WHOLESALE FHA PRODUCT GUIDELINES

PRODUCT OVERVIEW				
LTV/CLTV CREDIT SCORE MATRIX **Full Doc Primary Residence 1-4 Units**				
Purpose	**Max LTV**	**Max CLTV**	**Loan Amount**	**Minimum Credit Score**
Purchase	96.50%	N/A[1]	FHA Mortgage Limits	580[4,5]
No Cash-Out (Rate/Term & Simple Refinance)	97.75%[2]	97.75%		580[4,5]
Cash-Out	80.00%	80.00%		580[4,5]
Credit Qualified Streamline[3]	N/A	N/A		580[4,5]
Non-Credit Qualified Streamline[3]	N/A	N/A		580[4,5]

Footnotes

[1] CTLV's >100.00% are limited to government approved programs (i.e. Federal, State or Local governmental agencies). When secondary provided by government agencies, the secondary lien must be made or held by the eligible government body or instrumentality.

- » See Secondary and Subordinate Financing section for additional details
- » The combined maximum mortgage amount of the 1st and any subordinate liens cannot exceed the FHA Maximum Mortgage Limits.
- » CLTV may not exceed 100.00% when financing provided by an individual or financial institution.

[2] RATE/TERM limited to a maximum of 85% LTV for a borrower who has occupied as their principal residence less than twelve (12) months prior to the case assignment; or,
If owned less than twelve (12) months, has not occupied the property for the entire period of ownership.

[3] Streamline transactions must be manually underwritten; this is applicable for both Credit Qualifying and Non-Credit Qualifying. Do not run through DU for TOTAL Scorecard Findings. A credit score is required for Streamline transactions.

[4] Borrowers with no credit score are eligible with manual underwriting only. See Manual Underwriting, Non-Traditional Credit, and Approvable Ratio sections for additional details

[5] Minimum credit score for properties located in the state of New York is 600

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Program Overview	➢ We follows the FHA Single Family Housing Policy Handbook 4000.1 except as stated in these guidelines; if silent follow the 4000.1.					
FHA Loan Limits 2023-2024 (Case number issued in calendar year)	**Low Cost Area "Floor"**			**High Cost Area "Ceiling"**		
		2024	**2023**		**2024**	**2023**
	1 Unit	$498,257	$472,030	1 Unit	$1,149,825	$1,089,300
	2 Unit	$637,950	$604,400	2 Unit	$1,472,250	$1,394,775
	3 Unit	$771,125	$730,525	2 Unit	$1,779,525	$1,685,850
	4 Unit	$958,350	$907,900	4 Unit	$2,211,600	$2,095,200

	➢ 2024 FHA Loan Limits are effective for new case numbers issued on or after January 1st, 2024. ➢ Loan Limits are based upon the year the case number was issued. Loans closing in 2024 that had a case number issued in 2023 should use the 2023 loan limit. ➢ The amount listed in the High Cost Area Ceiling is the maximum ceiling. We must refer to the County-by-County chart for the subject property to determine the maximum loan amounts. See lookup tool for details.
FHA Loan Limit Exceptions	➢ **Alaska, Hawaii, Guam & Virgin Islands:** Please refer to FHA Mortgage Limit Tool to review 1–4 unit loan limits by county.
At Closing Principal Reduction	➢ An excessive loan amount occurs when we close a loan in an amount higher than allowed by FHA. Reduction must occur at closing and be reflected on the CD. Any amounts in excess of $2,000 must be elevated to the Chief Credit Officer for evaluation of principal reduction or re-close the loan.
Allowable Sections of the Housing Act	➢ 203B: Owner Occupied 1-4 Family & Detached Condos (Detached Condo ADP Code 734) ➢ 234C: Condo ➢ 203K: (Standard & Limited) see FHA FICO Overlay Matrix. ➢ 203H: Disaster Victims – see 203(h) Disaster Victims ➢ XXXX/251: Adjustable Rate Mortgages ➢ Sections of the Housing Act NOT listed are ineligible.
Eligible Transactions	➢ Per the FHA Single Family Housing Handbook 4000.1 except those shown ineligible in these guidelines.
Ineligible Transactions	➢ FHA Secure ➢ FHA "Back to Work" program ➢ Hope for Homeowners ➢ Proposed Construction ➢ MCC (Mortgage Credit Certificate) » Borrower can complete MCC after closing; however, MCC cannot be used to qualify. ➢ Land Trusts and Community Land Trusts ➢ See Number of Properties Owned/Financed with REMN WS ➢ Texas Home Equity 50(a)(6) transactions ➢ Negative Equity Refinance transactions (including short pay off of subject property) ➢ Loans with PACE or HERO programs as a secondary/subordinate financing option (all states) ➢ Energy Efficient Mortgages (EEM) ➢ Loans with the Chenoa program as a secondary/subordinate financing option ➢ Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on **Federal** law.
ARM's	➢ 3- & 5-Year ARMs will be qualified at the initial interest rate regardless of LTV.
Eligible Properties	➢ 1 to 4-unit properties ➢ Condominiums (Must be FHA Approved at time of case number assignment; HRAP) ➢ Townhomes – PUD's (Attached/Detached) ➢ Manufactured Homes (in all states except for New York) – see Manufactured Home Product Compare for detailed guidelines/criteria. ➢ TBD (To Be Determined) Properties ➢ Mixed Use ➢ Additional FHA guidelines apply as detailed in FHA Handbook 4000.1 ➢ All appraisals must be reviewed by either the Chief Appraiser or the Chief Credit Officer to determine the acceptability of the collateral and neighborhood.
Ineligible Properties	➢ Non-FHA-approved condominium projects ➢ Cooperative projects ➢ Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) ➢ Unique properties ➢ Farms, orchards, ranches ➢ Rural property with > 10 acres ➢ Commercial property ➢ Manufactured homes located in the state of New York

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PRODUCT OVERVIEW	
Occupancy	➢ Owner Occupied Primary Residence ➢ Investment – Streamline transactions ONLY ➢ All No Cash-Out Rate/Term & Simple Refinance Transactions must be owner-occupied properties
Assumption	➢ Permitted
Prepayment Penalties	➢ Not Permitted
Escrow Impounds	➢ Required
203(K) Loan	➢ See our Wholesale 203k Product Description.
Handling of Documents	We 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. We may use a third party vendor to independently verify information in a loan application or otherwise required for loan approval. Third Party Verification can be used to verify employment, income, assets, credit, and occupancy. **Information Sent to us Electronically** ➢ We 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. ➢ We must document the name and telephone number of the individual with whom the Mortgagee verified the validity of the document. **Information Obtained via Internet** ➢ We must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet ➢ Documentation obtained through the Internet must contain the same information as would be found in an original hard copy of the document.
Lava Zone Properties	➢ Not eligible for properties located in Lava Zones 1 & 2 ➢ No restrictions for properties located in Lava Zone 3 or higher.
Accessory Dwelling Unit (ADU)	➢ An Accessory Dwelling Unit (ADU) refers to a single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. ➢ A Single Family residential one-unit Property with a single ADU remains a one-unit Property. For any Single Family residential Property with two or more units, a separate additional Dwelling Unit must be considered as an additional unit.
Eligibility of FHA-Insured Financing	➢ Mandatory Rejection of Borrower » A borrower is not eligible to participate in FHA-insured mortgages if he/she is suspended, debarred or otherwise excluded from participating in the HUD Programs. We must reject the borrower from participation if the borrower is on: ▪ HUD Limited Denial or Participation (LDP) list, ▪ US General Services Administration (GSA) List of Parties Excluded from Federal Procurement or Non-Procurement Programs; and/or, ▪ HUD's Credit Alert Interactive Voice Response System (CAIVRS), unless an exception exists as noted in Borrowers Delinquent on Federal Non-Tax Debt.
Excluded Party Lists	➢ We require that a Data Verify DRIVE report be generated and analyzed for all loans at approval and updated prior to underwriting clearance.
CAIVRS	➢ CAIVRS must be ordered for all FHA, VA, and USDA loans.

<table>
<tr><th colspan="2">PRODUCT OVERVIEW</th></tr>
<tr><td>Borrowers with Delinquent Federal Tax Debt resulting in a tax lien</td><td>Standard
➢ Borrowers with delinquent Federal Tax Debt are ineligible.
➢ If the borrower has an open tax lien, they may be eligible for FHA financing subject to the following:
» Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments.
» The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.
» The Borrower must provide acceptable documentation from the IRS evidencing the repayment agreement and verification of payments made.
» We must include the payment amount in the agreement in the calculation of the Borrower's Debt-to-Income (DTI) ratio.
➢ We must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their property for a debt owed to the federal government.</td></tr>
<tr><td>Borrowers with Delinquent Federal Tax Debt not resulting in a tax lien</td><td>Standard
➢ Borrowers who owe taxes that have NOT resulted in a lien status prior to closing are eligible for FHA financing. The borrower must provide evidence of a satisfactory repayment plan with the IRS.
➢ The payment must be included in the borrower's DTI ratio.
➢ As long as the debt has not resulted in a lien prior to closing, there is no minimum required number of payments.</td></tr>
<tr><td>Borrowers with Delinquent Federal Non-Tax Debt</td><td>Standard
➢ We are prohibited from processing an application for an FHA-insured Mortgage for Borrowers with delinquent federal non-tax debt, including deficiency judgments and other debt associated with past FHA-insured Mortgages.
➢ We are required to determine whether the Borrowers have delinquent federal non-tax debt. We may obtain information on delinquent Federal Debts from public records, credit reports or equivalent, and must check all Borrowers against the Credit Alert Verification Reporting System (CAIVRS).
Verification
➢ If a delinquent Federal Debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, We must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed. If the debt was identified through CAIVRS, we must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report.
➢ If the creditor agency confirms that the debt is valid and in delinquent status as defined by the Debt Collection Improvement Act, then the Borrower is ineligible for an FHA-insured Mortgage until the Borrower resolves the debt with the creditor agency. We may not deny a Mortgage solely on the basis of CAIVRS information that has not been verified. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the Mortgagee may continue to process the mortgage application.

Resolution
➢ In order for a Borrower with verified delinquent Federal Debt to become eligible, the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act.
➢ The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.
Required Documentation
➢ We must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, we may obtain evidence of resolution by obtaining a clear CAIVRS report.</td></tr>
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Borrower Required Investment	➢ In order for FHA to insure the maximum loan amount, the borrower must make a required investment of at least 3.5% of the lesser of the appraised value or the sales price of the property ➢ Proposed/New Construction » The Borrower may utilize any cash investment in the Acquisition Cost of the Property or land equity to satisfy the Minimum Required Investment (MRI) in accordance with Calculating Maximum Mortgage Amount. ➢ Closing Costs as Required Investment » Closing costs (non-recurring closing costs, prepaid expenses and discount points) may not be used to help meet the borrower's minimum required investment). ➢ Credit Card Payment for Appraisal/Credit Report » The borrower may use a credit card to pay for the appraisal and/or credit report. These costs <u>cannot</u> be considered to help meet the required investment.
Tax Exemptions, Abatements	➢ There can be no uncertainty about whether the borrower qualifies for the homestead, abatement or other tax exemption or reduction. ➢ In order for the lower amount to be used for qualifying purposes; the abatement, homestead or exception must remain in place for a minimum of three (3) years after closing, and we can document the abated amount with the taxing authority. **NOTE**: If the Underwriter has knowledge that a "Homestead" is considered "Permanent" (example: Florida – OR – Single Family in IL), the time period does not need to be documented and the UW can note the same on the HUD-92900LT FHA Loan Transmittal.

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<tr><th colspan="3">PRODUCT OVERVIEW</th></tr>
<tr><td rowspan="2">203(h) Disaster Victims</td><td colspan="2">
➢ Section 203(h) of the National Housing Act authorizes FHA to insure Mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a Single-Family property.
➢ Mortgages to be insured under Section 203(h) must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) programs. Where 203(b) program guidance conflicts with the specific requirements on Section 203(h) Mortgages (see below), the below requirements will apply:
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<tr><td>203(h) Eligibility Requirements</td><td>
➢ <u>Borrower Eligibility</u>
– Application Deadline
▪ The FHA case number must be assigned within one (1) year of the date the PDMDA is declared, unless an additional period of eligibility is provided.
– Principal Residence
▪ The mortgaged property must be the borrower's principal residence.
➢ <u>Property Eligibility</u>
– The previous residence (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary. A list of affected counties and cities and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA).
– The purchased or reconstructed property must be a Single-Family Property or a unit in an FHA-approved Condominium project.
➢ <u>Minimum Required Investment/Maximum Loan-to-Value</u>
– The borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100% of the Adjusted Value.
▪ If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV ratio applies.
➢ <u>Underwriting</u>
– We are required to make every effort to obtain traditional documentation regarding employment, assets and credit, and must document their attempts. Where traditional documentation is unavailable, then alternative documentation may be used (as outlined below). If specific requirements are not provided below. We may use alternative documentation that is reasonable and prudent to rely upon in underwriting a Mortgage
▪ <u>Credit</u> – For borrowers with derogatory credit, We may consider the Borrower a satisfactory credit risk if the credit report indicates satisfactory credit prior to a disaster, and any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.
▪ <u>Income</u> – If prior employment cannot be verified because records were destroyed by the disaster, and the borrower is in the same/similar field, then FHA will accept W-2's and tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income.
We may also include short-term employment obtained following the disaster in the calculation of Effective Income
▪ <u>Liabilities</u> – when a borrower is purchasing a new home, we may exclude the mortgage payment on the destroyed residence located in the PDMDA from the borrower's liabilities. To exclude the mortgage payment from the liabilities, we must;
o Obtain information that the borrower is working with the servicer to appropriately address their mortgage obligation: and
o Apply any property insurance proceeds to the mortgage of the damaged house.
▪ <u>Assets</u> – If traditional asset documentation is not available, we may use statements downloaded from the borrower's financial institution website to confirm the borrower has sufficient assets to close the Mortgage.
▪ <u>Housing Payment History</u> – 0x30 (i.e. no mortgage lates) payment history prior to the disaster event. OUR OVERLAY
o <u>Note</u>: This applies only in cases where the mortgage history is known from the credit report and/or when a housing history is obtained based on underwriting criteria (e.g. lower FICO buckets, manual underwrites, etc.).
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	203(h) Eligibility Documentation Requirements	➢ We must document and verify that the Borrower's previous residence was in the disaster area and was destroyed or damaged to such an extent that reconstruction or replacement is necessary. ➢ Documentation attesting to the damage of the previous house must accompany the mortgage application. ➢ If purchasing a new house, the house need not be located in the area where the previous house was located.
	203(h) Refinancing Policy	➢ Refinancing is permitted in conjunction with rehabilitation.
	Using Section 203(k) with 203(h) for Rehabilitation	➢ Damaged residences located in a PDMDA are eligible for Section 203(k) mortgage insurance, regardless of the age of the property. The residence only needs to have been completed and ready for occupancy for eligibility under Section 203(k). All other Section 203(k) policies must be followed.