



FHA Fixed Rate Products

FHA Fixed Rate	
1. PRODUCT DESCRIPTION	<ul style="list-style-type: none"> • FHA Fixed Rate Mortgage • 15, 20 and 30 year terms • Fully amortizing
2. QUALIFYING RATE & RATIOS	<p>Ratios</p> <ul style="list-style-type: none"> • AUS approved loans – Ratios evaluated by AUS
3. TYPES OF FINANCING	<ul style="list-style-type: none"> • Purchase Mortgages • Refinances (Refer to Refinance Options matrix for complete guidelines and specific details on eligibility, restrictions, maximum mortgage calculations on all refinance options). <p>Rate and Term Refinance (No Cash Out)</p> <ul style="list-style-type: none"> • One year seasoning on junior liens unless documentation is provided to verify junior lien incurred for home improvements <p>Streamline Refinances (FHA to FHA)</p> <ul style="list-style-type: none"> • May be done with or without an appraisal • At the time of loan application, the borrower must have made at least 6 consecutive payments on the FHA-insured mortgage being refinanced • No satisfaction of junior liens • Please refer to Refinance Option Matrix for details <p>Equity Refinances</p> <ul style="list-style-type: none"> • Maximum base LTV is 85% • Six-month seasoning requirement for all cash out refinances. The six month time frame is from the note date of the current loan to the application date of the new loan. In addition, all Borrowers on the new loan must have been in title for at least six months • If the subject property has been owned less than 12 months preceding the date of the loan application as the borrower’s principal residence, the mortgage amount is limited to the lesser of 85% of appraised value or 85% of the sales price of the property when acquired • Properties owned free and clear may be financed as cash-out transactions • Not permitted in Texas
4. MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Maximum Base Loan Amount cannot exceed the <u>FHA Statutory Mortgage Limits</u> for each county and under no circumstances will a county’s mortgage limit be less than the “floor” or greater than the “ceiling” as outlined in the table below

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		Lowest Maximum ("Floor")	Highest Maximum ("Ceiling")
Continental US	1 unit	\$271,050	\$417,000

- **Purchase Mortgages using Sections 203b and 234c** (excluding purchase transactions which do not permit maximum financing)
 - Maximum Base Loan Amount is calculated as the lesser of:
 - Sales price or appraised value
 - Minus any adjustments for excessive seller contributions/ inducements to purchase
 - Multiplied by the appropriate LTV factor. (see #5 Loan Amount and LTV Limitations)
- **Purchase Transaction not Permitting Maximum Financing** (e.g., some identity of interest, some non-occupant co-borrower transactions)
 - Maximum Base Loan Amount is calculated as the lesser of:
 - Sales price or appraised value
 - Plus borrower paid allowable closing costs
 - Multiplied by the appropriate LTV factor (See #5 Loan Amount and LTV Limitations)
- **Refinance Transactions**

Refer to HUD Handbook 4155.1 Rev 5 and the FHA Refinance Options Matrix for more details on calculating the maximum mortgage for refinance transactions

5. LOAN AMOUNT AND LTV LIMITATIONS

Purchase Mortgages using Sections 203b and 234c (excluding purchase transactions which do not permit maximum financing)

Regardless of the property state:

- Maximum Base LTV is 96.5%
- Maximum LTV (after adding *financed* UFMIP) is 100%

Purchase Transactions not Permitting Maximum Financing

- Compute LTV based on appropriate program calculations. Refer to HUD handbook 4155.1

Refinance Transactions- Refer to the Refinance Options Matrix for specific details

PURCHASE			
Maximum Base LTV	Total LTV Including UFMIP	Maximum CLTV w/Sec Fin from Govt Agency/ Non-Profit Considered an instrumentality of government	Maximum CLTV w/Sec Fin from a non-profit Govt Agency not considered an instrumentality of government

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96.5%	100%	100% (of Cost to Acquire)	96.5% (of Appraised Value or Sales price)
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REFINANCES			
Maximum Base LTV Loan Amount	Total LTV including UFMIP	Maximum CLTV (Subordination of Existing second Lien)	Maximum CLTV (new second lien)
Rate/Term Refinances			
97.75%	99.50%	Unlimited CLTV	Unlimited CLTV
Streamline Refinances With Appraisal			
97.75%	99.50%	Unlimited CLTV	N/A
Streamline Refinance Without Appraisal			
N/A New base mortgage cannot exceed the original amount of the loan being refinanced	N/A	Unlimited CLT	N/A
Cash Out Refinance (refer to Refinance Options Matrix for additional LTV restrictions on cash-out refinances)			
85%	86.75%	Unlimited CLTV	85%

Refinances and Purchases not Permitting Maximum Financing

- Compute LTV based on appropriate program calculations. Refer to HUD Handbook 4155.1 for more details

Purchase Transactions Involving \$100 Down Payment on HUD REO Properties – Fixed Rate Only

The total loan amount after adding UFMIP may exceed 100% of the appraised value up to :

- 101.75%
- Escrows for repairs not allowed

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The maximum mortgage amount for a property sold under the \$100 Down Payment sales Incentive Program is calculated as follows:

- **Without inclusion of repairs (line 4 of sales contract indicates 203b)**
 - Base Mortgage is calculated as the Purchase Price minus Minimum Down Payment (\$100)
 - Base LTV is calculated by dividing the base mortgage into the lower of sales price or appraised value
 - Total Loan Amount is the Base Mortgage plus UFMIP

Purchase Price	\$100,000
Appraised Value (“as is from M&M Contractor)	\$101,000
Minimum Down Payment	\$100
Maximum Base Mortgage	\$99,900
Base LTV	99.90%
UFMIP (\$99,900 x 1.75%)	\$1,648.25
Total Loan Amount (including UFMIP)	\$101,648
Total LTV (Total loan amount divided by appraised value)	100.64%

6. SECONDARY FINANCING

- The borrower may receive secondary financing to cover the entire cash investment requirement from the following sources
 - Federal, State or local governmental agencies¹
 - FHA Approved Non-Profit agencies that are considered instrumentalities of government¹
- Borrower may also receive secondary financing from FHA Approved non-profit agencies NOT considered instrumentalities of government provided the borrower makes a cash down payment of at least 3.5% of the sales price¹
- Other organizations and private individuals may provide secondary financing provided the combined amounts of the 1st and 2nd liens do not exceed the applicable LTV/CLTV ratio and the statutory mortgage limit for the area
- Secondary financing funds may be provided by a family member²
 - 100% of funds for down payment, closing costs, prepaid expenses and discount points may be from a secured or unsecured loan from a family member
- The interest rate on the second mortgage may not exceed the interest rate on the 1st mortgage
- Refer to HUD Handbook 4155.1, Chapter 5 Section C

¹ The Secondary Financing Program must be approved by CHF

² Family member defined as a parent, grandparent, or a child, including son, daughter, stepson, stepdaughter, legally adopted child and foster child); will need to document

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	relationship
7. PROPERTY TYPES	<p>Eligible Property Types</p> <ul style="list-style-type: none"> • 1 unit • PUDs • Condos <ul style="list-style-type: none"> • Must be on FHA approved list • Site Condos do not require condominium project approval • Modular Pre-Cut/ Panelized housing <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • Co-ops • Manufactured homes • Spot loan approval Condos • Condos in the state of Florida
8. OCCUPANCY	Primary Residence
9. GEOGRAPHIC LOCATIONS / RESTRICTIONS	<ul style="list-style-type: none"> • Colorado • Florida • Oklahoma • Oregon • Texas • Utah
10. ASSUMPTIONS	Permitted – Credit worthy borrowers only
11. ESCROW WAIVERS	Not Permitted
12. PREPAYMENT PENALTY	Not permitted. However, if refinancing and the payoff check for the existing loan is not received by the servicing lender by the first day of the month, the lender may collect interest on the existing loan through the end of the month
13. UNDERWRITING	<ul style="list-style-type: none"> • Approve/ Eligible only – manual underwriting allowed in certain circumstances • Additional documentation may be required by underwriter to strengthen loan <ul style="list-style-type: none"> • Refer to Section 17 Credit for additional restrictions

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14. PROCESSING STYLES	<ul style="list-style-type: none"> • Standard • Streamline
15. BORROWER ELIGIBILITY	<ul style="list-style-type: none"> • All borrowers must have a valid social security number. Validate the social security number using any one of the following: <ul style="list-style-type: none"> • Pay stub • W-2 • Passport • Valid tax returns • All borrowers must demonstrate 2 years of employment history <p>Permanent Resident Aliens</p> <ul style="list-style-type: none"> • Same terms as US Citizens • Evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS), formerly the INS <ul style="list-style-type: none"> • Copy of the Alien Registration Receipt Card (Resident Alien card), I551 <p>Non-Permanent Resident Aliens</p> <ul style="list-style-type: none"> • Primary residence • Borrower must be eligible to work in the U.S. • Evidence of valid Social Security number required • Evidence of residency and work status to be obtained through documentation from US bureau of Citizenship and Immigration Services (BCIS) formerly INS <ul style="list-style-type: none"> • Copy of the Employment Authorization Card, I-688B, this card carries an expiration date • A Social Security card is not acceptable as evidence of work status <p>Trust Agreements</p> <ul style="list-style-type: none"> • <u>Inter Vivos (Living) Trusts</u> <ul style="list-style-type: none"> • Refer to HUD Handbook 4155.1 • <u>Land Trusts</u> <ul style="list-style-type: none"> • Acceptable in states in which they are legally permitted, as long as the true applicant mortgagor, the land trust beneficiary, executes the note, mortgage or deed of trust
16. CO-BORROWERS	<ul style="list-style-type: none"> • Co-borrower does not have to occupy • Co-borrower must take title to the property AND sign the Note and the Mortgage • Co-signor does not take title to the property but must sign the loan application and the Note

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	<ul style="list-style-type: none"> • The co-borrower or co-signor cannot be the seller, builder, real estate agent, etc • Loans involving non-occupant co-borrowers are subject to the following restrictions: <ul style="list-style-type: none"> • One unit properties if the LTV exceeds 75% • Co-borrower must be a close family member or have a long-standing relationship with the borrower <ul style="list-style-type: none"> • If the co-borrower is unrelated or does not have a long-standing relationship with the borrower, the maximum LTV is 75% • If a parent is selling to a child, the parent cannot also be the co-borrower with the child unless the new mortgage LTV is 75% or less. • Income, assets and debts from all borrowers (including co-signors) are used in qualifying • Co-borrower must have a principal residence in the US • Refer to HUD Handbook 4155.1 for details
<p>17. CREDIT</p>	<p>Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types</p> <ul style="list-style-type: none"> • AUS Approved loans – CHF will assess credit risk, subject to clear CAIVRS, LDP and GSA search results <ul style="list-style-type: none"> • Housing (Mortgage/ Rental) Delinquencies – Loans will be ineligible: <ul style="list-style-type: none"> • With one or more housing (mortgage/rental) delinquency of 60, 90, 120, 150, days or greater reported within 12 months of the date of the credit report <p>Minimum Fico Score Requirements</p> <ul style="list-style-type: none"> • Regardless of AUS Decision: 640 • Refer to FHA Refinance Options Matrix for additional requirements for refinance transactions • Non-traditional credit is ineligible <p>Fraud detection report is required on all loans</p>
<p>18. ASSETS</p>	<p>Borrower Investment</p> <ul style="list-style-type: none"> • <u>Purchase Transactions with Maximum Financing – Sections 203b and 234c-</u> except purchase transactions described below: <ul style="list-style-type: none"> • Minimum down payment is 3.5% of the sale price or appraised value, whichever is less • The 3.5% cannot be met by borrower-paid closing costs, prepaid expenses, commitment fees or discount points or premium pricing <p><u>Refinances</u></p> <ul style="list-style-type: none"> • No Minimum borrower investment necessary • Premium Pricing <ul style="list-style-type: none"> • Prepaid expenses and/or closing costs may be paid with premium pricing • Lender funded buydowns may be paid with premium pricing as long as the reduction is limited to 2% below the note rate <p>Seller Contributions</p>

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	<ul style="list-style-type: none"> • 6% • Seller contributions limited to: <ul style="list-style-type: none"> • Buy down funds (if applicable) • Discount points • Seller-paid closing costs • Prepaid expenses • UFMIP <p>Gifts</p> <ul style="list-style-type: none"> • Acceptable – must be from an immediate family member • Gift given in the form of CASH is not acceptable • Federal, State, local government agencies and FHA Approved non-profit agencies considered by FHA to be an instrumentality of the government may provide funds for down payment, closing costs and prepaid expenses • Charitable organizations may provide gift funds for down payment, closing costs and/or prepaid expense. Funds derived from these sources cannot be used to payoff borrower’s debts <ul style="list-style-type: none"> • Obtain Tax Identification Number for the charitable organization • Prior to loan underwriting approval, CHF must review the non-profit’s gift documentation to ensure no repayment is required and no liens will be placed on the subject property as a result of the gift • Refer to HUD Handbook 4155.1 Section 5 for details <p>Reserves</p> <ul style="list-style-type: none"> • 1 unit – none • Only retirement accounts that are accessible for liquidation may be counted as reserves. Accounts that cannot be accessed for liquidation by the borrower until retirement age may not be counted as part of the borrowers reserves • Gifts cannot be used for reserves
<p>19. LIMITATIONS ON OTHER R.E. OWNED</p>	<ul style="list-style-type: none"> • Borrower may own no more than one FHA loan with maximum financing
<p>20. APPRAISER REQUIREMENTS</p>	<ul style="list-style-type: none"> • Appraisers must be on FHA’s approved list on the FHA connection with State Certification designation of Certified General or Certified Residential • When required, the second appraisal must also be completed by an FHA Approved Appraiser using Freddie Mac/Fannie Mae Form 710/1004. • The assigned appraiser must perform the physical inspection of the property. He/she may not sign the appraisal performed by another appraiser
<p>21. APPRAISAL REQUIREMENTS</p>	<ul style="list-style-type: none"> • Refer to the National HOC Reference guide • Appendix D of Handbook 4150.2, CHG-1, Valuation Analysis for Home Mortgage Insurance for Single Family One-to-Four Unit

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	<p>Dwellings, has been updated and becomes effective for all appraisals performed on or after January 1, 2006. Revised Appendix D will be available online at: http://www.hudclips.org/cgi/index.cgi</p> <ul style="list-style-type: none"> All valuation conditions, including repairs, alterations and/or required inspections, will be reported within the appropriate section of the applicable Fannie Mae appraisal reporting form <p>HUD REO Properties A new appraisal is not required unless one or more of the following applies:</p> <ul style="list-style-type: none"> The current “as is” appraisal is over 6 months and a valid HUD contract was not executed prior to the expiration date of the appraisal. (In instances where the “as is” appraisal is over 6 months old and a valid HUD sales contract was executed prior to the expiration date of the appraisal, then current “as is appraisal should be used) The current “as is” appraisal is over 6 months old and the purchasers have not already been approved for the loan A copy of the appraisal was ordered from the “Marketing and Management (M&M) contractor” but the M&M contractor is unable to provide the report
<p>22. MORTGAGE INSURANCE</p>	<ul style="list-style-type: none"> Mortgage insurance is required on all loans. The Section of the Act under which the loan will be insured determines the mortgage insurance to be used.
<p>23. INVESTOR ELIGIBILITY</p>	<p>FHA</p>
<p>24. SPECIAL REQUIREMENTS RESTRICTIONS</p>	<p>CAIVRS, LDP and GSA Search</p> <ul style="list-style-type: none"> Check the FHA Connection and document the results on the FHA Loan Underwriting and Transmittal Summary (92900 LT) A copy of the FHA connection screen results for all searches must be in the loan file If the name of any party to the transaction appears on any of the lists below, the application is not eligible for mortgage insurance. (An exception may be made when a seller appears on the LDP list and the property being sold is the seller’s principal residence) <p>CAIVRS system</p> <ul style="list-style-type: none"> Access system for all borrowers on the transaction: all borrowers, co-borrowers and co-signors if applicable. Refer to HUD Handbook 4155.1 for further details (includes non-purchasing spouse in community property states) <p>Limited Denials of Participation (LDP) List</p> <ul style="list-style-type: none"> Examine/Search the list for all parties to the transaction: all borrowers, sellers, listing and selling real estate agents, Loan Officers, the appraiser, termite co., and all licensed professionals contracted to provide mechanical certification such as heating, plumbing, air conditioning, roofing and electrical companies should also be searched <p>Government Services Administration’s (GSA) List of Parties Excluded from Procurement or Non-procurement Programs</p>

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- Examine/ Search the list for all parties to the transaction: all borrowers, sellers, realtors, appraiser, etc

Ordering Case Numbers

- All property types except condos
 - Enter 703 as the ADP code on the Case Number Assignment Screen in FHA Connection
- Condos
 - Enter 734 as the ADP Code on the Case Number Assignment Screen in FHA Connection

Non-Purchasing Spouse in a Community Property State

List of Community Property States

Louisiana Texas

If property is located in a community property state, or the borrower resides in a community property state, the following requirements apply:

- A credit report for the non-purchasing spouse is required to determine any joint or individual debts. The spouse's authorization to pull a credit report must be obtained. If the spouse refuses to provide authorization the loan must be rejected
 - Even if the non-purchasing spouse does not have a social security number, the credit reporting company should verify that the non-purchasing spouse has no credit history and no public records recorded against him/her
 - Credit companies should be given non-purchasing spouse information: Name(s), address, birth date and any other significant information requested in order to do the records check
- Except for those obligations specifically excluded by the state law, the debts of the non-purchasing spouse must be considered in the qualifying ratios. If the debts are the sole responsibility of the non-purchasing spouse, do not consider debt in the DTI
- The greater of the monthly payment amount or 5% of the outstanding balance if minimum payment is not reflected on the credit report if the non-purchasing spouse must be included in the qualifying ratios
 - Disputed debts of the non-purchasing spouse need not be counted provided the file contains documentation to support the dispute
 - Credit history of the non-purchasing spouse should not be the basis for declining the loan. The FICO score for the non-purchasing spouse is not considered for eligibility or MIP.

	Louisiana	Texas
When are Community Property State laws effective	Married and domicile in same state	Married and domicile in same state
Include debts in DTI analysis (ratios)	Yes, unless spouse agrees to waive Homestead rights	Yes
Exclude debts in DTI analysis if acquired prior to the marriage	No. can be excluded with a specific Pre-marital agreement	No. can be excluded with a specific Pre-marital agreement

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The Non-Purchasing Spouse can sign the Mortgage (VA ONLY)	No, if waiving Homestead rights	Yes
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Additional State Specific restrictions:

Louisiana

- The non-purchasing spouse is permitted to sign or intervene in the mortgage to indicate his/her intention to waive homestead exemption rights. Item #23 on the mortgage addresses the Waiver of Homestead
- When the non-Purchasing spouse chooses to intervene in the mortgage to waive homestead exemption rights:
 - A copy of the recorded document (“Waiver of Interest and Ownership”), evidencing such waiver, must be included in the loan file. This document is executed and recorded at the time of the execution of the sales contract
 - The Direct Endorsement Underwriter must condition the file (closing condition) for evidence that the non-purchasing spouse signed the mortgage as the “Intervenor”
 - Exclude debts of the non-purchasing spouse in the qualifying ratios

Wood Destroying Insects/Organisms Requirements

FHA no longer mandates automatic inspections. Inspections are required if:

- Evidence of active infestation
- Mandated by the state or local jurisdiction
- Customary to the area
- At underwriters discretion



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For Case Number Assignment on or after 10/1/2008				
LTV Loan Term	Purchases & Full Credit Qualifying Refinances (Rate/Term and Cash-out)		Streamline Refinances (With and Without Appraisal, Credit Qualifying)	
	UFMIP	Monthly	UFMIP	Monthly
>95% Greater than 15 years	1.75%	.55%	1.50%	.55%
≤ 95% Greater than 15 years	1.75%	.50%	1.50%	.50%
≥ 90% Less than or equal to 15 years	1.75%	.25%	1.50%	.25%
≤ 89.99% Less than or equal to 15 years	1.75%	None	1.50%	None