ask for references from friends, realtors, local licensing authorities and organizations that qualify and test home inspectors.

CAUTION

LOAN #: 200010038

Important Notice to Homebuyers

U.S. Department of Housing and Urban Development
Office of Housing - Federal Housing Commissioner

OMB Approval No. 2502-0059
(Expires 04/30/2017)

You must read this entire document at the time you apply for the loan.
Return one copy to mortgagee as proof of notification and keep one copy for your records.

Condition of Property

The property you are buying is not HUD/FHA approved and HUD/FHA does not warrant the condition or the value of the property. An appraisal will be performed to estimate the value of the property, but this appraisal does not guarantee that the house is free of defects. You should inspect the property yourself very carefully or hire a professional inspection service to inspect the property for you.

Interest Rate and Discount Points

a. HUD does not regulate the interest rate or the discount points that may be paid by you or the seller or other third party. You should shop around to be sure you are satisfied with the loan terms offered and with the service reputation of the mortgagee you have chosen.
b. The interest rate, any discount points, and the length of time the mortgagee will honor the loan terms are all negotiated between you and the mortgagee.
c. The seller can pay the discount points, or a portion thereof, if you and the seller agree to such an arrangement.
d. Mortgagees may agree to guarantee or "lock-in" the loan terms for a definite period of time (i.e., 15, 30, 60 days, etc.) or may permit your loan to be determined by future market conditions, also known as "floating". Mortgagees may require a fee to lock in the interest rate or the terms of the loan, but must provide a written agreement covering a minimum of 15 days before the anticipated closing.
e. Your agreement with the mortgagee will determine the degree, if any, that the interest rate and discount points may rise before closing.
f. If the mortgagee determines you are eligible for the mortgage, your agreement with the seller may require you to complete the transaction or lose your deposit on the property.

Don't Commit Loan Fraud

It is important for you to understand that you are required to provide complete and accurate information when applying for a mortgage loan.

a. Do not falsify information about your income or assets.
b. Disclose all loans and debts (including money that may have been borrowed to make the down payment).
c. Do not provide false letters-of-credit, cash-on-hand statements, and gift letters or sweat equity letters.
d. Do not accept funds to be used for your down payment from any other party (seller, real estate salesperson, builder, etc.).
e. Do not falsely certify that a property will be used for your primary residence when you are actually going to use it as a rental property.
f. Do not act as a "strawbuyer" (somebody who purchases a property for another person and then transfers title of the property to that person), nor should you give that person personal or credit information for them to use in any such scheme.
g. Do not apply for a loan by assuming the identity of another person.
h. Do not sign an incomplete or blank document; that is missing the name and address of the recipient or other important identifying information.

Penalties for Loan Fraud: Federal laws provide severe penalties for fraud, misrepresentation, or conspiracy to influence wrongly the issuance of mortgage insurance by HUD. You can be subject to a possible prison term and fine of up to $10,000 for providing false information. Additionally, you could be prohibited from obtaining a HUD-insured loan for an indefinite period.

Report Loan Fraud: If you are aware of any fraud in HUD programs or if an individual tries to persuade you to make false statements on a loan application, you should report the matter by calling your nearest HUD office or the HUD Regional Inspector General, or call the HUD Hotline on 1 (800) 347-3735.

Warning: It is a crime to knowingly make false statements to the United States Government on this or any similar form. Penalties upon conviction can include a fine and imprisonment. For details see: Title 18 U.S. Code Section 1001 and Section 1010.

Discrimination

If you believe you have been subject to discrimination because of race, color, religion, sex, handicap, familial status, or national origin, you should call HUD's Fair Housing & Equal Opportunity Complaint Hotline: 1 (800) 669-9777.

LOAN #: 200010038

About Prepayment

This notice is to advise you of the requirements that must be followed to accomplish a prepayment of your mortgage, and to prevent accrual of any interest after the date of prepayment.

You may prepay any or all of the outstanding indebtedness due under your mortgage at any time, without penalty. However, to avoid the accrual of interest on any prepayment, the prepayment must be received on the installment due date (the first day of the month) if the mortgagee stated this policy in its response to a request for a payoff figure.

Otherwise, you may be required to pay interest on the amount prepaid through the end of the month. The mortgagee can refuse to accept prepayment on any date other than the installment due date.

For all FHA mortgages closed on or after January 21, 2015, mortgagees may only charge interest through the date the mortgage is paid in full.

FHA Mortgage Insurance Information

Who may be eligible for a refund?

Premium Refund: You may be eligible for a refund of a portion of the insurance premium if you paid an upfront mortgage insurance premium at settlement and are refinancing with another FHA mortgage.

Review your settlement papers or check with your mortgage company to determine if you paid an upfront premium.

Exceptions:

Assumptions: When a FHA insured loan is assumed the insurance remains in force (the seller receives no refund). The owner of the property at the time the insurance is terminated is entitled to any refund.

FHA-to-FHA Refinance: When a FHA insured loan is refinanced, the refund from the old premium may be applied toward the upfront premium required for the new loan.

How are Refunds Determined?

The FHA Commissioner determines how much of the upfront premium is refunded when loans are terminated. Refunds are based on the number of months the loan is insured.

Monthly Insurance Premiums

In addition to an upfront mortgage insurance premium (UFMIP), you may also be charged a monthly mortgage insurance premium. You will pay the monthly premium for either:

- the first 11 years of the mortgage term, or the end of the mortgage term, whichever occurs first, if your mortgage had an original principal obligation (excluding financed UFMIP) with a loan-to-value (LTV) ratio of less than or equal to 90 percent; or
- the first 30 years of the mortgage term, or the end of the mortgage term, whichever occurs first, for any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent.

Important: The rules governing the eligibility for premium refunds are based on the financial status of the FHA insurance fund and are subject to change.

SI USTED HABLA ESPANOL Y TIENE DIFICULTAD LEYENDO O HABLANDO INGLES, POR FAVOR LLAME A ESTE NUMERO TELEFONICO 800.697.6967.

You, the borrower, must be certain that you understand the transaction. Seek professional advice if you are uncertain.

Acknowledgment: I acknowledge that I have read and received a copy of this notice at the time of loan application. This notice does not constitute a contract or binding agreement. It is designed to provide current HUD/FHA policy regarding refunds.

INFORMED CONSUMER CHOICE DISCLOSURE NOTICE

U.S. Department of Housing and Urban Development
Office of Housing - Federal Housing Commissioner

OMB Approval No. 2502-0059
(exp. 06/30/2017)

In addition to an FHA-insured mortgage, you may also qualify for other mortgage products offered by your lender. To ensure that you are aware of available financing options, your lender has prepared a comparison of the typical costs of alternative conventional mortgage product(s), using representative loan amounts and costs. The loan amounts and associated costs shown below will vary from your own mortgage loan transaction. You should study the comparison carefully, ask questions, and determine which product is best for you. The information provided below was prepared as of **October 26, 2017.**

Neither your lender nor FHA warrants that you actually qualify for any mortgage loan offered by your lender. This notice is provided to you to identify the key differences between these mortgage products. This disclosure is not a contract and does not constitute loan approval. Actual mortgage approval can only be made following a full underwriting analysis by your lender.

	FHA Financing 203(b) Fixed Rate	**Conventional Financing 95% with Mortgage Insurance**
1. Sales Price	$100,000	$100,000
2. Mortgage Amount	$96,500 - $98,188 w/ Upfront Mortgage Insurance Premium (UFMIP).	$95,000
3. Closing Costs	$2,000	$2,000
4. Down Payment Needed	$3,500	$5,000
5. Interest Rate and Term of Loan in Years	5.00% / 30 Year Loan	5.00% / 30 Year Loan
6. Monthly Payment (principal and interest only)	$527.09	$509.98
7. Loan-to-Value (LTV)	96.5%	95%
8. Monthly Mortgage Insurance Premium (MIP)	$67.90	$49.08
9. Maximum Number of Years of Monthly MIP Payments	30 years	Approximately 9.9 Years
10. UFMIP	$1,688.00 (typically included in mortgage amount, line 2)	

1. The monthly MIP is calculated on the average annual principal balance, i.e., as the amount you owe on the loan decreases each year, so does the amount of the monthly premium.
2. Based on an UFMIP rate of 1.75%, the total mortgage amount is $98,188.
3. Streamline refinances of FHA loans endorsed/insured by FHA prior to June 1, 2009 are subject to a reduced UFMIP of .01% and a reduced annual MIP of .55% ($44.22 monthly for a loan amount of $96,500).

LOAN #: 200010038

FHA Mortgage Insurance Premium Information

In addition to an UFMIP, you may also be charged a monthly MIP. You will pay the monthly premium for either:

- the first 30 years of the mortgage term, or the end of the mortgage term, whichever occurs first, for any mortgage involving an original principal obligation (excluding financed UFMIP) with a LTV greater than 90 percent; or
- the first 11 years of the mortgage term, or the end of the mortgage term, whichever occurs first, if your mortgage had an original principal obligation (excluding financed UFMIP) with a LTV ratio of less than or equal to 90 percent.

Notice to Homeowner

Assumption of HUD/FHA Insured Mortgages
Release of Personal Liability

FHA Case Number:
Loan Number: **200010038**

You are legally obligated to make the monthly payments required by your mortgage (deed of trust) and promissory note.

The Department of Housing and Urban Development (HUD) has acted to keep investors and non-creditworthy purchasers from acquiring one-to-four family residential properties covered by certain FHA-insured mortgages. There are minor exceptions to the restriction on investors: loans to public agencies and some non-profit organizations, Indian tribes or service persons; and loans under special mortgage insurance programs for property sold by HUD, rehabilitation loans or refinancing of insured mortgages. Your lender can advise you if you are included in one of these exceptions.

HUD will therefore direct the lender to accelerate this FHA-insured mortgage loan if all or part of the property is sold or transferred to a purchaser or recipient (1) who will not occupy the property as his or her principal residence, or (2) who does occupy the property but whose credit has not been approved in accordance with HUD requirements. This policy will apply except for certain sales or transfers where acceleration is prohibited by law.

When a loan is accelerated, the entire balance is declared "immediately due and payable." Since HUD will not approve the sale of the property covered by this mortgage to an investor or to a person whose credit has not been approved, you, the original homeowner, would remain liable for the mortgage debt even though the title to the property might have been transferred to the new buyer.

Even if you sell your home by letting an approved purchaser (that is, a creditworthy owner-occupant) assume your mortgage, you are still liable for the mortgage debt unless you obtain a release from liability from your mortgage lender. FHA-approved lenders have been instructed by HUD to prepare such a release when an original homeowner sells his or her property to a creditworthy purchaser who executes an agreement to assume and pay the mortgage debt and thereby agrees to become the substitute mortgagor. The release is contained in Form HUD-92210-1, ("Approval of Purchaser and Release of Seller"). You should ask for it if the mortgage lender does not provide it to you automatically when you sell your home to a creditworthy owner-occupant purchaser who executes an agreement to assume personal liability for the debt. When this form is executed, you are no longer liable for the mortgage debt.

You must sign and date this Notice as indicated, return one copy to your lender as proof of notification and keep one copy for your records.

Energy-Efficient Mortgages Fact Sheet

Property Address: [redacted]

File No. LOAN # 200010038

Purpose

Provides mortgage insurance for a person to purchase or refinance a principal residence and incorporate the cost of energy efficient improvements into the mortgage. The mortgage loan is funded by a lending institution, such as a mortgage company, bank, savings and loan association and the mortgage is insured by HUD.

Eligibility Requirements

- Borrower must meet standard FHA credit qualifications.
- Borrower is able to finance closing cost and the up-front mortgage insurance premium into the mortgage. The borrower will also be responsible for paying an annual premium.
- Existing or newly constructed one to four unit properties are eligible.
- The cost of the energy-efficient improvements that may be eligible for financing into the mortgage is the greater of 5% percent of the property's value (not to exceed $8,000) or $4,000.
- To be eligible for inclusion in the mortgage, the energy-efficient improvements must be cost effective, meaning that the total cost of the improvements is less than the total present value of the energy saved over the useful life of the energy improvement.
- The cost of the energy improvements and estimate of the energy savings must be determined by a home energy rating system (HERS) or energy consultant. Up to $200 of the cost of the energy inspection report may be included in the mortgage.
- Maximum mortgage amount for a single-family unit is $ *plus* the cost of the eligible energy-efficient improvements. Lesser limits may be applicable in other areas.

For More Information

- Contact your local HUD office.

- Why do you think FHA has these additional forms?
- Where will you find the Amendatory Clause?
- When does the Amendatory Clause need signed by?
- Who is required to sign the Amendatory Clause?
- Where will you find the Real Estate Cert?
- Who has to sign the RE Cert?

- Why do you think FHA has these additional forms? **Protect the borrower!**
- Where will you find the Amendatory Clause? **It may be part of the purchase contract, if not it will be in the eFolder called FHA Amendatory Statement and Real Estate Cert. Get from the loan officer if not there.**
- When does the Amendatory Clause need signed by? **Before the appraisal is ordered**
- Who is required to sign the Amendatory Clause? **Borrowers and Sellers**
- Where will you find the Real Estate Cert? **Could be in the Purchase contract or a separate form with the Amendatory Clause. In PA, the realtors don't sign the contract so it will always be a separate form.**
- Who has to sign the RE Cert? **Buyers, Sellers and Realtors**

Maximum Mortgage Amounts

- Base loan amounts cannot exceed the mortgage loan limits by area
  - Total loan amount includes any financed UFMIP

- Need to look these up on the FHA website but these are the minimum limits, some areas are higher:
  - Mortgage Loan Limits – Low Cost Area
    - One-unit $294,515
    - Two-unit $377,075
    - Three-unit $455,800
    - Four-unit $566,425
  - Mortgage Loan Limits – High Cost Area
    - One-unit $679,650
    - Two-unit $870,225
    - Three-unit $1,051,875
    - Four-unit $1,307,175

- Exceptions for Alaska, Hawaii, Guam, and the Virgin Islands

Maximum Mortgage Amounts

Secure | https://entp.hud.gov/idapp/html/hicostlook.cfm

Apps Bookmarks Imported From IE Paylocity Freddie FHA VA GNMA USDA Fannie PMI INVESTORS

HUD.GOV

U.S. Department of Housing and Urban Development
Secretary Ben Carson

FHA Mortgage Limits

Welcome to the FHA Mortgage Limits page. This page allows you to look up the FHA or GSE mortgage limits for one or m
Price value for each jurisdiction. Those are the median price estimates used for loan limit determination. They are for the l
year just prior to the effective year of the loan limits. These median prices only directly determine the actual (1-unit) loan li
limits. Limits for multiple-unit properties are fixed multiples of the 1-unit limits. The full set of county-level median price esti
via the link found at the bottom of this page.

Detailed **help** is available, or send questions to the Single Family Administrator.

Sorted By: County

State: All States

County:

County Code:

MSA Name:

MSA Code:

Limit Type: FHA Forward

Limit Year: CY2018

Last Revised: / /

Send

Maximum Mortgage Amounts – some of Ohio

CINCINNATI, OH-KY-IN	17140		CLERMONT	025	OH	$294,515
WILMINGTON, OH	48940		CLINTON	027	OH	$294,515
SALEM, OH	41400		COLUMBIANA	029	OH	$294,515
COSHOCTON, OH	18740		COSHOCTON	031	OH	$294,515
BUCYRUS, OH	15340		CRAWFORD	033	OH	$294,515
CLEVELAND-ELYRIA, OH	17460		CUYAHOGA	035	OH	$294,515
GREENVILLE, OH	24820		DARKE	037	OH	$294,515
DEFIANCE, OH	19580		DEFIANCE	039	OH	$294,515
COLUMBUS, OH	18140		DELAWARE	041	OH	$345,000
SANDUSKY, OH	41780		ERIE	043	OH	$294,515
COLUMBUS, OH	18140		FAIRFIELD	045	OH	$345,000
WASHINGTON COURT HOUSE, OH	47920		FAYETTE	047	OH	$294,515
COLUMBUS, OH	18140		FRANKLIN	049	OH	$345,000
TOLEDO, OH	45780		FULTON	051	OH	$294,515
POINT PLEASANT, WV-OH	38580		GALLIA	053	OH	$294,515
CLEVELAND-ELYRIA, OH	17460		GEAUGA	055	OH	$294,515
DAYTON, OH	19380		GREENE	057	OH	$294,515
CAMBRIDGE, OH	15740		GUERNSEY	059	OH	$294,515

Maximum Mortgage Amounts – some of MD

MSA Name	MSA Code	Division	County Name	County Code	State	One-Family
CUMBERLAND, MD-WV	19060		ALLEGANY	001	MD	$294,515
BALTIMORE-COLUMBIA-TOWSON, MD	12580		ANNE ARUNDEL	003	MD	$517,500
BALTIMORE-COLUMBIA-TOWSON, MD	12580		BALTIMORE	005	MD	$517,500
BALTIMORE-COLUMBIA-TOWSON, MD	12580		BALTIMORE CITY	510	MD	$517,500
WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-	47900	47894	CALVERT	009	MD	$679,650
NON-METRO	99999		CAROLINE	011	MD	$294,515
BALTIMORE-COLUMBIA-TOWSON, MD	12580		CARROLL	013	MD	$517,500
PHILADELPHIA-CAMDEN-WILMINGTON, PA-NJ-D	37980	48864	CECIL	015	MD	$385,250
WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-	47900	47894	CHARLES	017	MD	$679,650
CAMBRIDGE, MD	15700		DORCHESTER	019	MD	$294,515
WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-	47900	43524	FREDERICK	021	MD	$679,650

FHA Mortgage Insurance

Upfront Mortgage Insurance Premium

- Standard UFMIP factor: 175 Basis Points (bps)
- Must be entirely financed into the mortgage loan or paid entirely in cash.
- Not refundable EXCEPT in connection with refinancing to a new FHA mortgage within 3 years of the endorsement of the existing FHA mortgage loan.
- Streamline refinances and Simple refinances = reduced factor 1 bps for cases endorsed on or before May 31, 2009.

Monthly Mortgage Insurance – Annual MIP

- Amount varies based on loan type, loan amount, and loan terms. Standard loan MIP factors below.
- Streamline refinances and Simple refinances = reduced to 55 bps for cases endorsed on or before May 31,2009.

Mortgage Term of More Than 15 Years			
Base Loan Amount	**LTV**	**MIP (bps)**	**Duration**
Less than or equal to $625,500	≤ 90.00%	80	11 years
	> 90.00% but ≤ 95.00%	80	Mortgage term
	> 95.00%	85	Mortgage term
Greater than $625,500	≤ 90.00%	100	11 years
	> 90.00% but ≤ 95.00%	100	Mortgage term
	> 95.00%	105	Mortgage term
Mortgage Term of Less than or Equal to 15 Years			
Base Loan Amount	**LTV**	**MIP (bps)**	**Duration**
Less than or equal to $625,500	≤ 90.00%	45	11 years
	> 90.00%	70	Mortgage term
Greater than $625,500	≤ 78.00%	45	11 years
	> 78.00% but ≤ 90.00%	70	11 years
	> 90.00%	95	Mortgage term

When does monthly MIP stop on a FHA loan?

Can the seller pay some of the UFMIP at closing?

Depends on the LTV of the loan.

LTV less than or equal to 90% - Annual MIP will be collected until the end of the loan term, or 11 years, whichever occurs first

NO – ALL of the UFMIP must be financed or ALL of the UFMIP must be paid in cash. The seller can pay ALL of the UFMIP at closing (but then it cannot be financed)

Ordering Case Numbers

Order Case numbers through FHA Connection (FHAC)

A case number can be obtained only when the Mortgagee has an active mortgage application for the subject Borrower and Property.

- In order to obtain a case number, the Mortgagee must:
  - provide the subject Borrower's name, SSN, and date of birth;
  - provide the property address; and
  - certify that the Mortgagee has an active mortgage application for the subject Borrower and Property.
- FHA Automated Data Processing (ADP) Codes are derived from the section of the National Housing Act under which the Mortgage is to be insured. The Mortgagee must select the correct ADP code for each Mortgage in FHAC.
- If FHAC detects that a case number currently exists for the Property, a case number will not be assigned. The Mortgagee will receive notification that the case number assignment has been placed in Holds Tracking. The Mortgagee must review the Holds Tracking screen in FHAC to determine the necessary actions to obtain a case number.

Canceling a Case Number

The Mortgagee may request cancellation of a case number by submitting a request to HUD

- A case number will be canceled only if:
  - an appraisal has not been completed and the Borrower will not close the Mortgage as an FHA-insured Mortgage;
  - the FHA mortgage insurance will not be sought; or
  - the appraisal has already expired.
- The Mortgagee must submit a request for cancellation to the FHA Resource Center at answers@hud.gov using the Case Cancellation Request Template.
- Case numbers are automatically canceled after six months if one of the following actions is not performed as a last action:
  - appraisal information entered;
  - Firm Commitment issued by FHA;
  - insurance application received and subsequent updates; or
  - Notices of Return (NOR) or resubmissions.

Other options with Case #'s

- Reinstatement
  - The Mortgagee may request reinstatement of canceled case numbers by submitting a request to the FHA Resource Center using the Case Reinstatement Request Template.
  - Case numbers that were automatically canceled will be reinstated only if the Mortgagee provides evidence that the subject Mortgage closed prior to cancellation of the case number, such as a Closing Disclosure or similar legal document.
- Transferring
  - The original Mortgagee must assign the case number to the new Mortgagee using the Case Transfer function in FHAC immediately upon the Borrower's request.
  - The original Mortgagee may provide processing documents but is not required to do so.
  - The original Mortgagee may not charge the Borrower for the transfer of any documents, but the original Mortgagee may negotiate a fee with the new Mortgagee for providing the processing documents.
  - The original Mortgagee is never entitled to a fee for the transfer of processing documents for a Streamline Refinance.

Appraisals – Transfer requirements

- In cases where a Borrower has switched Mortgagees, the first Mortgagee must, at the Borrower's request, transfer the appraisal to the second Mortgagee within five business days.
- The Appraiser is not required to provide the appraisal to the new Mortgagee.
- The client name on the appraisal does not need to reflect the new Mortgagee.
- If the original Mortgagee has not been reimbursed for the cost of the appraisal, the Mortgagee is not required to transfer the appraisal until it is reimbursed.
- The second Mortgagee may not request the Appraiser to re-address the appraisal. If the second Mortgagee finds deficiencies in the appraisal, the Mortgagee must order a new appraisal.
- Where a Mortgagee uses an existing appraisal for a different Borrower, the Mortgagee must enter the new Borrower's information in FHAC. The Mortgagee must collect an appraisal fee from the new Borrower and refund the fee to the original Borrower.
- If a Case Transfer is involved, the new Mortgagee must enter the Borrower's information in FHAC. The new Mortgagee must collect an appraisal fee from the Borrower, and send the fee to the original Mortgagee, who, in turn, must refund the fee to the original Borrower.

Ordering a Second Appraisal

- A second appraisal may only be ordered if the Direct Endorsement (DE) underwriter (underwriter) determines the first appraisal is materially deficient and the Appraiser is unable or uncooperative in resolving the deficiency.
- The Mortgagee must fully document the deficiency and status of the appraisal in the mortgage file.
- The Mortgagee must pay for the second appraisal.
- The Mortgagee is prohibited from ordering an additional appraisal to achieve an increase in value for the Property and/or the elimination or reduction of deficiencies and/or repairs required.
- The Mortgagee may order a second appraisal for Mortgages that are in accordance with requirements on Property Flipping

Ordering a Second Appraisal

- Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability. Material deficiencies include, but are not limited to:
  - failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
  - reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal; and
  - fraudulent statements or conclusions when the Appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy and/or thoroughness of the appraisal submitted to the client.
- The Mortgagee must document why a second appraisal was ordered and retain the explanation and all appraisal reports in the case binder.

Property Flipping

- Property Flipping refers to the purchase and subsequent resale of a Property in a short period of time.
- Under 90 days (3 months)
  - A Property that is being resold 90 Days or fewer following the seller's date of acquisition is not eligible for an FHA-insured Mortgage.
- Resales occurring between 91 (3 months) and 180 days (6 months)
  - A Mortgagee must obtain a second appraisal by another Appraiser if:
    - the resale date of a Property is between 91 and 180 Days following the acquisition of the Property by the seller; and
    - the resale price is 100 percent or more over the price paid by the seller to acquire the Property. If the second appraisal supports a value of the Property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used as the Property Value in determining the Adjusted Value.
    - The cost of the second appraisal may not be charged to the Borrower.

Property Flipping

- The eligibility of a Property for a Mortgage insured by FHA is determined by the time that has elapsed between the date the seller has acquired title to the Property and the date of execution of the sales contract that will result in the FHA-insured Mortgage.
- FHA defines the seller's date of acquisition as the date the seller acquired legal ownership of that Property.
- FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the Property with an FHA-insured Mortgage.

Property Flipping Exceptions to Time Restrictions

- Properties acquired by an employer or relocation agency in connection with the relocation of an employee;
- resales by HUD under its REO program;
- sales by other U.S. government agencies of Single Family Properties pursuant to programs operated by these agencies;
- sales of Properties by nonprofits approved to purchase HUD owned Single Family Properties at a discount with resale restrictions;
- sales of Properties that are acquired by the seller by inheritance;
- sales of Properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE);
- sales of Properties by local and state government agencies; and
- sales of Properties within PDMDAs, only upon issuance of a notice of an exception from HUD.

- When can you charge a 2nd appraisal fee to a borrower?
- Joe Fixerupper buys a house on January 1, 2018 for $45,000. He renovates it all month, makes it beautiful and writes a contract with a Josie Buyer on February 15, 2018 for $85,000. Can Josie buy this home with FHA financing?
- Jen Fixeruppper buys a house on January 1, 2018 for $60,000. She renovates the house and it is wonderful. She writes a contract with Jimmy Buyer on May 1, 2018 for $120,000. Can Jimmy buy this home with FHA financing?

- When can you charge a 2nd appraisal fee to a borrower? We can't. The company has to eat the price of the 2nd appraisal.
- Joe Fixerupper buys a house on January 1, 2018 for $45,000. He renovates it all month, makes it beautiful and writes a contract with a Josie Buyer on February 15, 2018 for $85,000. Can Josie buy this home with FHA financing? This buyer is not eligible as this house was sold within 90 days of the original sales price.
- Jen Fixeruppper buys a house on January 1, 2018 for $60,000. She renovates the house and it is wonderful. She writes a contract with Jimmy Buyer on May 1, 2018 for $120,000. Can Jimmy buy this home with FHA financing? Yes but we need to order a 2nd appraisal on this property to support the value because the sale was after 90 days and before 180 days AND 100% over the original sales price.

Property Eligibility

- The effective date of the appraisal cannot be before the FHA case number assignment date unless the Mortgagee certifies that the appraisal was ordered for conventional lending or government-guaranteed loan purposes and was performed pursuant to FHA guidelines
- HUD Minimum Property Requirements (MPR) and Minimum Property Standards (MPS)
  - Minimum Property Requirements (MPR) refer to general requirements that all homes insured by FHA be safe, sound, and secure.
  - Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness and security of New Construction.
- Encroachment – improvements cannot encroach onto adjacent property line. *Exceptions for property fences when it does not affect the marketability of the subject property.*
- Remaining Economic Life – must exceed the mortgage term

Property Eligibility

- Existing Construction – 100% complete for over 1 year or completed less than one year but previously occupied.
  - Single Family Detached & Semi-Detached
  - Townhouses / Rowhouses / Modular
  - Condominiums – attached & detached, project must be FHA approved
  - 2-4 Unit Properties
  - Manufactured housing
- New Construction - Property built within the last year and not previously occupied.
  - Maximum LTV Is 90% unless you have additional documentation then you can go up to maximum financing
  - 1. Builder's Certification of Plans, Specifications and Site (Form HUD-92541)
    2. Builder's One Year Warranty (Form HUD-92544)
    3. Building Permit and Certificate of Occupancy
    4. Wood Infestation Report, NPCA 99a and 99b
    5. Local Health Authority well water analysis or septic report, where applicable
- Mixed Use one- to four-unit Single Family Properties are eligible for FHA insurance, provided:
  - a minimum of 51 percent of the entire building square footage is for residential use; and
  - the commercial use will not affect the health and safety of the occupants of the residential Property.

- What does MPR stand for?
- What does MPS stand for?
- What is the definition of an existing construction?
- What is the definition of a new construction?
- Can we finance a property just built by Wayne Homes all the way up to 96.5% LTV?
- The remaining economic life on the appraisal has 23 years. Is this a problem?

- What does MPR stand for? Minimum Property Requirements
- What does MPS stand for? Minimum Property Standards
- What is the definition of an existing construction? A home built over one year ago OR built within 1 year and been occupied by another person.
- What is the definition of a new construction? A home built within the last year and not occupied.
- Can we finance a property just built by Wayne Homes all the way up to 96.5% LTV? Yes, we just need One Year Warranty from the builder along with the other additional forms.
- The remaining economic life on the appraisal has 23 years. Is this a problem? Not if the term of the mortgage is under 23 years ☺.

Modular Homes

- Modular Housing refers to Structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house.
- Although quality can vary, all of the materials – from framing, roofing and plumbing to cabinetry, interior finish and electrical – are identical to what is found in comparable quality conventional “stick-built” housing.
- The Appraiser must treat Modular Housing the same as stick-built housing, including reporting the appraisal on the same form.
- The Appraiser must select and analyze appropriate comparable sales, which may include conventionally built housing, Modular Housing or Manufactured Housing.

Manufactured Homes

- Manufactured Homes - Manufactured Housing is a Structure that is transportable in one or more sections.
- To be eligible for FHA mortgage insurance as a Single Family Title II Mortgage, all Manufactured Housing must:
  - be designed as a one-family dwelling;
  - have a floor area of not less than 400 square feet;
  - have the HUD Certification Label affixed or have obtained a letter of label verification issued on behalf of HUD, evidencing the house was constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards;
  - be classified as real estate (but need not be treated as real estate for purposes of state taxation);
  - be built and remain on a permanent chassis;
  - be designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing (PFGMH); and
  - have been directly transported from the manufacturer or the dealership to the site.

Accessory Dwelling Unit

- An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate.
- It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities.
- As part of the highest and best use analysis, the Appraiser must make the determination to classify the Property as a Single Family dwelling with an ADU, or a two-family dwelling.
- The conclusion of the highest and best use analysis will then determine the classification of the Property and the analysis and reporting required.
- An ADU is usually subordinate in size, location and appearance to the primary Dwelling Unit and may or may not have separately metered utilities or separate means of ingress or egress.
- The Appraiser must not include the living area of the ADU in the calculation of the Gross Living Area (GLA) of the primary dwelling

- What restriction are there on financing a modular home?
- What restrictions are there on financing a manufactured home?
- If a house has an accessory dwelling unit, is the property considered a 1 unit or a 2 unit?
- Also, do the comparable sales also need to have an accessory dwelling unit for us to do FHA financing?

- What restriction are there on financing a modular home? None, it is treated like a stick built home.
- What restrictions are there on financing a manufactured home?
  - be designed as a one-family dwelling;
  - have a floor area of not less than 400 square feet;
  - have the HUD Certification Label affixed or have obtained a letter of label verification issued on behalf of HUD, evidencing the house was constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards;
  - be classified as real estate (but need not be treated as real estate for purposes of state taxation);
  - be built and remain on a permanent chassis;
  - be designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing (PFGMH); and
  - have been directly transported from the manufacturer or the dealership to the site.
- If a house has an accessory dwelling unit, is the property considered a 1 unit or a 2 unit? The appraiser determines this based on highest and best use of the property.
- Also, do the comps also need to have one for us to do FHA financing?Not necessarily but it would be nice ☺

Swimming Pools

- The Appraiser must report readily observable defects in a non-covered pool that would render the pool inoperable or unusable.
- If the pool water contains algae and is aesthetically unappealing, but the Appraiser has no evidence that the pool is otherwise contaminated, no cleaning is required.
- Swimming pools must be operational to provide full Contributory Value.
- The Appraiser must condition the appraisal report for pools with unstable sides or structural issues to be repaired or permanently filled in accordance with local guidelines, and the surrounding land re-graded if necessary.
- If the swimming pool has been winterized, or the Appraiser cannot determine if the pool is in working order, the Appraiser must complete the appraisal with the extraordinary assumption that the pool and its equipment can be restored to full operating condition at normal costs.

Defective Paint

- If the dwelling or related improvements were built after 1978, the Appraiser must report all defective paint surfaces on the exterior and require repair of any defective paint that exposes the subsurface to the elements.
- If the dwelling or related improvements were built on or before December 31, 1978,
- The Appraiser must note the condition and location of all defective paint and require
- The Appraiser must observe all interior and exterior surfaces, including common areas, stairs, deck, porch, railings, windows and doors, for defective paint (cracking, scaling, chipping, peeling, or loose).
- Exterior surfaces include those surfaces on fences, detached garages, storage sheds, and other outbuildings and appurtenant Structures.

Repair Requirements

- Appraiser must report the repairs necessary to make the Property comply with FHA guidelines, provide an estimated cost to cure, provide descriptive photographs, and condition the appraisal for the required repairs.
- The Appraiser must limit required repairs to those repairs necessary to:
  - maintain the safety, security and soundness of the Property;
  - preserve the continued marketability of the Property; and
  - protect the health and safety of the occupants.
- The Appraiser may complete an as-is appraisal for existing Properties when minor property deficiencies, which generally result from deferred maintenance and normal wear and tear, do not affect the health and safety of the occupants or the security and soundness of the Property.
- Cosmetic repairs include missing handrails that do not pose a threat to safety, holes in window screens, cracked window glass, defective interior paint surfaces in housing constructed after 1978, minor plumbing leaks that do not cause damage (such as a dripping faucet), and other inoperable or damaged components that in the Appraiser's professional judgment do not pose a health and safety issue to the occupants of the house.

- Why is 1978 so important for lead based paint?
- What needs to be done if an appraiser states the home has chipping paint and it was built prior to 1978?
- If a home has cracked glass in the front window, does that need fixed prior to us closing the mortgage loan using FHA financing?
- How about a missing handrail on the stairs to the basement?

- Why is 1978 so important for lead based paint? Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women.
- What needs to be done if an appraiser states the home has chipping paint and it was built prior to 1978? The seller of the property typically has to scrape and repaint any surface that the appraiser noted then the appraiser needs to reinspect the property.
- If a home has cracked glass in the front window, does that need fixed prior to us closing the mortgage loan using FHA financing? No, this is considered minor and does not affect the safety, security and soundness of the home.
- How about a missing handrail on the stairs to the basement? If the missing handrail does not pose a risk to the safety of the buyers, then it would not need fixed. The appraiser makes this determination.

Property Eligibility – *Quirky Properties*

- Private Utilities – connection to public services is required unless connection is not available to the property or the cost is determined unreasonable for the borrower
  - When an Individual Water Supply System is present, the Mortgagee must ensure that the water quality meets the requirements of the health authority with jurisdiction. If there are no local (or state) water quality standards, then water quality must meet the standards set by the EPA, as presented in the National Primary Drinking Water regulations in 40 CFR §§ 141 and 142.
  - The following tables provide the minimum distance required between wells and sources of pollution for Existing Construction:

	Individual Water Supply System for Minimum Property Requirements for Existing Construction*
1	Property line/10 feet
2	Septic tank/50 feet
3	Drain field/100 feet
4	Septic tank drain field reduced to 75 feet if allowed by local authority
5	If the subject Property line is adjacent to residential Property then local well distance requirements prevail. If the subject Property is adjacent to non-residential Property or roadway, there needs to be a separation distance of at least 10 feet from the property line.
* distance requirements of local authority prevail if greater than stated above	

Property Eligibility – *Quirky Properties*

- Shared Wells
  - A Shared Well refers to a well that services two to four homes where there is a binding Shared Well Agreement between the property owners that meets FHA requirements.
  - If the Property has a Shared Well, the Appraiser must report it and note any readily observable deficiencies.
  - The Appraiser must also obtain a Shared Well Agreement and include it in the appraisal report so that the Mortgagee may review the agreement to determine eligibility.
  - Mortgagee must confirm that a shared well:
    - Serves properties that cannot be connected to a public water supply
    - Capable of providing a continuous supply of water – 3 gallons per minute
    - Provides safe and potable water
    - Has a valve on each dwelling service line so that water can be shut off to each property
    - Serves no more than 4 living units or properties

Property Eligibility – *Quirky Properties*

- Shared Driveways
  - Private streets, including shared driveways, must be protected by permanent recorded Easements, ownership interest, or be owned and maintained by an HOA. Shared driveways do not require a joint maintenance agreement.
- Properties in Flood Zones –

A Property is not eligible for FHA insurance if:

- a residential building and related improvements to the Property are located within SFHA Zone A, a Special Flood Zone Area, or Zone V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or
- the improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).

Property Eligibility – *Quirky Properties*

Appraiser must note effect on marketability for all these scenarios:

- Heavy traffic –Airport Noise and Hazards
- Proximity to high pressure gas lines
- Overhead electrical power transmission lines
  - The Mortgagee must confirm that any Overhead Electric Power Transmission Lines do not pass directly over any dwelling, Structure or related property improvement, including pools. The power line must be relocated for a Property to be eligible for FHA-insured financing
  - If the dwelling or related property improvements are located within the Easement area, the Mortgagee must obtain a certification from the appropriate utility company or local regulatory agency stating that the relationship between the improvements and Local Distribution Lines conforms to local standards and is safe.
- Smoke, fumes and offensive or noxious odors

- What do we need to get as the Mortgagee if a property has a shared well?

- We need to get the shared well agreement that hopefully shows:
  - Serves properties that cannot be connected to a public water supply
  - Capable of providing a continuous supply of water – 3 gallons per minute
  - Provides safe and potable water
  - Has a valve on each dwelling service line so that water can be shut off to each property
  - Serves no more than 4 living units or properties

Borrower Eligibility

- U.S. Citizens
- Permanent Residents
- Non-Permanent Residents - with verified employment authorization
- Non-occupant Co-borrowers
- Cosigners
- Living Trusts
- Must be principal residence:
  - Must live in property within 60 days of closing
- Cannot have more than one property as a principal residence (see exceptions)

Exceptions to Limiting the # of Mortgages per Borrower

Policy Exceptions	Eligibility Requirements
Relocation	A Borrower may be eligible to obtain another FHA-insured Mortgage without being required to sell an existing Property covered by an FHA-insured Mortgage if the Borrower is: • relocating or has relocated for an employment-related reason; and • establishing or has established a new Principal Residence in an area more than 100 miles from the Borrower's current Principal Residence. If the Borrower moves back to the original area, the Borrower is not required to live in the original house and may obtain a new FHA-insured Mortgage on a new Principal Residence, provided the relocation meets the two requirements above.
Increase in family size	A Borrower may be eligible for another house with an FHA-insured Mortgage if the Borrower provides satisfactory evidence that: • the Borrower has had an increase in legal dependents and the Property now fails to meet family needs; and • the Loan-to-Value (LTV) ratio on the current Principal Residence is equal to or less than 75% or is paid down to that amount, based on the outstanding Mortgage balance and a current residential appraisal.
Vacating a jointly-owned Property	A Borrower may be eligible for another FHA-insured Mortgage if the Borrower is vacating (with no intent to return) the Principal Residence which will remain occupied by an existing co-Borrower.
Non-occupying co-Borrower	A non-occupying co-Borrower on an existing FHA-insured Mortgage may qualify for an FHA-insured Mortgage on a new Property to be their own Principal Residence.

Underwriting

Analyzing the overall risk of a loan – determining if the borrower and the collateral meet FHAs eligibility criteria.

Employment & Income:

- Employment related income
- Self-Employment Income
- History
- Certifications/Degrees
- Stability

Assets:

- Source of funds
  - Personal liquid funds
  - Retirement
  - Gifts
  - Borrowed
- Reserves
- Down Payment/Equity
- NSF's

Analyze:

- Credit report
- Liabilities/Debts
- Income
- Assets & Reserves
- Property – transfer history, value, & property type
- The proposed housing expense

Credit History:

- Bankruptcies
- Judgments
- Foreclosures
- Tax liens
- Housing obligations/mortgage payment history
- Trended data
- Collections
- Disputed Accounts
- Credit counseling/Payment plan

Subject Property:

- Appraisal
- Title
- Transfer history

Underwriting – *Automated Underwriting*

- TOTAL Mortgage Scorecard (TOTAL)
  - All FHA loans need run through TOTAL except streamline refinances
  - The underwriter must fully underwrite those applications where TOTAL issues a refer.
  - Evaluates overall credit risk
    - Approve/Eligible
    - Refer/Eligible
    - Approve/Ineligible
  - FHA releases new versions of TOTAL – for mortgages with a case number, the loan will be scored using the version that was effective when the case number was assigned

- Common reasons for an Accept/Ineligible recommendation:
  - Loan amount exceeds FHA Statutory Loan Limits;
  - Property type submitted does not correspond to the Section of the Act selected in the AUS;
  - Insufficient reserves on a 3-or 4 unit property; and
  - Insufficient funds for closing.

Underwriting – *Manual Downgrades*

The Mortgagee must downgrade and manually underwrite any Mortgage that received an Accept recommendation if:

- the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard;
- additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage;
- the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts;
  - Disputed Derogatory Credit Account refers to disputed Charge Off Accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. Exclusions from cumulative balance include: ☐ disputed medical accounts; and ☐ disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the Mortgagee must include a copy of the police report or other documentation from the creditor to support the status of the accounts.
- the date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment;
- the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale);
- the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale;
- the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure;

Underwriting – *Manual Downgrades*

The Mortgagee must downgrade and manually underwrite any Mortgage that received an Accept recommendation if:

- the Mortgage Payment history, for any mortgage trade line reported on the credit report used to score the application has the following for a purchase or No cash out refinance:
  - three or more late payments of greater than 30 Days;
  - one or more late payments of 60 Days plus one or more 30-Day late payments; or
  - one payment greater than 90 Days late

  Cash out restrictions are as follows:
  - a current delinquency; or
  - any delinquency within 12 months of the case number assignment date
- the Borrower has undisclosed mortgage debt that requires a downgrade
  - a current delinquency;
  - any delinquency within 12 months of the case number assignment date; or
  - more than two 30 Day late payments within 24 months of the case number assignment date
- business income shows a greater than 20 percent decline over the analysis period

- What are the two situations that a manual underwrite would have to happen?
- What are some reasons that a loan should be manually downgraded to refer?

- What are the two situations that a manual underwrite would have to happen? Refer on TOTAL Scorecard and if the underwriter has to manually downgrade the loan.
- What are some reasons that a loan should be manually downgraded to refer? See previous slide ☺

Manual Underwriting – *AUS Refer & Manual Downgrades*

Manual underwriting requires the mortgagee to analyze the borrower's credit history, liabilities, and debts to determine creditworthiness.

- Credit history restrictions and requirements

  1.) Housing payment history & installment debt history – 0x30 for last 12, 2x30 last 24.

  2.) Revolving payment history – 2x60 last 12 (NO 90's allowed)

  3.) Derogatory credit – collections ($2000 cumulative), bankruptcies (2 years), foreclosures (3 years), etc.

- The Mortgagee must analyze the Borrower's delinquent accounts to determine whether late payments were based on a disregard for financial obligations, an inability to manage debt, or extenuating circumstances.
- The Mortgagee must document this analysis in the mortgage file. Any explanation or documentation of delinquent accounts must be consistent with other information in the file.

Manual Underwriting

- Handbook 4000.1 has a whole section on manual underwrites
- On all manual underwrites, underwriters will review this section
- The Mortgagee must verify and document Reserves equivalent to one month's PITI after closing for one- to two-unit Properties.
- The Mortgagee must verify and document Reserves equivalent to three months' PITI after closing for three- to four-unit Properties.
- DTI restrictions: See chart - we'll talk about these compensating factors in a later slide

viii. Approvable Ratio Requirements (Manual)

The maximum Total Mortgage Payment to Effective Income Ratio (PTI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.

The qualifying ratios for Borrowers with no credit score are computed using income only from Borrowers occupying the Property and obligated on the Mortgage. Non-occupant co-Borrower income may not be included.

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Borrowers with Minimum Decision Credit Scores below 580, or with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	**One** of the following: • verified and documented cash Reserves; • minimal increase in housing payment; or • residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	**Two** of the following: • verified and documented cash Reserves; • minimal increase in housing payment; • significant additional income not reflected in Effective Income; and/or • residual income.

Manual Underwriting

- The Direct Endorsement (DE) underwriter is ultimately responsible for making an underwriting decision on behalf of their DE Mortgagee in compliance with HUD requirements.
- Compensating factors cannot be used to compensate for any derogatory credit.

- What would be the most concerning issue that could come up on a manual underwrite? (In your opinion)

- What would be the most concerning issue that could come up on a manual underwrite? (In your opinion)
- In my opinion it would be the DTI restrictions…

CREDIT

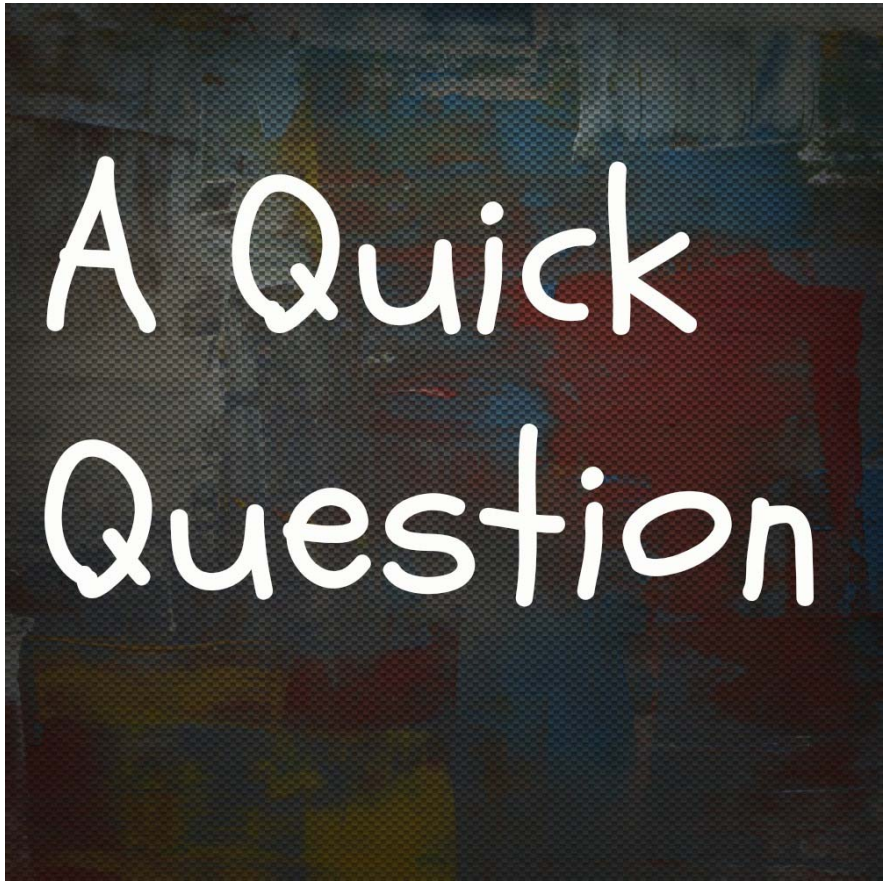
- Minimum Credit Score – 500

If the Borrower's Minimum Decision Credit Score is...	Then the Borrower is...
at or above 580	eligible for maximum financing.
between 500 and 579	limited to a maximum LTV of 90%.

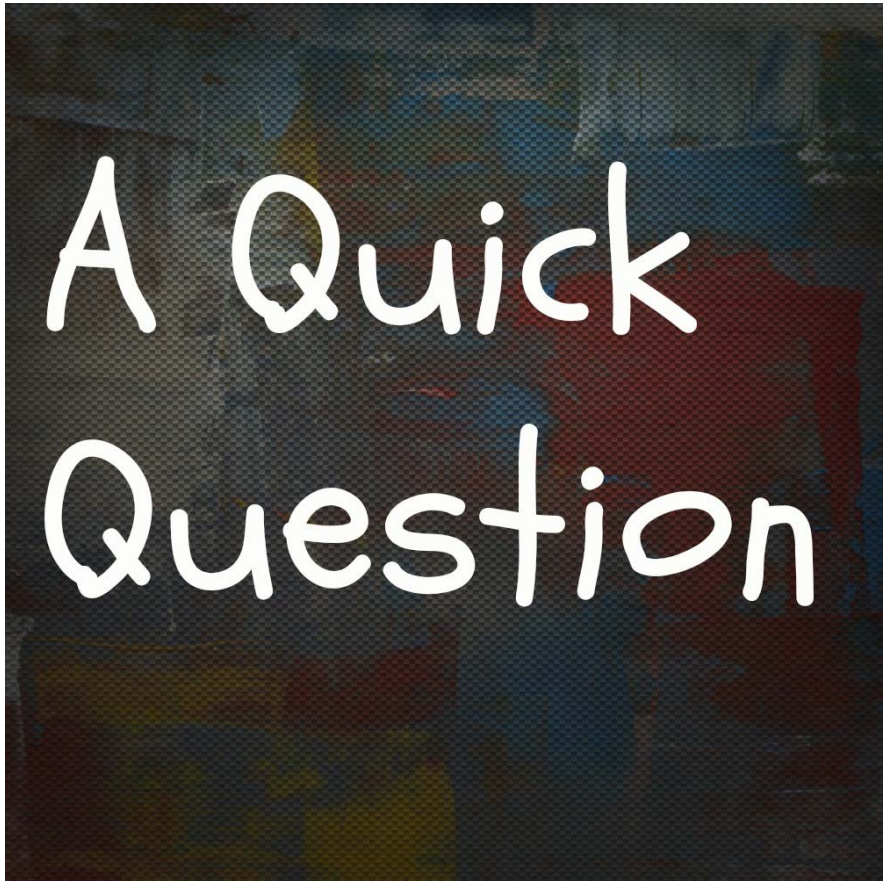
- Borrowers with delinquent Federal Tax Debt are ineligible.
- If a Borrower is currently delinquent on an FHA-insured Mortgage, they are ineligible for a new FHA-insured Mortgage unless the delinquency is resolved
- Must have a clear CAIVRS
- Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the lien holder 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. The lien holder must subordinate the tax lien to the FHA-insured Mortgage.
- The Mortgagee must establish that no participants are Excluded Parties and document the determination on form HUD-92900-LT, FHA Loan Underwriting and Transmittal Summary.

	Min Score	DTI	Non Traditional	Down Payment	TPO
ERW	640	Per AUS	No	Accepts all HUD approved DPA's	No
BBT	<=$453,100 660 $453,101 to $750,000 680 HUD REPO 700	Max 50%	No	FHLB DPA eligible- otherwise must be on BBT eligible program list	Yes - 2/19/09 approved / ok to use Broker's credit
USB	<=$424,100 640 >$424,100 660	Max 50%	No	No DPA is allowed, no grants, no soft/silent seconds	Not set up to sell TPO

ERP	580	Per AUS, FICO 619 & under may not exceed 43%	No	No assistance <600 FICO	No
HNB	640	Per AUS	Yes- Must be UW by HNB prior to loan closing	DPAs Allowed	No



- What is the minimum credit score?



- What is the minimum credit score? Not such an easy answer! FHA minimum is 500 but our minimum is 580 with ERP.

Let's take a deeper dive into ERP since they let us go down to 580!

ERP

Min Score
580

Non Traditional
No

Down Payment

No assistance
<600 FICO

DTI
Per AUS - FICO

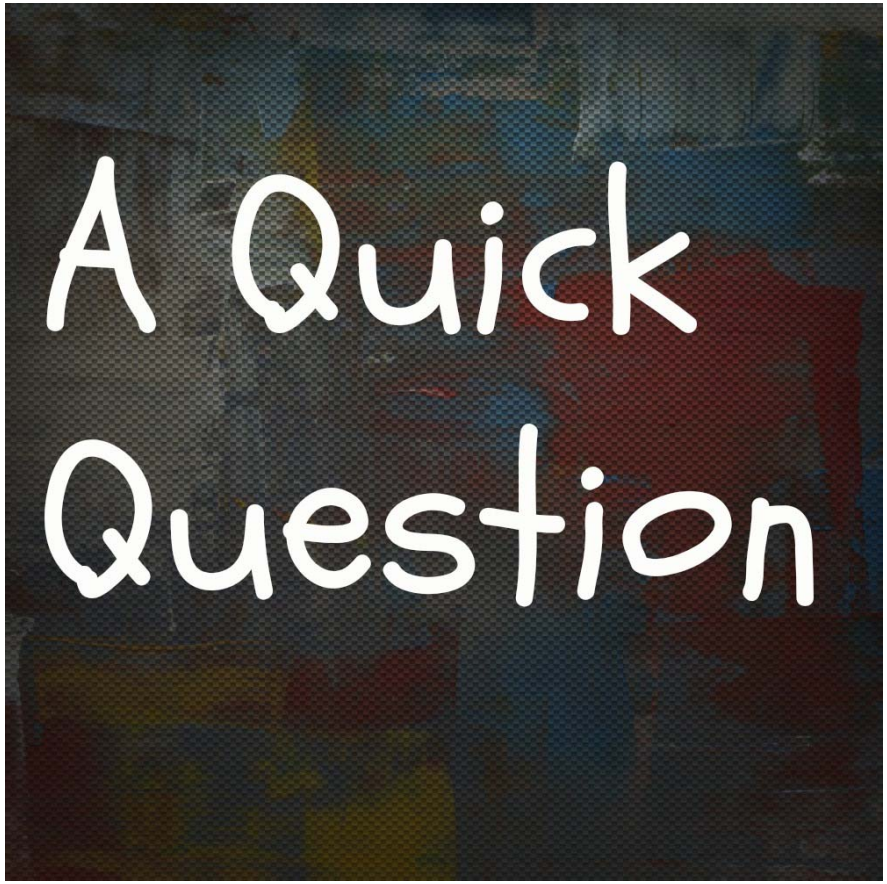
Max 50% if 2-4 unit and ANY borrower is a first-time homebuyer, regardless of geographic area

619 & under 43% max

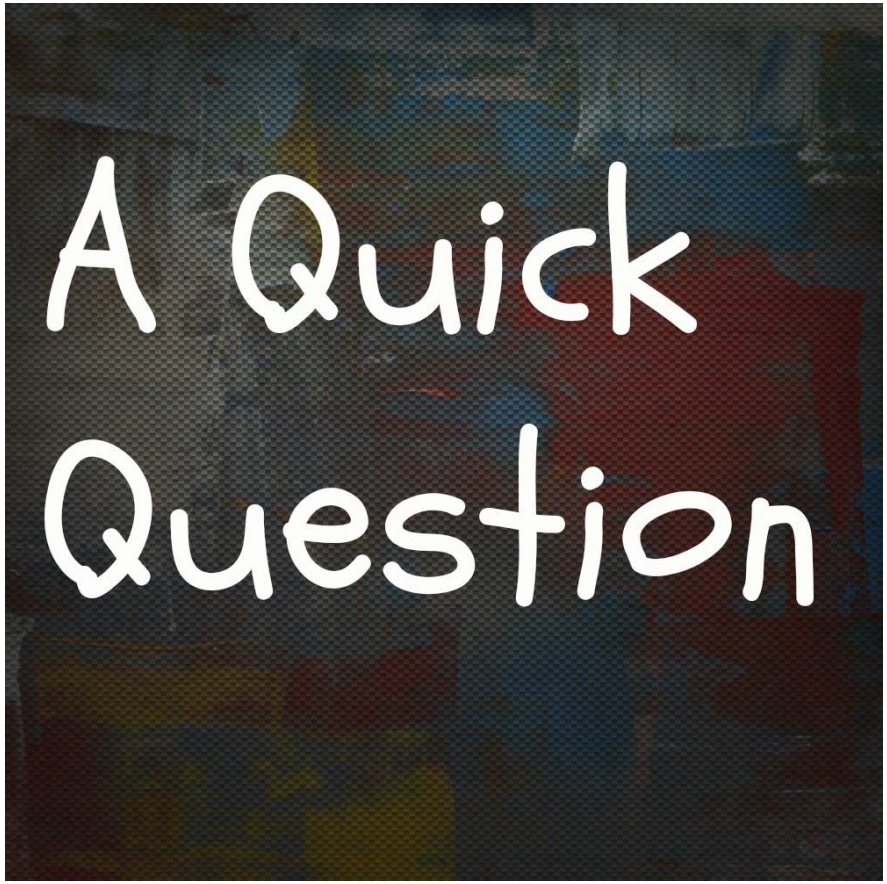
Streamlines

- Full CB and Mortgage only CB required
- NO AUS ALLOWED
- Max LTV/CLTV:W/out appraisal: 100%/125%, With appraisal: 97.75%/125%

- AUS APPROVAL REQUIRED
- NO NSF's on bank statements
- Short sales: Minimum 3 year seasoning requirement
- No flips where seller has been on title less than 6 months
- Approved FHA condos only, Condos NOT eligible in FL.
- Additional valuation tools may be required at UW discretion (AVM, 2nd appraisal, ect)
- No new subordinate financing allowed on refis
- New builds-Must provide RE tax amount estimate with county based on purchase price OR must use ERP State Property Tax Matrix
- MCC's are not allowed
- Escrow required for taxes & insurance
- Manufactured home properties must be deeded as real estate prior to closing
- Will accept FHA REO $100 Down Program - 100% LTV



- What is the minimum credit score WITHOUT AN AUS APPROVAL?



- What is the minimum credit score WITHOUT AN AUS APPROVAL? 640! Look at the overlay matrix.

Bankruptcy

- The Mortgagee must document the passage of two years since the discharge date of any bankruptcy.
- If the bankruptcy was discharged within two years from the date of case number assignment, the mortgage must be downgraded to a Refer and manually underwritten.
- An elapsed period of less than two years, but not less than 12 months, may be acceptable, if the Borrower:
  - can show that the bankruptcy was caused by extenuating circumstances beyond the Borrower's control; and
  - has since exhibited a documented ability to manage their financial affairs in a responsible manner.
- A Chapter 13 bankruptcy does not disqualify a Borrower from obtaining an FHA Mortgage, if at the time of case number assignment at least 12 months of the pay-out period under the bankruptcy has elapsed.
- The Mortgagee must determine that during this time, the Borrower's payment performance has been satisfactory and all required payments have been made on time; and the Borrower has received written permission from bankruptcy court to enter into the mortgage transaction.

Short Sale

- The Mortgagee must document the passage of three years since the date of the short sale. If the short sale occurred within three years of the case number assignment date, the mortgage must be downgraded to a Refer and manually underwritten.
- If the credit report does not verify the date of the transfer of title by short sale, the Mortgagee must obtain the short sale documents.
- A Borrower is generally not eligible for a new FHA-insured mortgage if they relinquished a property through a short sale within three years from the date of case number assignment.
- This three-year period begins on the date of transfer of title by short sale.
- The Mortgagee may grant an exception to the three-year requirement if the Short Sale was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the Short Sale.
- Divorce is not considered an extenuating circumstance.
- An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and there was a subsequent Short Sale.
- The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.

Foreclosure & Deed-in-Lieu of FC

- A Borrower is generally not eligible for a new FHA-insured Mortgage if the Borrower had a foreclosure or a DIL of foreclosure in the three-year period prior to the date of case number assignment.
- This three-year period begins on the date of the DIL or the date that the Borrower transferred ownership of the Property to the foreclosing Entity/designee.
- The Mortgagee may grant an exception to the three-year requirement if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the foreclosure.
- Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed.
- The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.
- The Mortgagee must manually downgrade to a Refer if the Borrower had a foreclosure in which title transferred from the Borrower within three years of case number assignment.
- The Mortgagee must obtain the foreclosure documents to verify the date of transfer of title.

Credit Counseling/Payment plan

- Participating in a consumer credit counseling program does not require a downgrade to a manual underwriting.
- No explanation or other documentation is needed.

Authorized User Accounts

- Accounts for which the Borrower is an authorized user must be included in a Borrower's DTI ratio unless the Mortgagee can obtain documentation to evidence:
  - –The primary account holder has made all the required payments on the account for the previous 12 months.
  - –If less than three payments have been required on the account in the previous 12 months, the payment amount must be included in the Borrower's DTI.

30-Day Accounts

- 30-Day Accounts refer to a credit arrangement that requires the Borrower to pay-off the outstanding balance on the account every month.
- The Mortgagee must verify the Borrower paid the outstanding balance in full on every 30-Day Account each month for the past 12 months.
- 30-Day Accounts that are paid monthly on time for the past 12 months are not included in the Borrower's DTI.
- If the credit report reflects any late payments in the last 12 months, the Mortgagee must utilize 5 percent of the outstanding balance as the Borrower's monthly debt to be included in the DTI.

Collection Accounts

- A Collection Account refers to a Borrower's loan or debt that has been submitted to a collection agency by a creditor.
- Medical Collections, are not required to be paid, satisfied, or considered in the Borrower's qualifying ratios.
- If the credit reports used in the analysis show a cumulative outstanding collection account balances of $2,000 or greater, the Mortgagee must:
  - Verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds;
  - Verify that the Borrower has made payment arrangements with the creditor and include the monthly payment in the Borrower's DTI; or
  - If a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI ratio.

If the Mortgagee uses 5 percent of the outstanding balance, no documentation is required.

Charge Off Accounts

- A Charge Off Account refers to a Borrower's loan or debt that has been written off by the creditor.
- Charge off accounts do not need to be included in the Borrower's liabilities or debt.

- When do collection accounts need to be reviewed?
- Do judgments have to be paid off?
- Do charge offs need to be paid off?
- How long ago does the borrower need to be out of bankruptcy to qualify for a loan?
- How about foreclosure?

- When do collection accounts need to be reviewed? If the aggregate of collections is over $2000 not including medical collections
- Do judgments have to be paid off? Yes
- Do charge offs need to be paid off? No
- How long ago does the borrower need to be out of bankruptcy to qualify for a loan? 2 years, down to 1 in some cases of extra good mitigating factors.
- How about foreclosure? 3 years but can be less with mitigating factors.

Business debt

- Business Debt in Borrower's Name refers to liabilities reported on the Borrower's personal credit report, but payment for the debt is attributed to the Borrower's business
- When business debt is reported on the Borrower's personal credit report, the debt must be included in the DTI calculation, unless the Mortgagee can document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business.
- The debt is considered in the cash flow analysis where the Borrower's business tax returns reflect a business expense related to the obligation, equal to or greater than the amount of payments documented as paid out of company funds.
- Where the Borrower's business tax returns show an interest expense related to the obligation, only the interest portion of the debt is considered in the cash flow analysis.
- When a self-employed Borrower states debt appearing on their personal credit report is being paid by their business, the Mortgagee must obtain documentation that the debt is paid out of company funds and that the debt was considered in the cash flow analysis of the Borrower's business.

DTI requirements

- Maximum qualifying ratios for manually underwritten loans are determined according to the lowest minimum decision credit score and compensating factors.
- Compensating factors used to support the underwriting decision must be recorded in the Underwriter Comments section of the FHA Loan Underwriting and Transmittal Summary (Form HUD-92900-LT).

viii. Approvable Ratio Requirements (Manual)

The maximum Total Mortgage Payment to Effective Income Ratio (PTI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.

The qualifying ratios for Borrowers with no credit score are computed using income only from Borrowers occupying the Property and obligated on the Mortgage. Non-occupant co-Borrower income may not be included.

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Borrowers with Minimum Decision Credit Scores below 580, or with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	**One** of the following: • verified and documented cash Reserves; • minimal increase in housing payment; or • residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	**Two** of the following: • verified and documented cash Reserves; • minimal increase in housing payment; • significant additional income not reflected in Effective Income; and/or • residual income.

Compensating Factors

- Cash reserves – defined
  - Cash reserves equal to or exceeding 3 (1 – 2 units) or 6 (3 – 4 units) total monthly mortgage payments
- Minimal increase in housing payment – defined
  - New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than $100 or 5% (whichever is less); and
  - There is a documented 12 month housing payment history with no more than one 30 day late payment. In cash-out transactions all payments on the mortgage being refinanced were made within the month due for the previous 12 months.
  - May not be used as a compensating factor if the borrower has no current housing payment.
- Significant additional income defined
  - Overtime, Bonuses, part time or seasonal employment
  - Received for one year and likely to continue and
  - If it were included in gross effective income, is sufficient to reduce the qualifying ratios to not more then 37/47

Compensating Factors

Residual Income defined

- Residual income is calculated as total effective income of all occupying borrowers less:
  - state income taxes;
  - federal income taxes;
  - municipal or other income taxes;
  - retirement or Social Security;
  - total fixed payments (includes total Mortgage Payment and monthly obligations on all debts and liabilities);
  - estimated maintenance and utilities;
  - job related expenses (e.g., child care); and
  - the amount of the gross-up of any non-taxable income.

- Use federal and state tax returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. If tax returns are not available, Mortgagee may rely upon current pay stubs.

  For estimated maintenance and utilities, multiply the gross living area of the property by the maintenance and utility factor found in the Lenders Handbook - VA Pamphlet 26-7.

  To use residual income as a compensating factor, the Mortgagee must count all members of the household of the occupying borrower without regard to the nature of their relationship and without regard to whether they are joining on title or the Note to determine “family size.” The Mortgagee may omit any individuals from “family size” who are fully supported from a source of verified income which is not included in effective income in the mortgage analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception.

  From the table provided in Lenders Handbook - VA Pamphlet 26-7, select the applicable mortgage amount, region and household size. If residual income equals or exceeds the corresponding amount on the table, it may be cited as a compensating factor.

- When would you look at compensating factors?
- Where would compensating factors be noted at in the file?

- When would you look at compensating factors? When DTI exceeds the guidelines on the chart on a manual underwrite.
- Where would compensating factors be noted at in the file? They would be typed on the transmittal summary 92900LT

Obligations not considered in the DTI

- medical collections
- federal, state, and local taxes, if not delinquent and no payments required
- automatic deductions from savings, when not associated with another type of obligation
- Federal Insurance Contributions Act (FICA) and other retirement contributions, such as 401(k) accounts
- collateralized loans secured by depository accounts
- utilities
- child care
- commuting costs

Obligations not considered in the DTI

- union dues
- insurance, other than property insurance
- open accounts with zero balances
- voluntary deductions, when not associated with another type of obligation.
- Installment Debt - Closed-end debts do not have to be included if:
  - –They will be paid off within 10 months; and
  - –The cumulative payments of all such debts are less than or equal to 5 percent of the Borrower's gross monthly income.
  - The borrower may not pay down the balance in order to meet the 10 month requirement

Obligations in the DTI

- PITI payments on the new loan
- PITI payments on any retained home
- HOA fees or Condo association fees
- Revolving Debt
- Installment Debt (see obligations not in the DTI for exceptions)
- Alimony, child support or separate maintenance
- Authorized user accounts (unless proof 12 months paid by other)
- Federal debt where regular payments are being made
- Deferred obligations
- Student loans

Calculation of payment - revolving

- The Mortgagee must include the monthly payment shown on the credit report for the Revolving Charge Account. Where the credit report does not include a monthly payment for the account, the Mortgagee must use the payment shown on the current account statement or 5 percent of the outstanding balance.

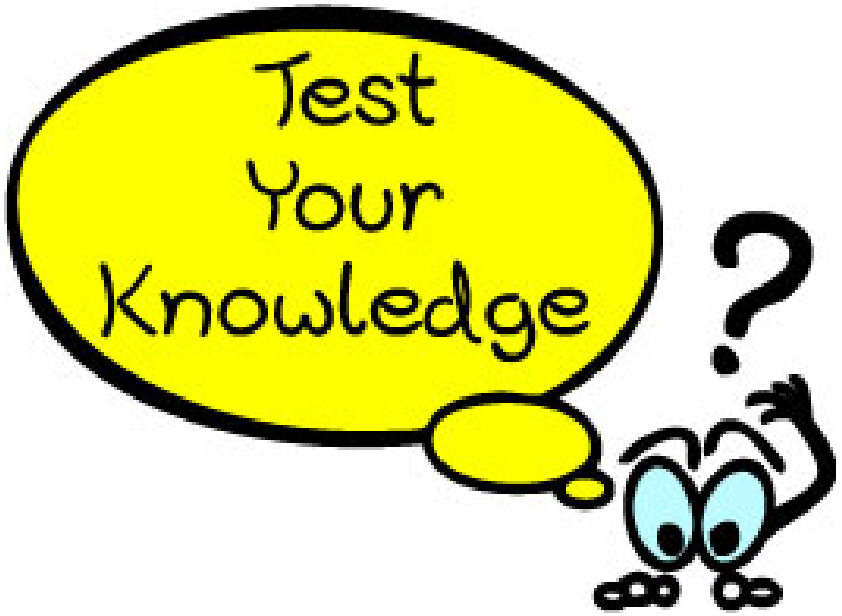
Calculation of payment – student loan

- If the payment used for the monthly obligation is:
  - Less than 1 percent of the outstanding balance reported on the Borrower's credit report; and
  - less than the monthly payment reported on the Borrower's credit report;
- the Mortgagee must obtain written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor.
- Regardless of the payment status, the Mortgagee must use either:
  - the greater of:
  - 1 percent of the outstanding balance on the loan; or
  - the monthly payment reported on the Borrower's credit report; or
- the actual documented payment, provided the payment will fully amortize the loan over its term.

Contingent Liabilities

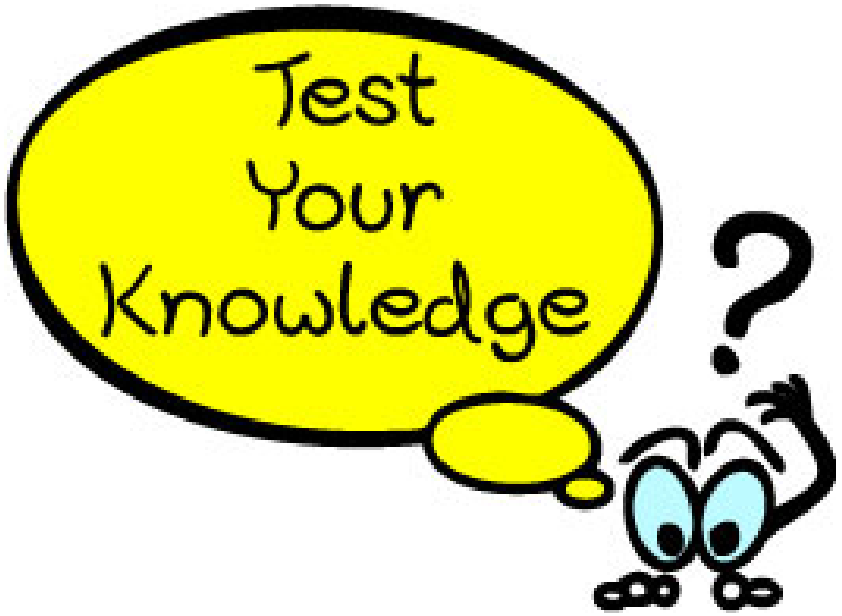
- A Contingent Liability refers to a liability that may result in the obligation to repay only when a specific event occurs.
- For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment.
- Contingent liabilities may include cosigner liabilities and liabilities resulting from a mortgage assumption without release of liability.
- The Mortgagee must include monthly payments on contingent liabilities in the calculation of the Borrower's monthly obligations unless the Mortgagee verifies and documents that there is no possibility that the debt holder will pursue debt collection against the Borrower should the other party default or the other legally obligated party has made 12 months of timely payments.
- The Mortgagee must calculate the monthly payment on the contingent liability based on the terms of the agreement creating the contingent liability.

In DTI or not?



- Mortgage Payment
- Medical collections
- HOA on a PUD
- Bank of America credit card debt
- Federal, state, and local taxes, if not delinquent and no payments required
- 401k Loan
- IRS Tax lien that payments are being made on
- Installment loan secured by CD at PNB
- Car loan
- Car lease
- Electric bill
- Child care bill
- Student Loan that is deferred for 2 years
- Alimony
- Child Support
- Union dues
- Car insurance
- Co-signed account
- Business Loan

In DTI or not?



- Mortgage Payment - YES
- Medical collections - NO
- HOA on a PUD – YES
- Bank of America credit card debt - YES
- Federal, state, and local taxes, if not delinquent and no payments required - NO
- 401k Loan – NO
- IRS Tax lien that payments are being made on - YES
- Installment loan secured by CD at PNB – NO
- Car loan – YES
- Car lease - YES
- Electric bill - NO
- Child care bill – NO
- Student Loan that is deferred for 2 years - YES
- Alimony – YES
- Child Support - YES
- Union dues - NO
- Car insurance – NO
- Co-signed account – YES
- Business Loan – Depends ☺ In DTI unless we can document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business.

Income

For all Employment related Income, the Mortgagee must verify the Borrower's most recent two years of employment and income, and document using one of the following methods.

- The most recent pay stub and one of the following:
  - a written Verification of Employment (VOE) covering two years; or
  - an electronic verification acceptable to FHA.
- If using alternative documentation, the Mortgagee must:
  - obtain copies of the most recent pay stub that shows the Borrower's year-to-date earnings;
  - obtain copies of the original IRS W-2 forms from the previous two years; and
  - document current employment by telephone, sign and date the verification documentation, and note the name, title, and telephone number of the person with whom employment was verified.
- Re-verification of employment must be completed within 10 Days prior to the date of the Note. Verbal re-verification of employment is acceptable.

incomedocumentation *Wage Earner*

*Not Self Employed * Not >25% Commission Income * Not Bond Loans*

	CONV	CONV DAY 1 CERT	FHA	USDA	VA
≥2 Yrs Same Job *or* Not Family Run *or* Not Investor Portfolio	VOE and Current Paystub Full Transcript	Work # if > 1 Yr at Job Transcripts Not Needed!	VOE and Current Paystub Score <660 Full Transcript Score ≥660 W2 Transcripts if requested by LO, if not Full Transcripts *(force away from HNB and BBT)*	VOE and Current Paystub If Work # VOE, need 2 yrs W2's Full Transcript	VOE and Current Paystub Full Transcript
< 2 Yrs Same Job *or* Family Run *or* Investor Portfolio • Jumbo • Dr Program	2 Yrs W2 30 Days Paystubs VVOE or VOE Current Job VVOE Previous Jobs Full Transcript		2 Yrs W2 30 Days Paystubs VVOE or VOE Current Job VVOE Previous Jobs Full Transcript	2 Yrs W2 30 Days Paystubs VVOE or VOE Current Job VVOE Previous Jobs Full Transcript	2 Yrs W2 30 Days Paystubs VVOE or VOE Current Job VVOE Previous Jobs Full Transcript
Tax Returns	Not Needed -Get Photo of Page 1		Not Needed -Get Photo of Page 1	Not Needed -Get Photo of Page 1	Not Needed -Get Photo of Page 1
Unreimbursed Business Expenses	Do Not Deduct from Income		Deduct Unreimbursed Business Expenses from Income	Deduct Unreimbursed Business Expenses from Income	Do Not Deduct from Income
IRS Transcripts Post Closing	Yes*		<660 Score—Exception Only ≥660 Score—Change to W2 Transcripts	Yes*	Yes*
Tax Returns Needed When IRS Transcripts Post Closing	No		<660 Score—Yes ≥660 Score—No	Yes	Yes

**Underwriter can require before closing if risk warrants.*

USDA loans require income verification for all household members.

EQUITY RESOURCES, INC. *mortgages*

Effective March 2017

Income

- For employees who are paid hourly, and whose hours do not vary, consider the Borrower's current hourly rate to calculate Effective Income.
- For employees who are paid hourly and whose hours vary, average the income over the previous two years.
- If we can document an increase in pay rate we use the most recent 12-month average of hours at the current pay rate.

Part-Time Income

- Part-Time Employment refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week.
- Part-Time Income can be considered as Effective Income if the Borrower has worked a part-time job uninterrupted for the past two years and the current position is reasonably likely to continue.
- Average the income over the previous two years.
- If an increase in pay rate is documented, we can use a 12-month average of hours at the current pay rate.

Overtime and Bonus Income

- Overtime and Bonus Income refers to income that the Borrower receives in addition to the Borrower's normal salary.
- Overtime and Bonus Income can be used as Effective Income if the Borrower has received this income for the past two years and it is reasonably likely to continue.
- Periods of Overtime and Bonus Income less than two years may be considered Effective Income if the Mortgagee documents that the Overtime and Bonus Income has been consistently earned over a period of not less than one year and is reasonably likely to continue.
- Calculation:
  - average the Overtime or Bonus Income over the previous two years.
  - if the Overtime or Bonus Income from the current year decreases by 20% or more from the previous, use the current year's income.

Seasonal Employment

- Seasonal Employment refers to employment that is not year round, regardless of the number of hours per week the Borrower works on the job.
- Seasonal Employment is considered as Effective Income if the Borrower:
  - Has worked the same line of work for the past two years; and
  - Is reasonably likely to be rehired for the next season.
- Unemployment income is considered as Effective Income for those with effective Seasonal Employment income.
- Calculation of Effective Income:
  - For employees with Seasonal Employment income, average the income earned over the previous two full years to calculate Effective Income.
  - For seasonal employees with unemployment income, document the unemployment income for two full years and there must be reasonable assurance that this income will continue.

Commission Income

- Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.
- Commission Income can be used as Effective Income if:
  - The Borrower earned the income for at least one year in the same or similar line of work; and
  - It is reasonably likely to continue.
- Commission Income less than or equal to 25% of the Borrower's total earnings, use traditional or alternative employment documentation.
- Commission Income greater than 25% of the Borrower's total earnings, obtain signed tax returns, including all application schedules, for the last two years.

Which of these jobs do employees typically get paid commission in?

- Verizon Wireless employee
- Best buy Geek Squad employee
- Loan officer
- Receptionist
- Processor
- Underwriter
- Manager
- Sales Representative
- Telemarketer
- Advertising Sales
- Real Estate Agent
- Car Salesman
- Finance Manager
- Customer Service Representative

Which of these jobs do employees typically get paid commission in?

- Verizon Wireless employee - Yes
- Best buy Geek Squad employee - No
- Loan officer - Yes
- Receptionist - No
- Processor – No
- Underwriter - No
- Manager - No
- Sales Representative - Yes
- Telemarketer - Yes
- Advertising Sales - Yes
- Real Estate Agent - Yes
- Car Salesman - Yes
- Finance Manager - No
- Customer Service Representative - No

Self-Employment Income

- Self-Employment Income refers to income generated by a business in which the Borrower has a 25 percent or greater ownership interest.
- There are four basic types of business structures. They include:
  - sole proprietorships;
  - corporations;
  - limited liability or “S” corporations; and
  - partnerships.
- Self-Employment Income may be considered if the Borrower has been self-employed for at least two years.
- If the Borrower has been self-employed between one and two years, consider the income as Effective Income if the Borrower was previously employed in the same line of work in which the Borrower is self-employed or in a related occupation for at least two years.

Self-Employment Income

- Income obtained from businesses with annual earnings that are stable or increasing is acceptable.
- If the income from businesses shows a greater than 20 percent decline in Effective Income over the analysis period, the underwriter must downgrade and manually underwrite.
- Obtain complete individual federal income tax returns for the most recent two years, including all schedules.
- Obtain the Borrower's business tax returns for the most recent two years unless the following criteria are met:
  - individual federal income tax returns show increasing Self-Employment Income over the past two years;
  - funds to close are not coming from business accounts; and
  - the Mortgage to be insured is not a cash-out refinance.
- In lieu of signed individual or business tax returns from the Borrower, we may obtain tax transcripts directly from the IRS.

Self-Employment Income

- Obtain a year-to-date Profit and Loss (P&L) statement 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 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.
- Calculate gross Self-Employment Income by using the lesser of:
  - the average gross Self-Employment Income earned over the previous two years; or
  - the average gross Self-Employment Income earned over the previous one year.

SE Income Calculation

- Schedule C Net profit 2016 = $54,000
- Schedule C Net profit 2017 = $42,000
- Depreciation 2016 = $2,500
- Depreciation 2017 = $1,700
- Meals & Entertainment 2016 = $890
- Meals & Entertainment 2017 = $550

- How do you calculate income?

- Schedule C Net profit 2016 = $54,000
- Schedule C Net profit 2017 = $42,000
- Depreciation 2016 = $2,500
- Depreciation 2017 = $1,700
- Meals & Entertainment 2016 = $890
- Meals & Entertainment 2017 = $550

- Step 1 – go to Form 91 and type in income figures to get 2 year average of income = **$4115.00**
- Step 2 – can you use 2 year average of income? **No**
- Step 3 – do calculation showing if income from 2016 more than 20% less than 2015? **$55610 x .80 = 44,488. Since income in 2016 is only $43150, we must use only 12 month average of income.**
- Step 4 – if so income should be calculated based on average of 2016 only.
- Answer is ???? $43,150/12 = **$3595.83**

3. Schedule C - Profit or Loss from Business (Sole Proprietorship) (Chapter 5304)

Name of Business #1:

Net profit or loss	$ 54000	(+/-)	$ 42000	(+/-)
Non-recurring other income or loss, or expenses	$	(+/-)	$	(+/-)
Depletion	$	(+)	$	(+)
Depreciation	$ 2500	(+)	$ 1700	(+)
Meals and entertainment exclusion	$ 890	(-)	$ 550	(-)
Amortization or casualty loss	$	(+)	$	(+)
Business use of home	$	(+)	$	(+)
			Calculate	
Subtotal - Schedule C, Business #1	$ 55610		$ 43150	

Gaps in Employment

- For Borrowers with gaps in employment of six months or more (an extended absence), consider the Borrower's current income as Effective Income if we can verify and document that:
  - –The Borrower has been employed in the current job for at least six months at the time of case number assignment; and
  - –A two year work history prior to the absence from employment using standard or alternative employment verification.

Temporary Reduction in Income

- 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 we can verify and document that:
  - The Borrower intends to return to work;
  - The Borrower has the right to return to work; and
  - The Borrower qualifies for the mortgage taking into account any reduction of income due to the circumstance.
- Borrowers returning to work before or at the time the first Mortgage Payment is due, we can use the Borrower's pre-leave income.

Temporary Reduction in Income

Borrowers returning to work after the first Mortgage Payment due date:

- 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.
- Surplus Liquid Asset Reserves: Liquid asset reserves above and beyond the program requirements.

Provide the following documentation for Borrowers on temporary leave:

- A written statement from the Borrower confirming the Borrower's intent to return to work, and the intended date of return;
- Documentation generated by current employer confirming the Borrower's eligibility to return to current employer after temporary leave; and
- Documentation of sufficient liquid assets, to be used to supplement the Borrower's income through the intended return date to work after the first due date of the mortgage payment.

Non-Taxable Income (Grossing Up)

- Non-Taxable Income refers to types of income not subject to federal taxes.
- If any disability income is due to expire within three years from the date of mortgage application, that income cannot be used as Effective Income.
- If the Notice of Award or equivalent document **does not have** a defined expiration date, consider the income effective and reasonably likely to continue.
- Under no circumstance may we inquire into or request documentation concerning the nature of the disability or the medical condition of the Borrower.
- Document and support:
  - The amount of income to be Grossed Up for any non-taxable income source; and
  - The current tax rate applicable to the Borrower's income that is being Grossed Up.
  - Non-Taxable Income that may be added cannot exceed the greater of 15 percent or the appropriate tax rate for the income amount, based on the Borrower's tax rate for the previous year.
  - **If the Borrower was not required to file a federal tax return for the previous tax reporting period, use 15 percent gross up.**
  - The Mortgagee may not make any additional adjustments or allowances based on the number of the Borrower's dependents.

Social Security Income (retired)

- For SSI, obtain any one of the following documents:
  - federal tax returns;
  - the most recent bank statement evidencing receipt of income from the SSA;
  - a Proof of Income Letter, also known as a “Budget Letter” or “Benefits Letter” that evidences income from the SSA; or
  - a copy of the Borrower’s form SSA-1099/1042S, Social Security Benefit Statement.
- In addition to verification of income, document the continuance of this income by obtaining from the Borrower
  - (1) a copy of the last Notice of Award letter which states the SSA’s determination on the Borrower’s eligibility for SSA income or
  - (2) an equivalent document that establishes award benefits to the Borrower (equivalent document).
- If any income from the SSA is due to expire within three years from the date of case number assignment, that income may not be used for qualifying.

Social Security Disability

- For Social Security Disability income, including Supplemental Security Income (SSI), obtain a copy of the last Notice of Award letter, or an equivalent document that establishes award benefits to the Borrower, and one of the following documents:
  - federal tax returns;
  - the most recent bank statement evidencing receipt of income from the SSA;
  - a Proof of Income Letter, also known as a “Budget Letter” or “Benefits Letter” that evidences income from the SSA; or
  - a copy of the Borrower’s form SSA-1099/1042S, Social Security Benefit Statement

Calculating SSI income

- SSI is $1349 per amount showing on bank statement
- Borrower does not file tax returns
- What income do you use for the DTI and enter into ENC?

Calculating SSI income

- SSI is $1349 per amount showing on bank statement
- $1349 x 1.15 = $1551.35

VA Disability

- For VA disability benefits, obtain from the Borrower a copy of the Veteran's last Benefits Letter showing the amount of the assistance, and one of the following documents:
  - federal tax returns; or
  - the most recent bank statement evidencing receipt of income from the VA.
- If the Benefits Letter does not have a defined expiration date, consider the income effective and reasonably likely to continue for at least three years.

Pension

- Pension refers to income received from the Borrower's former employer(s).
- Verify and document the Borrower's receipt of periodic payments from the Borrower's Pension and that the payments are likely to continue for at least three years. Obtain any one of the following documents:
  - federal tax returns;
  - the most recent bank statement evidencing receipt of income from the former employer; or
  - a copy of the Borrower's Pension/retirement letter from the former employer.

IRA Income

- Individual Retirement Account Income refers to income received from an IRA.
- Verify and document the Borrower's receipt of recurring IRA distribution Income and that it is reasonably likely to continue for three years.
- Obtain the most recent IRA statement and any one of the following documents:
  - federal tax returns; or
  - the most recent bank statement evidencing receipt of income
- For Borrowers with IRA Income that has been and will be consistently received, use the current amount of IRA Income received to calculate Effective Income.
- For Borrowers with fluctuating IRA Income, use the average of the IRA Income received over the previous two years to calculate Effective Income.
- If IRA Income has been received for less than two years, use the average over the time of receipt.

- What proof of income is needed for a VA disability?
- Does the benefit letter need to show an expiration date?
- Is an IRA and a 401k the same thing?

- What proof of income is needed for a VA disability? **Last benefit letter and either bank statement or tax return**
- Does the benefit letter need to show an expiration date? **No it is not necessary, you can assume it continues at least 3 more years**
- Is an IRA and a 401k the same thing? **Yes**

Alimony, Child Support & Maintenance Income

- Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent.
- Obtain a fully executed copy of the Borrower's final divorce decree, legal separation agreement, court order, or voluntary payment agreement with documented receipt.
- When using a final divorce decree, legal separation agreement or court order, obtain evidence of receipt using deposits on bank statements; canceled checks; or documentation from the child support agency for the most recent three months that supports the amount used in qualifying.
- Document the voluntary payment agreement with 12 months of canceled checks, deposit slips, or tax returns.
- Provide evidence that the claimed income will continue for at least three years. Use the front and pertinent pages of the divorce decree/settlement agreement and/or court order showing the financial details.

Alimony, Child Support & Maintenance Income

- When using a final divorce decree, legal separation agreement or court order, if the Borrower has received consistent Alimony, Child Support and Maintenance Income for the most recent three months, use the current payment to calculate Effective Income.
- When using evidence of voluntary payments, if the Borrower has received consistent Alimony, Child Support and Maintenance Income for the most recent six months, use the current payment to calculate Effective Income.
- If the Alimony, Child Support and Maintenance Income have not been consistently received for the most recent six months, use the average of the income received over the previous two years to calculate Effective Income.
- If Alimony, Child Support and Maintenance Income have been received for less than two years, use the average over the time of receipt.

- If a borrower claims to receive child support yet has never been married, so no separation or divorce decree exists, can we use that income?

- YES - Document the <u>voluntary payment</u> agreement with 12 months of canceled checks, deposit slips, or tax returns.
- Provide evidence that the claimed income will continue for at least three years. (proof of age of child should suffice)

Rental Income

- Rental Income refers to income received or to be received from the subject Property or other real estate holdings
- <u>Limited or No History of Rental Income:</u>
  - When subject property is going to generate rent, the appraiser must complete the appraisal report showing fair market rent calculations
  - Calculate income using the lessor of
    - the monthly operating income reported on Freddie Mac Form 998; or
    - 75 percent of the lesser of:
      - fair market rent reported by the Appraiser; or
      - the rent reflected in the lease or other rental agreement.

Rental Income

- History of Rental Income
  - obtain the Borrower's most recent tax returns, including Schedule E, from the previous two years.
  - For Properties with less than two years of Rental Income history, document the date of acquisition by providing the deed, Closing Disclosure or similar legal document
  - Calculate the Rental Income by averaging the amount shown on Schedule E. Depreciation, mortgage interest, taxes, insurance and any HOA dues shown on Schedule E may be added back to the net income or loss.
  - If the Property has been owned for less than two years, annualize the Rental Income for the length of time the Property has been owned.

Calculate out Rental Income

Schedule E	2016	2017
Net Rental income	8,400	8,200
Depreciation	600	700
Mortgage interest	780	765
Taxes	1800	1800
Insurance	700	725
HOA dues	0	0

Calculate out Rental Income

Schedule E	2016	2017
Net Rental income	8,400	8,200
Depreciation	600	700
Mortgage interest	780	765
Taxes	1800	1800
Insurance	700	725
HOA dues	0	0

		$ 24470
24	=	$ 1019.583333333

6. Schedule E - Supplemental Income or Loss (Rents and Royalties) (Chapters 5305 and 5306)

Rent and/or royalties received	$ 8400	(+)	$ 8200	(+)
Total expenses	$	(-)	$	(-)
Depreciation expense or depletion	$ 600	(+)	$ 700	(+)
Amortization/casualty loss/non-recurring expenses	$	(+)	$	(+)
If using the rental properties full PITI payment in qualifying ratios - add back insurance, mortgage interest and taxes	$ 3280	(+)	$ 3290	(+)
			Calculate	
Subtotal - Schedule E, Rents and Royalties	$ 12280		$ 12190	

Boarder Income

- Boarder refers to an individual renting space inside the Borrower's Dwelling Unit.
- Rental Income from Boarders is only acceptable if the Borrower has a two year history of receiving income from Boarders that is shown on the tax return and the Borrower is currently receiving Boarder income.
- Obtain two years of the Borrower's tax returns evidencing income from Boarders and the current lease.
- For purchase transactions, obtain a copy of the executed written agreement documenting their intent to continue boarding with the Borrower
- Calculate the Effective Income by using the lesser of the two year average or the current lease.

Income Scenario

- John has worked for a factory that lays him off every January and February due to lack of work. The factory sells farming supplies and they always get slow in the winter. In 2016 his W2 showed $43,200 and in 2017 his W2 showed $42,000. He actually ended up having UEC benefits in 2016 for $1400 and in 2017 for $1200.
- What income can we use as effective income for John's FHA mortgage?

Income Scenario

- In 2016 his W2 showed $43,200 and in 2017 his W2 showed $42,000. He actually ended up having UEC benefits in 2016 for $1400 and in 2017 for $1200.
- We can use all of the income because it has been consistently received the last 2 years.
- $3550 for base income
- $108.22/mo. in unemployment or other income

FHA	The percentage of Non-Taxable Income that may be added cannot exceed the greater of 15% or the appropriate tax rate for the income amount, based on the Borrower's tax rate for the previous year. If the Borrower was not required to file a federal tax return for the previous tax reporting period, the Mortgagee may Gross Up the Non-Taxable Income by 15%.
FANNIE MAE	If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, the lender may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income.
VA	Tax-free income may be 'grossed up' for purposes of calculating the DTI ratio, however it cannot be used when figuring residual income. You will use the current income tax withholding tables to determine an amount which can be prudently employed to adjust the borrower's actual income. If the borrowers were not required to file a federal tax return for the previous tax period, typically we are conservative and gross up by 15%.
USDA	Non-Taxable Income may be grossed-up 25% for repayment income, this 25% is across the board amount regardless of what tax bracket the borrower is in. Tax exempt income sources should not be grossed up when calculating annual income.

Questions from last week… Gross up income (em'd out as well)

Questions from last week - Gross up income

- Determine if SSI is Taxable
- Use the Gross Amount on the SSI Award Letter
- Determine the Amount you can “Gross-UP” the SSI
- Enter the amount on the Income Calculation Worksheet
- Example: 946.00/Month x 1.25= $1,182.50/ Monthly Income

You are entitled to monthly retirement benefits beginning September 2015.

What We Will Pay And When

- You will receive $946.00 for September 2015 around October 21, 2015.
- After that you will receive $946.00 on or about the third Wednesday of each month.
- These and any future payments will go to the financial institution you selected. Please let us know if you change your mailing address, so we can send you letters directly.
- The day of the month you receive your payments depends on your date of birth.

INCOME WORKSHEET (REVISED 11/20/13)

Borrower Name	Loan Number
TEST	

Borrower #1	Monthly Earnings: Base Pay Rate	Monthly Earnings: Income Calculations	Qualifying Income
Social Security Base Income	$ 946.00	Gross up 1.25	$1,182.50
3 Paid Weekly	$ -	Weekly pay x 4.33	$0.00
4 Paid Bi-weekly	$ -	Bi-weekly pay x 2.167	$0.00
5 Paid Semi-Monthly	$ -	Semi monthly pay x 2	$0.00
6 Paid Monthly	$ -	Same as monthly pay	$0.00
1 Annual Pay	$ -	Annual pay / 12	$0.00
2 Hourly	$ -	Hrs per week 40	$0.00
Other	$ -		
		Monthly Income Used	$1,182.50

Notes:

Questions from last week – History of Rental income

- **Total Scorecard:** Verify and document the existing Rental Income by obtaining the Borrower's most recent tax returns, including Schedule E, from the previous two years.
- **Manual Underwrite:** Verify and document the existing Rental Income by obtaining the existing lease, rental history over the previous 24 months that is free of unexplained gaps greater than three months (such gaps could be explained by student, seasonal or military renters, or property rehabilitation), and the Borrower's most recent tax returns, including Schedule E, from the previous two years.
- For Properties with less than two years of Rental Income history, document the date of acquisition by providing the Mortgage/Deed of Trust, Closing Disclosure or similar legal document.

Questions from last week - Rental Income – History of Rental Income

- The Mortgagee must calculate the Rental Income by averaging the amount shown on Schedule E.
- Depreciation, mortgage interest, taxes, insurance and any Homeowners' Association (HOA) dues shown on Schedule E may be added back to the net income or loss.
- THIS IS A CHANGE!!!! FHA used to only add back in depreciation and now their manual clearly states to add back depreciation as well as mortgage interest, taxes, insurance and HOA on the Schedule E.

Questions from last week - Schedule E- Rental Income

Part I **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A	Did you make any payments in 2015 that would require you to file Form(s) 1099? (see instructions)	☐ Yes	☒ No
B	If "Yes," did you or will you file all required Forms 1099?	☐ Yes	☐ No

1a	Physical address of each property (street, city, state, ZIP code)
A	3261 ALAMANCE ROAD, BURLINGTON, NC 27215
B	ALAMANCE ROAD, BURLINGTON, NC 27215
C	1910 CEDAR RIDGE CT, BURLINGTON, NC 27215

1b	Type of Property (from list below)
A	1
B	2
C	1

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

	Fair Rental Days	Personal Use Days	QJV
A	365		
B	365		
C	365		

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:		Properties: A	B	C
3 Rents received	3	10,500	45,573	8,560
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7		5,617	
8 Commissions	8			
9 Insurance	9	580	1,550	508
10 Legal and other professional fees	10	840		
11 Management fees	11		3,646	685
12 Mortgage interest paid to banks, etc. (see instructions)	12		6,444	
13 Other interest	13		2,892	
14 Repairs	14	1,483		680
15 Supplies	15			
16 Taxes	16		7,963	695
17 Utilities	17		349	333
18 Depreciation expense or depletion	18	4,909	13,087	2,347
19 Other (list) ▶ SEE STATEMENT 2	19		545	
20 Total expenses. Add lines 5 through 19	20	7,812	42,093	5,248
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	21	2,688	3,480	3,312

Rental Income Calculation

Rental Income Sheet Based on Tax Return Schedule E

3261 Alamance Road, Burlington NC 27215		NET	DEP.	TAXES	INTEREST	INSURANCE	TOTAL GROSS			
	2015	Line 21	Add Line 18	Add Line 16	Add Line 12	Add Line 9		USED AVG		
		$2,688.00	$4,909.00	$0.00	$0.00	$580.00	$8,177.00	SINCE	$623.25	MONTHLY GROSS
	2014							INCREASED	$383.02	CURRENT/PROPOSED PITI
		$1,329.00	$4,909.00	$0.00	$0.00	$543.00	$6,781.00		$240.23	NET RENT

Minimum required investment (MRI)

- On a purchase transaction, the borrower must have a minimum required investment of 3.5% in the transaction
- MRI cannot come from
  - The seller of the property
  - Any other person who financially benefits from the transaction; or
  - Anyone who is or will be reimbursed, directly or indirectly, by the seller or interested party
- Government entities can contribute to MRI (see guide for more information on this if necessary)
- Closing costs, prepaid items, per diem interest credit and other fees may <u>not</u> be applied to the Borrower's MRI
- The Mortgagee must document all funds that are used for the purpose of qualifying for or closing a Mortgage, including those to satisfy debt or pay costs outside of closing.
- The refund of the Borrower's POCs may be used toward the Borrower's MRI if the Mortgagee documents that the POCs were paid with the Borrower's own funds.
- Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if the Mortgagee documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting.
- This permits the Borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total MRI.

Test your knowledge

Purchase price is $100,000

Loan amount is $96,500 (Plus UFMIP)

1003 shows $3,800 on page 3 as required to close amount

- What is the minimum required investment that the underwriter needs to confirm is verified in assets?
- The borrower is receiving a tax proration credit for $800 at closing so the cash to close amount only ends up being $3,200 on the CD, is the MRI (minimum required investment) being met?
- Let's try one more, the borrower paid his appraisal fee of $390 upfront and the case to close ends up being $3400. Is this acceptable?

Test your knowledge

Purchase price is $100,000

Loan amount is $96,500 (Plus UFMIP)

1003 shows $3,800 on page 3 as required to close amount

- What is the minimum required investment that the underwriter needs to confirm is verified in assets? 3.5% of $100,000 is $3500 but since the borrower has to bring $3,800 to closing, they will verify that $3800 is in assets.
- The borrower is receiving a tax proration credit for $800 at closing so the cash to close amount only ends up being $3,200 on the CD, is the MRI (minimum required investment) being met? Yes, the proration credit is allowed to be used towards the MRI at closing (not at underwriting though)
- Let's try one more, the borrower paid his appraisal fee of $390 upfront and the cash to close ends up being $3400. Is this acceptable? ONLY if the $390 was not borrowed so it can't have been paid by credit card. If it was, we typically will just refund the borrower the $390 and put the $390 as due on the CD so that cash to close ends up being $3790.

Premium Pricing

- Premium Pricing may be used to pay a Borrower's actual closing costs and/or prepaid items.
- The funds derived from a premium priced Mortgage:
  - must be disclosed in accordance with RESPA;
  - must be used to reduce the principal balance <u>if the credit amount exceeds the actual dollar amount for closing costs and prepaid expenses</u>; and
  - <u>may not be used for payment of debts</u>, collection accounts, escrow shortages or missed Mortgage Payments, or Judgments.

Reserves

- The Mortgagee must verify and document all assets submitted to the AUS.
- Reserves refer to the sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is required to pay at closing.
- Reserves do not include:
  - the amount of cash taken at settlement in cash-out transactions;
  - incidental cash received at settlement in other loan transactions;
  - equity in another Property; or
  - borrowed funds from any source.
- Verify and document Reserves equivalent to three months' PITI after closing for three- to four-unit Properties.
- Only need to verify on one-two unit property when using as compensating factor for DTI on a manual underwrite (then you need 3 mos and 6 for three-four unit property)

Q&A

- When do you need reserves on a 1 to 2 unit property?
- How many months reserves would you need?

Q&A

- Only when you are using reserves as a compensating factor because the DTI is too high on an manual or refer underwrite.
- 3 months reserves

Earnest Money Deposit

- The Mortgagee must verify and document the deposit amount and source of funds **if the amount of the earnest money deposit exceeds 1 percent of the sales price** or is excessive based on the Borrower's history of accumulating savings, by obtaining:
  - a copy of the Borrower's canceled check;
  - certification from the deposit-holder acknowledging receipt of funds; or
  - a Verification of Deposit (VOD) or bank statement showing that the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit.
- If the source of the earnest money deposit was a gift, the Mortgagee must verify that the gift is in compliance

Source of Funds

- The Mortgagee must verify liquid assets for cash to close and Reserves as indicated
- For recently opened accounts and recent individual deposits of more than 1 percent of the property value/sales price, the Mortgagee must obtain documentation of the deposits.
- The Mortgagee must also verify that no debts were incurred to obtain part, or all, of the MRI.
- Acceptable documentation of assets can be either:
  - Written VOD and the most recent borrower's statement for each account
  - A statement showing the previous month's ending balance for the most recent month. If this is not available on the statement then need the most recent two months of statements.
- If the Borrower does not hold the deposit account solely, all non-Borrower parties on the account must provide a written statement that the Borrower has full access and use of the funds

Source of Funds – Cash on hand

Cash on hand

- The Mortgagee must verify and document the Borrower's Cash on Hand by obtaining an explanation from the Borrower describing how the funds were accumulated and the amount of time it took to accumulate the funds.
- The Mortgagee must also determine the reasonableness of the accumulation based on the time period during which the funds were saved and the Borrower's:
  - income stream;
  - spending habits;
  - documented expenses; and
  - history of using financial institutions

Source of Funds – retirement account

- The Mortgagee may include up to 60 percent of the value of assets, less any existing loans, from the Borrower's retirement accounts, such as IRAs, thrift savings plans, 401(k) plan, and Keogh accounts, unless the Borrower provides conclusive evidence that a higher percentage may be withdrawn after subtracting any federal income tax and withdrawal penalties
- The portion of the assets not used to meet closing requirements, after adjusting for taxes and penalties, may be counted as Reserves.
- The Mortgagee must obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the Borrower's retirement accounts, the Borrower's eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account.
- If any portion of the asset is required for funds to close, evidence of liquidation is required.

Gifts

Gifts may be provided by:

- The Borrower's Family Member;
- The Borrower's employer or labor union;
- A close friend with a clearly defined and documented interest in the Borrower;
- A charitable organization; or
- A governmental agency or Public Entity that has a program providing homeownership assistance to:
  - Low or moderate income families; or
  - First-time homebuyers
- The Mortgagee must obtain a gift letter signed and dated by the donor and Borrower that includes the following:
  - the donor's name, address, and telephone number;
  - the donor's relationship to the Borrower;
  - the dollar amount of the gift; and
  - a statement that no repayment is required.

Gifts – Family member defined again

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

–Child, parent, or grandparent;

- A child is defined as a son, stepson, daughter, or stepdaughter.
- 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, sister-in-law of the Borrower.

Gift – documenting the transfer

- The Mortgagee must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the requirements below.
  - a. If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account.
  - b. If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.
- If the gift funds are paid directly to the settlement agent, the Mortgagee must verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source.
- If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the Mortgagee must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction.
- Regardless of when gift funds are made available to a Borrower, the Mortgagee must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.

Gift of Equity

- Only Family Members may provide equity credit as a gift on Property being sold to other Family Members.
- The Mortgagee must obtain a gift letter signed and dated by the donor and Borrower that includes the following:
  - the donor's name, address, and telephone number;
  - the donor's relationship to the Borrower;
  - the dollar amount of the gift; and
  - a statement that no repayment is required.

Borrowed Funds

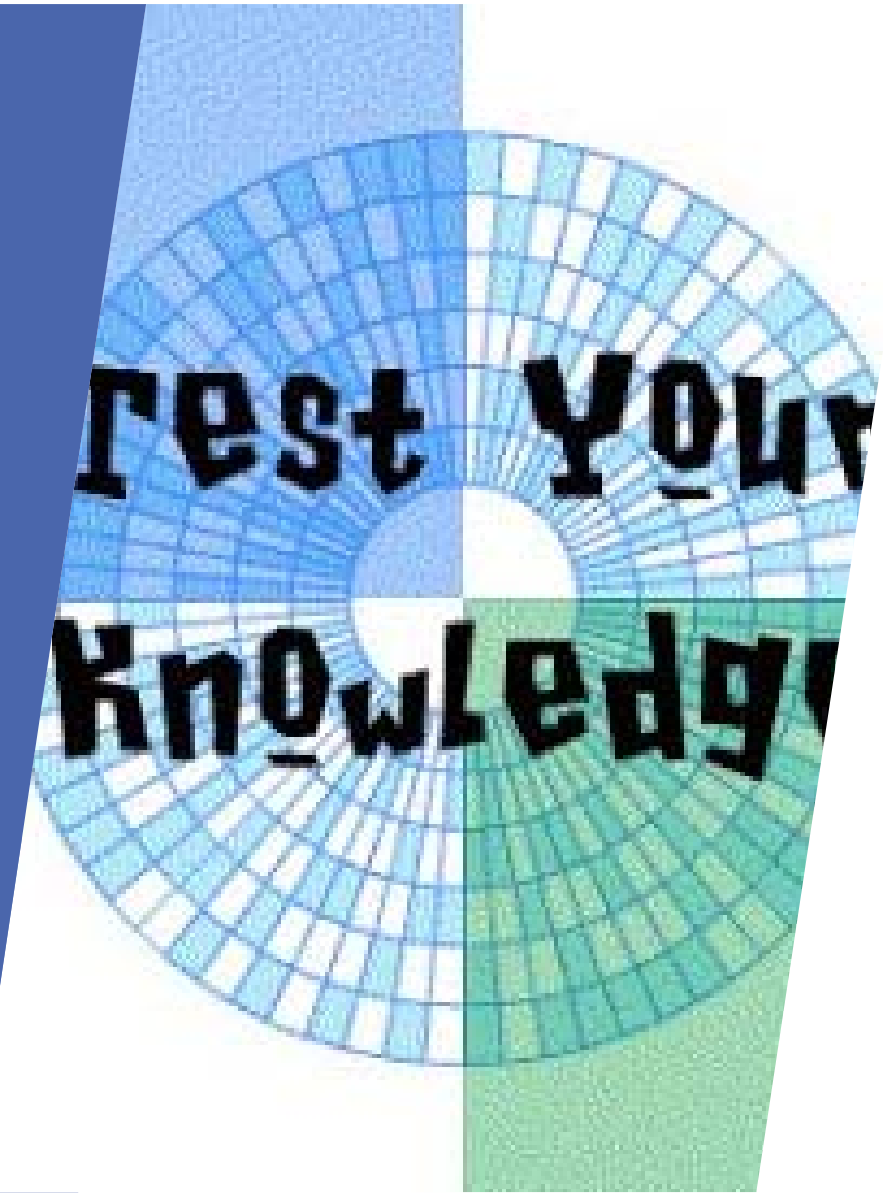
- Only an independent third party may provide the borrowed funds for collateralized loans.
- A Collateralized Loan is a loan that is fully secured by a financial asset of the Borrower, such as deposit accounts, certificates of deposit, investment accounts, or Real Property
- Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset, do not require consideration of repayment for qualifying purposes. The Mortgagee must reduce the amount of the corresponding asset by the amount of the collateralized loan.
- The seller, real estate agent or broker, lender, or other Interested Party may not provide such funds.
- Unacceptable borrowed funds include:
  - unsecured signature loans;
  - cash advances on credit cards;
  - borrowing against household goods and furniture; and
  - other similar unsecured financing.

Sale of Personal Property

- Borrowers may sell Personal Property to obtain cash for closing.
- The Mortgagee must obtain a satisfactory estimate of the value of the item, a copy of the bill of sale, evidence of receipt, and deposit of proceeds.
- The Mortgagee must use the lesser of the estimated value or actual sales price when determining the sufficiency of assets to close
- A value estimate may take the form of a published value estimate issued by organizations such as automobile dealers, philatelic or numismatic associations, or a separate written appraisal by a qualified Appraiser with no financial interest in the mortgage transaction.

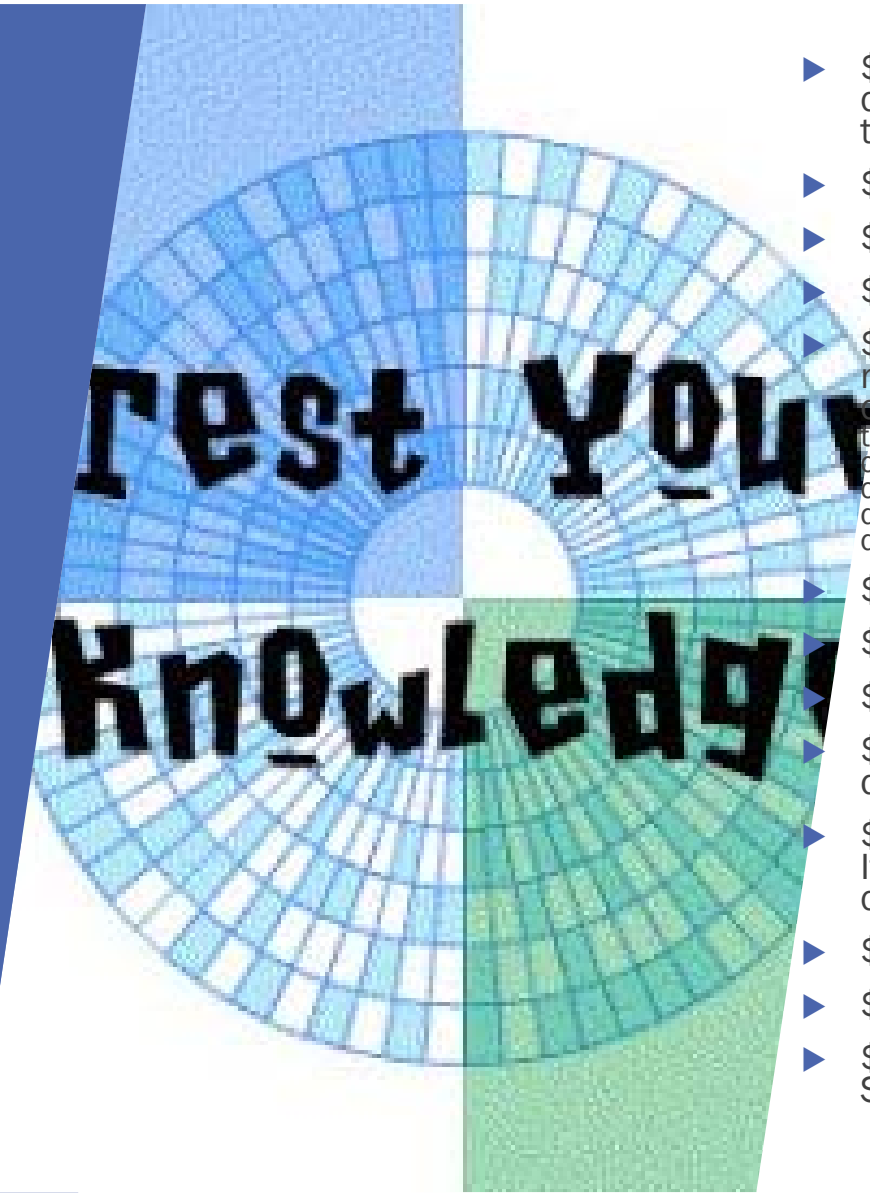
Sale of Real Property

- Net proceeds from the Sale of Real Property may be used as an acceptable source of funds
- The Mortgagee must verify and document the actual sale and the Net Sale Proceeds by obtaining a fully executed Closing Disclosure or similar legal document.
- The Mortgagee must also verify and document that the transaction was arms length, and that the Borrower is entitled to the Net Sale Proceeds.



Can these be used for the down payment on a FHA loan?

- $500 the borrower has in a safe at home
- $2000 loan from Uncle Bob
- $240 gift from Mother-in-law
- $4000 in mutual funds
- $2300 in wedding gifts from friends and family
- $2000 cash advance from a credit card
- $2000 from 401K loan
- $3000 gift from fiancé
- $3000 gift from best friend
- $500 found in the street (lucky day!)
- $480 won in the Ohio lottery
- $2000 in checking account
- $4000 worth of stock in Dick's Sporting Goods



- $500 the borrower has in a safe at home – MAYBE… confirm the borrower has no bank statements, or if they do that they withdraw right after deposit.
- $2000 loan from Uncle Bob - NO
- $240 gift from Mother-in-law - YES
- $4000 in mutual funds - YES
- $2300 in wedding gifts from friends and family – MAYBE – need marriage certificate & deposit slip and sample of checks…. I ask for the checks and look to see that they were deposited the same date as the deposit slip and they typically say congrats/wedding in the memo line. The dates of the deposit should coincide with the date on the marriage certificate. Some cash is always deposited as well but we look for everything to be deposited on the same day and obtain the checks to assist in sourcing the deposit.
- $2000 cash advance from a credit card - NO
- $2000 from 401K loan - YES
- $3000 gift from fiancé - YES
- $3000 gift from best friend – MAYBE, must have a documented interest in the borrower
- $500 found in the street (lucky day!) – MAYBE but not likely. If under 1% threshold that FHA requires sourced then you caould use it
- $480 won in the Ohio lottery - YES
- $2000 in checking account - YES
- $4000 worth of stock in Dick’s Sporting Goods – Proof of SALE - YES

Interested Party Contributions (IPC)

- Interested Parties refer to sellers, real estate agents, builders, developers or other parties with an interest in the transaction.
- Interested Party Contribution refers to a payment by an Interested Party, or combination of parties, toward the Borrower's origination fees, other closing costs and discount points
- Interested Parties may contribute up to 6 percent of the sales price toward the Borrower's origination fees, other closing costs and discount points.
- Interested Party Contributions exceeding 6 percent are considered an inducement to purchase.
- Interested Party Contributions may not be used for the Borrower's MRI
- Payment of real estate agent commissions or fees, typically paid by the seller under local or state law, or local custom, is not considered an Interested Party Contribution.

Inducements to Purchase

- Inducements to Purchase refer to certain expenses paid by the seller and/or another Interested Party on behalf of the Borrower and result in a dollar-for-dollar reduction to the purchase price when computing the Adjusted Value of the Property before applying the appropriate Loan-to-Value (LTV) percentage.
- These inducements include, but are not limited to:
  - contributions exceeding 6 percent of the purchase price;
  - contributions exceeding the origination fees, other closing costs and discount points;
  - decorating allowances;
  - repair allowances;
  - excess rent credit;
  - moving costs;
  - paying off consumer debt;
  - Personal Property;
  - sales commission on the Borrower's present residence; and
  - below-market rent, except for Borrowers who meet the Identity-of-Interest exception for Family Members.

Not inducements to Purchase ☺

- Replacement of existing Personal Property items listed below are not considered an inducement to purchase, provided the replacement is made prior to settlement and no cash allowance is given to the Borrower.
- The inclusion of the items below in the sales agreement is also not considered an inducement to purchase if inclusion of the item is customary for the area:
  - range
  - refrigerator
  - dishwasher
  - washer
  - dryer
  - carpeting
  - window treatment
  - other items determined appropriate by the HOC

Secondary Financing – Bond Loans

- The Mortgagee must obtain from the provider of any secondary financing:
  - documentation showing the amount of funds provided to the Borrower for each transaction;
  - copies of the loan instruments; and
  - a letter from the Governmental Entity on their letterhead evidencing the relationship between them and the nonprofit for each FHA-insured Mortgage, signed by an authorized official and containing the following information:
    - the FHA case number for the first Mortgage;
    - the complete property address; o the name, address and Tax ID for the nonprofit;
    - the name of the Borrower(s) to whom the nonprofit is providing secondary financing;
    - the amount and purpose for the secondary financing provided to the Borrower; and
    - a statement indicating whether the secondary financing:
      - will close in the name of the Governmental Entity; or
      - will be closed in the name of the nonprofit and held by the Governmental Entity.

Case Binder Endorsement

- To initiate the insurance endorsement process, the Mortgagee must complete the Insurance Application function in FHAC and compile the uniform case binder, with all of the necessary documents.
- The Mortgagee must endorse the Mortgage no later than 60 Days after the Disbursement Date.
- Case warnings are issued by FHAC based on system edits. They identify issues that must be addressed before the Mortgage can be insured.
- Jen Lawrence currently completes this for all FHA closed loans and will contact you if she needs help with an edit or issuing insuring
- She obtains a Mortgage Insurance Certificate when she completes the entry of the insurance information. This goes into the efolder and forwarded as required to the investor we sold the loan to.
- Case binders are only sent to the FHA field office when a request comes in to us
- Jamie Drayton gets the email requesting the case binder and the case binder is sent manually (in good old paper format) to the field office requesting the case
- FHA sends us the findings of their reviews and we have to mitigate any issues with them


Case study

DU Underwriting Findings

SUMMARY

Recommendation	Refer/Eligible		
Primary Borrower	[redacted]	Co-Borrower	
Lender Loan Number	200024952	Casefile ID	1364282285
Submission Date	03/20/2018 12:08PM	Submitted By	p3hn2mnb

Mortgage Information

LTV/CLTV	96.50% / 96.50%	Note Rate	4.250%
Housing Expense Ratio	33.21%	Loan Type	Federal Housing Administration
Total Expense Ratio	43.90%	Loan Term	360
Total Loan Amount	$323924.00	Amortization Type	Fixed Rate
Sales Price	$329900.00	Loan Purpose	Purchase
Appraised Value	$329900.00	Refi Purpose	

Property Information

Address	[redacted]	Property Type	Detached
	[redacted]		

RISK/ELIGIBILITY

1 This loan has been underwritten through DU for government loans using the FHA TOTAL Scorecard.

2 This loan casefile has been referred because a bankruptcy was indicated on the credit report.

3 This loan has been referred to an FHA Direct Endorsement Underwriter for manual underwriting. However, manual underwriting is not required for streamline refinance transactions. Refer to the FHA TOTAL Mortgage Scorecard User Guide for additional information regarding the handling of Refer loans.

4 The minimum statutory investment requirement for this loan casefile is $11546.50, unless a lesser amount is authorized under applicable FHA guidelines. This loan casefile is only eligible if this minimum amount is satisfied using the borrowers' own funds or an acceptable source of gift funds.

VERIFICATION MESSAGES/APPROVAL CONDITIONS

5 The lender must ensure full compliance with all FHA eligibility requirements and all requirements of FHA Single Family Housing Policy Handbook 4000.1.

6 For Cash Out Refinances with any form of secondary financing, or for Rate and Term Refinances (No Cash Out) and Purchases where privately held secondary financing exists, the maximum loan amount calculation must be applied outside of DU. For further information including the definition of privately held secondary financing, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1.

7 For case numbers assigned on or after January 1, 2015, if a property is resold 180 days or fewer following the date of acquisition by the seller, restrictions may apply. Refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for more information.

8 All documentation timeline requirements apply from the date of case number assignment date, unless otherwise specified.

9 The FHA Loan Underwriting and Transmittal Summary (Form HUD-92900-LT) must be completed.

10 This loan casefile may also be subject to other lender specified conditions.

11 Approval of this case is subject to underwriter's acceptable review of the LDP/GSA list.

12 If this loan casefile is an identity of interest transaction, the LTV may not exceed 85 percent, unless the transaction meets an exception as outlined in the Online version of FHA Single Family Housing Policy Handbook 4000.1.

13 Properties that are Under Construction or Existing for Less than One Year are limited to a 90 percent LTV unless they meet the Pre-Approval requirements or are covered with a HUD-accepted insured ten-year protection plan, and they meet the required documentation for Maximum Financing.

14 Approval for this casefile is subject to obtaining a valid CAIVR number.

15 If the borrower acts as a licensed general contractor and builds the house on land previously owned or separately acquired, refer to the Online version of HUD Single Family Housing Policy Handbook 4000.1 for more information.

16 A sales contract and any amendments or other agreements and certifications must be provided.

17 Documentation evidencing the borrower's identity is required.

18 Based on the credit report obtained through Desktop Underwriter, this loan must be disbursed on or before 07/01/2018. All verification documents must be dated within 120 days of the disbursement date. For exceptions to this policy, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1.

19 If this transaction is a purchase of a HUD REO property, please refer to the sales contract for special financing details.

20 If the borrower has experienced a short sale or short payoff, please refer to current FHA guidelines for additional eligibility requirements.

21 The FHA TOTAL scorecard no longer returns either Upfront or Annual Mortgage Insurance Premium (MIP) amounts to be displayed by DU. Lenders should consult Appendix 1 of FHA Single Family Housing Policy Handbook 4000.1 for current MIP amounts.

Credit and Liabilities

22 Verify and document the previous 12 months housing history. For borrowers who indicate they are living rent-free, obtain verification from the property owner where they are residing that the borrower has been living rent-free and the amount of time the borrower has been living rent free.

23 Desktop Underwriter has used the minimum monthly payments, to calculate the total expense ratio, from the following accounts:

Borrower	Creditor Name	Balance	Payment
[redacted]	CREDIT ONE BANK NA	55.00	25.00
[redacted]	CAPITAL ONE AUTO FINAN	12844.00	258.00
[redacted]	GM FINANCIAL	18995.00	398.00

24 Include new debt payments resulting from material inquiries listed on the credit report in the debt ratios. You must also determine that any recent debts were not incurred to obtain any part of the required cash investment on the property or funds necessary for closing.

25 A DE underwriter must determine that any short-term debt, including those omitted by Desktop Underwriter, will not negatively affect the borrower's ability to make mortgage payments during the early months following loan settlement. See the Online version of FHA Single Family Housing Policy Handbook 4000.1 for additional information.

26 Evidence of payoff or payment arrangements of any outstanding judgments shown on the credit report is required, if applicable. Document reasons for approving a mortgage when the borrower has any collection accounts. The borrower must provide a letter of explanation, which is supported by documentation, for any outstanding collection account. The explanation and supporting documentation must be consistent with other credit information in the file. If the cumulative outstanding collection account balances are $2,000 or greater, verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds, verify that the borrower has made payment arrangements with the creditor; or if a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the borrower's DTI ratio.

27 A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing. If a mortgage debt does not appear on the application and/or credit report, or if the information on the credit report is incomplete or inaccurate, refer to FHA Handbook 4000.1 for additional requirements.

28 When a debt or obligation is revealed during the application process that was not listed on the loan application and/or credit report and was not considered by DU, verify and include the monthly payment amount, and manually underwrite the mortgage using standard qualifying criteria. Direct verification of the debt is not required. Determine that any borrowed funds will not be used for the homebuyer's cash investment in the transaction.

29 If the credit report indicates a mortgage debt that has been assumed by an unrelated party, or the title has been transferred because of a divorce, the lender must obtain the agreement creating the contingent liability or assumption agreement and deed showing transfer of title out of the lender's name. For other types of contingent liabilities and for additional information, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for additional information.

30 For cases assigned on or after 10/15/13, if the credit report reveals that the borrower is disputing any credit accounts or public records, and the total of all outstanding balances for all disputed derogatory credit accounts for all borrowers is greater than or equal to $1000, downgrade to refer and manually underwrite the loan. If it is less than $1000, a downgrade to manual underwriting is not required. Disputed charge-offs, collections, and late payments in the last 24 months are considered derogatory. For excluded derogatory account types, please consult the Online version of FHA Single Family Policy Handbook 4000.1.

31 Verify and include any deferred obligations in the calculation of the borrower's debt in accordance with FHA Single Family Housing Policy Handbook 4000.1. Obtain written documentation of the deferral of the liability from the creditor and evidence of the outstanding balance and terms of the deferred liability. Obtain evidence of the anticipated monthly payment obligation, if available.

Employment and Income

32 The following sources of income were used in the underwriting analysis:

Borrower	Income Type	Verification	Amount
[redacted]	Base Employment Income	1003 Values	6374.80

33 For Standard documentation, verify [redacted] employment history and income for the previous most recent two years. Obtain the most recent pay stubs covering a minimum of 30 consecutive days, (or if paid weekly or bi-weekly, pay stubs must cover a minimum 28 consecutive Days) that show the borrower's year-to-date earnings and obtain one of the following for the most recent two years to verify current and previous employment: written Verification of Employment (VOE(s); or electronic verification acceptable to FHA. Re-verification of employment must be completed within 10 Days prior to the date of the Note. Verbal re-verification of employment is acceptable. Refer to FHA's Single Family Housing Policy Handbook 4000.1 for information on alternative employment documentation requirements and requirements when the borrower has not been employed with the same employer for the previous two years.

34 Capital gains or losses must be considered when determining Effective Income. Refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1 for additional information.

35 If the borrower has changed jobs more than three times in the previous 12-month period, or has changed lines of work, verify and document the stability of the borrower's Employment Income. Obtain either transcripts of training and education demonstrating qualification for a new position, or employment documentation evidencing continual increases in income and/or benefits.

36 For information on calculation of hourly income or income involving a temporary reduction in wages, refer to the Online version of FHA Single Family Housing Policy Handbook 4000.1.

Assets

37 The following assets were counted towards available funds:

Borrower Name	Account Type	Institution Name	Amount
[redacted]	Gift	Gift	14677.00
[redacted]	Retirement		7457.16

38 A gift in the amount of $14677.00 is listed as a source of funds in the Down Payment section available for closing. List the name, address, telephone number, relationship to the borrower, and the amount of the gift on the loan application or in a gift letter signed by the donor and borrower for each cash gift received. Document the transfer of the gift funds to the borrower's accounts, in accordance with the instructions described in the Online version of FHA Single Family Housing Policy Handbook 4000.1. Cash on Hand is not an acceptable source of donor gift funds.

39 Information about assets furnished on the loan application was used to underwrite this case. The depository assets totaling $22134.16 must be verified by a written VOD and the Borrowers' most recent statement for each account. If a VOD is not obtained, a statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, obtain statement(s) for the most recent two months.

40 If the amount of the earnest money deposit or other large deposits exceed 1 percent of the sales price or appears excessive based on the borrower's history of accumulating savings, the lender must verify the deposit amount and the source of funds according to current FHA guidelines. The lender must also determine that any recent debts were not incurred for any part of the cash investment on the property being purchased.

41 An asset described as Cash Deposit on Sales Contract in the amount of $2000.00 was listed on the application in Section VI-Assets. Desktop Underwriter has not used this amount in its evaluation of borrower liquid assets available for closing costs and reserves. To be included, the amount should either be included in the balance of the deposit account from which it was drawn (if the check has not cleared), or it should be entered in Section VII-details of Transaction under Other Credit if it has cleared.

42 An asset described as Cash Deposit on Sales Contract in the amount of $2000.00 was listed on the application in Section VI-Assets. Desktop Underwriter has not used this amount in its evaluation of borrower liquid assets available for closing costs and reserves. To be included, the amount should either be included in the balance of the deposit account from which it was drawn (if the check has not cleared), or it should be entered in Section VII-details of Transaction under Other Credit if it has cleared.

43 Obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the borrower's retirement accounts, the borrower's eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account. If any portion of the asset is required for funds to close, evidence of liquidation is required. Only 60 percent of the value of assets, less any existing loans, may be used, unless the borrower provides conclusive evidence that a higher percentage may be withdrawn after subtracting any federal income tax and withdrawal penalties.

44 A gift was entered as a source of down payment. The loan is ineligible for FHA insurance if any of the down payment funds are provided by (a) the seller or any other person or entity that financially benefits from the transaction, or (b) any 3rd party that is reimbursed directly or indirectly by the seller or any other person or entity that financially benefits from the transaction.

45 If an asset other than real estate or exchange-traded securities is sold for funds to close the mortgage, borrower must provide satisfactory evidence of the item's worth, bill of sale and evidence of liquidation.

46 For recently opened accounts and recent individual deposits of more than 1 percent of the Adjusted Value, obtain documentation of the deposits. Verify that no debts were incurred to obtain part, or all, of the minimum required investment.

47 If a gift is being used, the full amount of the gift must be entered in the Source of Downpayment Section with a valid FHA Down Payment Type Code, to ensure that the correct information is sent to the FHA TOTAL Mortgage Scorecard. Additionally, the gift must be entered in the Assets section as verified. If the gift has been deposited into a depository account, it should not be entered separately as a gift asset to avoid double counting of the gift funds. If the gift has not been deposited into a depository account, it must be shown separately as a gift asset.

48 1 month reserves of mortgage payments (PITI) are required for 1-2 unit properties after closing.

49 For loans that receive a Refer from the Total Scorecard, gift funds should not be included in the reserves.

Property and Appraisal Information

50 The Uniform Residential Appraisal Report (URAR) (Fannie Mae Form 1004) and the form HUD-92800.5B, Conditional Commitment/DE Statement of Appraised Value are required. Also, a Market Conditions Addendum is required (Fannie Mae Form 1004MC/ Freddie Mac Form 71).

51 Form HUD-92561, Hotel and Transient Use Certification must be obtained and signed by the borrower for all 2 - 4 unit properties and single family properties that are part of a group of five or more properties owned by the borrower within a two block radius.

52 DU returned the following standardized address and census tract for the subject property: 1006 STARITA CT, APEX, NC 27502, 371830534121008. This is the address that DU used in its property verification process.

53 It is the lender's responsibility to ensure that all FHA guidelines are met on the appraisal report, including but not limited to: use of correct forms, acceptable property type, and acceptable validity periods.

Ratio Information

54 If the subject property is located or the borrower resides in a community property state, the debts of a non-purchasing spouse must be included in the borrower's qualifying ratios, except for the obligations specifically excluded by state law. Although the non-purchasing spouse's credit history is not to be considered a reason for credit denial, a credit report must be obtained outside of DU for the non-purchasing spouse in order to determine the debt-to-income ratio (this applies only to community property states). If required by state law, the non-purchasing spouse may be required to sign either the security instrument or documentation indicating that the individual is relinquishing all rights to the property. When the security instrument is executed for this reason, the non-purchasing spouse is not considered a borrower, and not required to sign the loan application.

Other

55 A Required Investment amount of $18676 was sent to the FHA TOTAL scorecard.

OBSERVATIONS

56 The following credentials from the loan application were used to submit the loan casefile through the FHA TOTAL Mortgage Scorecard:

Lender ID	Sponsored Originator EIN	Sponsor ID
1611300298		

57 This case was submitted to Desktop Underwriter using the FHA TOTAL Scorecard Version 3.12 by EQUITY RESOURCES, INC. Institution. The following information is associated with this loan: Casefile ID is 1364282285, and FHA Submission number is 4.

58 The following Credit Report information is associated with this submission:

Borrower Name	Credit Agency	Credit Report ID	Credit Report Date
[redacted]	CREDIT PLUS	42447471	03/03/2018

59 This loan casefile was submitted to DU for Government Loans Release 4.0.

60 County Loan Limit: $318550.00

61 Maximum Loan Amount: $318353.00

62 Section of Act: 203(b)

63 County Name: WAKE COUNTY

64 Agency Case Number: 387-3787642-703

65 The following credit scores were obtained by the credit agency selected by the user and are included in the credit report:

Borrower	Credit Scores
[redacted]	665 660 690

MORTGAGE INFORMATION

Loan Type	Federal Housing Administration	LTV/CLTV/HCLTV	96.50% / 96.50% / 0.00%
Amortization Type	Fixed Rate	Loan Amount	$318353.00
Balloon	No	Financed MI Amount	$5571.00
Community Lending	No	Total Loan Amount	$323924.00
Payment Frequency	Monthly	Sales Price	$329900.00
Lien Type	First Mortgage	Appraised Value	$329900.00
Amt. Subordinate Fin.	$0.00	P&I	$1593.51
Loan Purpose	Purchase	Note Rate	4.250%
Refi Purpose		Qualifying Rate	4.250%
Owner Existing Mtg.		Bought Down Rate	0.00%
Buydown	No	Term (Months)	360

INCOME

Base	$6374.80
Commission	$0.00
Bonus	$0.00
Overtime	$0.00
Other	$0.00
Positive Net Rental	$0.00
Subj. Pos. Cash Flow	$0.00
Total	$6374.80

QUALIFYING RATIOS

Housing Expense	33.21%
Total Expense	43.90%

EXPENSE RATIOS

Including ≤ 10 Mos.	0.00%
With Undisclosed Debt	0.00%

PROPOSED MONTHLY PAYMENT

First P&I (Qualifying)	$1593.51	Negative Net Rental	$0.00
Second P&I	$0.00	Subj. Neg. Cash Flow	$0.00
Hazard Insurance	$75.00	All Other Payments	$681.00
Taxes	$225.00	Total Expense Payment	$2798.28
Mortgage Insurance	$223.77		
HOA Fees	$0.00	Present Housing Payment	$1500.00
Other	$0.00		
Total Housing Payment	$2117.28		

FUNDS

Required	$14676.00	Net Cash Back	$0.00
Available	$22134.16	Reserves	$7458.00
Cash Back	$0.00	Months Reserves	3

PUBLIC RECORDS

J B MIDDLE DISTRICT OF FLORIDA BANKRUPTCY
Docket #: 1309031
Source: XP/TU/EF
*** -DSP-10/13

File Date: 07/13
Amount: $0
Status Date: 10/13

Plaintiff:
Action Type: CHAPTER 7 BANKRUPTCY
Status: DISCHARGED

J B MIDDLE DISTRICT OF FLORIDA BANKRUPTCY
Docket #: 1506460
Source: TU/EF
*** -DSP-11/16

File Date: 06/15
Amount: -
Status Date: 11/16

Plaintiff:
Action Type: CHAPTER 13 BANKRUPTCY
Status: DISCHARGED

INQUIRIES (LAST 120 DAYS)

XP/TU	B	02/03/18	FAIRWAY INDE	FINANCE/NONPERSONAL
EF	B	02/03/18	FCTUALDATA	MISC
TU/EF	B	11/13/17	VW CREDIT	FINANCE

Request New Tradeline

Display Trended Data

CREDIT

ECOA	WHOSE	CREDITOR	DATE REPORTED	DATE OPENED / DLA	HIGH CREDIT OR LIMIT / ACCT TYPE	BALANCE / TERMS	PAST DUE	MO REV	30	60	90+	STATUS / SOURCE
J	B	GM FINANCIAL 457127132 Directory: 800-284-2271-tape 801 CHERRY ST STE 3900 FORT WORTH TX 76102 **History:** 08/15; 00	08/15	05/15 08/15	$18998 AUTO	$18995 073 $398	$0	2	0	0	0	I1 XP/TU/EF
B	B	CAPITAL ONE AUTO FINAN 62063531144911001 Directory: 800-946-0332 3901 DALLAS PKWY PLANO TX 75093 **History:** 01/18; 00000	01/18	09/17 01/18	$13012 AUTO	$12844 072 $258	$0	5	0	0	0	I1 XP/TU/EF
B	B	CREDIT ONE BANK NA 444796******9741 Directory: 877-825-3242	02/18	04/17 02/18	$450 REV	$55 MIN $25	$0	10	0	0	0	R1 XP/TU/EF

B	B	ACHIEVACU 17233871200 Directory: 727-431-7680 10125 ULMERTON RD LARGO, FL 33771	07/17	02/12 01/15	$21903 AUTO	$0 72 $0	$0	41	19	2	0	I3 XP/TU/EF	

History: 07/15; 22111100000001111011010111111110000000000
Late Dates: 7/15-60, 6/15-60, 5/15-30, 4/15-30, 3/15-30, 2/15-30, 6/14-30, 5/14-30, 4/14-30, 3/14-30, 1/14-30, 12/13-30, 10/13-30, 8/13-30, 7/13-30, 6/13-30, 5/13-30, 4/13-30, 3/13-30, 2/13-30, 1/13-30
REAFFIRMATION OF DEBT; FIXED RATE

COLLECTION ACCOUNTS

ECOA	WHOSE	CREDITOR	DATE REPORTED	DATE OPENED / DLA	HIGH CREDIT OR LIMIT / ACCT TYPE	BALANCE / TERMS	PAST DUE	MO REV	30	60	90+	STATUS / SOURCE
J	B	BLUEGREEN VACATIONS CO 410011 Directory: p#800-456-2582 4960 BLUE LAKE DR BOCA RATON, FL 33431	07/13	07/08 --/--	$9630 INST	- 010 -	-	39	1	1	3	BANKRUPTCY XP

History: 07/13; 9----------5432100000000----00000000000
Late Dates: 8/12-150+, 7/12-120, 6/12-90, 5/12-60, 4/12-30
TIME SHARE LOAN; BANKRUPTCY CHAPTER 7

J	B	VW CREDIT INC 889057660 Directory: 800-428-4034 1401 FRANKLIN BLVD LIBERTYVILLE, IL 60048	11/16	11/14 --/--	$19570 AUTO	- 048 -	-	23	0	0	0	BANKRUPTCY XP/EF

History: 11/16; 7----------0-00-00
ACCOUNT PREVIOUSLY IN DISPUTE-NOW RESOLVED-REPORTED BY SUBSCRIBER; AUTO LEASE; CHAPTER 13

OTHER CREDIT HISTORY

*** NONE ***

Questions on the Case Study

- What credit issues do you see?
- What documentation do you think you need?
- This is a refer… what else do you need to look at?

Answers

- What credit issues do you see?
  - The bankruptcy has not been discharged over 2 years…
  - Two bankruptcy listed
  - GM Financial is old reporting tradeline, in BK?
  - 2 lines open – 1 for 5 mos, 1 for 10 mos
- What documentation do you think you need?
  - LOX on derogatory credit & reason for BK
  - Need to prove extenuating circumstances or that BK 13 was discharged and resolved and the administrator is relieved of his duties (means all paid and resolved)
- This is a refer… what else do you need to look at?
  - DTI is higher than 31/43 so need to have a compensating factor

viii. Approvable Ratio Requirements (Manual)

The maximum Total Mortgage Payment to Effective Income Ratio (PTI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.

The qualifying ratios for Borrowers with no credit score are computed using income only from Borrowers occupying the Property and obligated on the Mortgage. Non-occupant co-Borrower income may not be included.

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Borrowers with Minimum Decision Credit Scores below 580, or with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	**One** of the following: • verified and documented cash Reserves; • minimal increase in housing payment; or • residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	**Two** of the following: • verified and documented cash Reserves; • minimal increase in housing payment; • significant additional income not reflected in Effective Income; and/or • residual income.

More Questions

- Compensating factors possible – do we meet any of these?
  - Reserves? How many months do we need? Do we have them?
  - Payment increase? Does our borrower meet this one?
  - Residual income? How about this?

Gross Monthly Income

	Borrower
Base	6,374.80

Marital Status	Married		
Dependents #	1	Ages	18

Monthly Housing Expenses

	Present	Proposed
Rent	1,500.00	
First Mtg.		1,593.51
Other Fin.		
Haz. Ins		75.00
RE Taxes		225.00
Mtg. Ins		223.77
HOA Dues		
Other		0.00
Total	1,500.00	2,117.28

VI. Assets and Liabilities Completed ☐ Jointly ☑ Not Jointly

Assets

Cash Deposit	Value
Earnest Money Deposit	2,000.00
Due Diligence	2,000.00

Real Estate Owned	
Vested Interest in Retirement Fund	7,457.16
Net Worth of Business Owned	

Checking and Savings Show All (VOD)

Total Bank Deposits	14,677.00

Automobiles Owned

Make and Year	Value

Quick Entry - VOD

VOD

Belong To	Bank/S&L/Credit Union	Balance
Borrower	Gift	14,677.00

VII. Details of Transaction

a. Purchase Price	329,900.00
b. Alterations	
c. Land	
d. Refinance	
e. Estimated prepaid items	3,754.34
f. Estimated closing costs	3,375.00
g. PMI, MIP, Funding Fee	5,571.17
h. Discount (if Borrower will pay)	
i. **Total Costs** (a through h)	342,600.51

j. Subordinate financing	
k. CC paid by seller	
l. Cash Deposit on sales c	2,000.00
Cash Deposit on sales c	2,000.00
New First Mortgage	
CC from 2nd	
CC paid by Broker, Lender, Oth.	
m. Loan Amount	318,353.00
n. PMI, MIP Financed	5,571.00
o. Loan Amount (m + n)	323,924.00
Total Credits (j through n)	327,924.00
p. **Cash from borrower**	14,676.51

More Answers

- Reserves?
  - How many months do we need? 3 months x $2117.28 = 6351.84
  - Do we have them? Cash to Close is $14676.51 + (reserves) 6351.84 = 21,028.35 need in bank account
  - Assets 2000 + 2000 + 7457.16 + 14677 = 26,124.16
  - YES
- Payment increase?
  - New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than $100 or 5% (whichever is less); and
  - Does our borrower meet this one? Difference is 2117.28 – 1500 = 617.28 (more than $100)
  - 5% of 1500 = $75 (less than $100 so we use the $100)
  - NO
- Residual income? How about this?
  - Used the VA Helper Screen
  - YES

Monthly Income and Deductions

	Borrower	Spouse	Total
Earnings from Employment	6,374.80		6,374.80
Deductions			
Federal Inc Tax			
State Inc Tax			
Social Security			
Other			
Total Deductions			
Net Take-Home Pay	6,374.80		6,374.80
Other Net Income			
Total (Sum of lines 38 & 39)	6,374.80		6,374.80
Other Items Deducted from Section D			681.00
Total Net Effective Income			5,693.80
Less Estimated Monthly Shelter Expense (Line 22)			1,893.51
		Guideline	
Balance Available for Family Support		$ 889.00	3,800.29
Ratio (Sum of items 15,16,17,18,21 and 41 / sum of items 32 and 39)			40.386 %
Past Credit Record			Satisfactory
Does Loan Meet VA Credit Standards?			Yes

Family Size 3 Country Region South Get Residual

Does this borrower meet the credit guidelines for FHA financing?

Does this borrower meet the credit guidelines for FHA financing?

MAYBE

Need proof bankruptcy was discharged and need letter of explanation

Even then, the underwriter would need to make a decision based on the complete borrower picture and not just credit.

Remember that down payment is all coming from a gift… that needs taken into consideration

Borrower does have a 401K so reserves are there… but remember compensating factors cannot make up for poor credit

Name	Description
Assets - Bank statements missing pages	EMD and DD appear to be a gift from Joan Smith. Is this part of the total $14677 gift? Or is this an additional gift?
Assets - EMD/DD (NC only)	Copy of front and back of check for the EMD and DD gift checks - or use gift documentation to prove donor ability
Assets - Gift docs (FHA only)	Document gift per FHA guidelines: Provide gift letter, copy of check, gift donor's bank statement reflect the *withdrawal* of the gift funds ***and*** evidence gift funds deposited into borrower's account - total gift must be $18677 to cover $2000 DD, $2000 EMD and $14677 to close.
Assets - Terms of w/d for retirement	Document the terms of withdrawal for the asset or remove from the 1003 - must be according to FHA Manual UW guidelines to use for reserves.
Credit	LOX multiple social security numbers showing on credit report
Credit	Third party social security number validation
Credit - Inquiry cert	Credit inquiry cert completed with explanations and whether any new debts obtained
Credit - VOR	Verification of rent reflecting 0x30 for the last 12 months. If private landlord, will also need 12 months cancelled checks/bank statements to support
Income - Tax Transcripts - FHA	2016 and 2015 full personal tax transcripts from the IRS *****or***** if credit score is over 660 AND time on current job is over 2 years provide 2016 and 2015 ***W2*** transcripts from the IRS
Income - VOE - Borrower	Full WVOE for borrower
Income - W2s (17/16)	Provide all 2016 W2s
Misc	Correct HOA dues on 1003 to $31.67 per PC
Misc	Correct 1003 taxes to $225.43.
Misc - 1003 declarations	Correct 1003 declarations letter B to yes
Misc - FHA - Seller signed amend. clause	Error on Amendatory Clause - please see amount of $229,900 - - must show $329,900 - to match sales price.
Misc - Fraud report - U/W to clear	Underwriter to clear fraud report and upload to file - FRAUD REPORT is missing from loan file.
Property - Appraisal report - FHA purchase	Satisfactory appraisal that supports the purchase price and successful EAD findings
Property - FHA - Appr logging/etc, general	Appraisal logging, statement of appraisal value and FHA case query post-appraisal logging
Property - FHA - Appraisal payment	3.5% requirement: On appraisals paid upfront, verify if paid by check or debit from assets. If so add a closing condition that appraisal can be used towards 3.5% required downpayment.
Property - FHA - Private water fyi	FYI: If the subject property is served by a well or other private water system, the appraiser must specifically state that the water quality meets the requirements of the health authority with jurisdiction. If the appraiser does not specifically mention satisfactory water quality, a satisfactory water quality test will be required
Property - HOI	Homeowners insurance dec page with Equity Resources as LPC
Property - Title - Purchase	Satisfactory title search, 24 month chain of title and evidence of property taxes for subject property

Thank you for coming to training!

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