

## FHA RETAINED SERVICING GUIDELINES

Refer to the FHA Handbook posted at:

<http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>

The following MAM overlays apply:

- ) **Maximum DTI 50% (may exceed 50% IF borrower meets 1 or more of the compensating factors listed in the 4000.1 at underwriter discretion)**
- ) **Most recent 2 months bank statements required**
- ) **Qualifying with proposed rental income allowed AND Rent Loss Insurance is obtained (MUST meet all other FHA Rental Income Guidelines – refer to the 4000.1) (Landlord Experience may be discretionary based on other compensating factors)**
- ) **Fully processed IRS 4506T with transcripts required for all borrowers**
- ) **FHA Back to Work Program – Management Review is required for all Back to Work loans**

## FHA LOW FICO TRANSACTIONS:

<b>FICO</b>	<b>MAXIMUM LTV</b>
600-639	96.50% (Purchase)
600-639	97.75% (R/T Refi.)
580-599	90% or UW discretion
NO SCORE	Refer to Mortgagee Letter 08-11

- ) **Purchase and Rate/Term Refinance (No Cash-out)**
- ) **1-Unit / PUD / CONDO**
- ) **DU Approve/Eligible required (NO SCORE transactions will be manually underwritten)**
- ) **Primary Residence**
- ) **Borrower investment:**
  - **FICO 600-639-Minimum down payment of 3.5% of sales price (appraised value for refinance)–must be borrower’s own funds**
  - **FICO < 600–Minimum down payment of 10% of sales price (appraised value for refinance)–must be borrower’s own funds; down payment cannot be met by borrower paid closing costs; prepaid expenses; commitment fees; discount points; or premium pricing. Exceptions to these guidelines may be made at underwriters’ discretion.**
- ) **Premium Pricing:**
  - **Prepaid Expenses and/or closing costs may be paid with premium pricing**
  - **Lender funded buy-down may be paid with premium pricing as long as reduction is limited to 2% below the note rate**

) **Seller Contributions—maximum 6% and limited to the following:**

- Buy-down funds (if applicable)
- Seller paid closing costs
- Discount points
- Prepaid Expenses
- UFMIP

) **LTV:**

- ) **Rate / Term Refinance (No Cash Out)—One year seasoning on junior liens unless documentation is provided to verify junior lien incurred for home improvements. If the junior lien is a HELOC, CLTV is based off of the maximum accessible credit limit**
- ) **Co-Borrowers / Co-Signors—follow the 4000.1**

## FHA STREAMLINE REFINANCE TRANSACTIONS:

<b>FHA STREAMLINE REFINANCE NET TANGIBLE BENEFIT</b>	From / To	Fixed Rate	One Year ARM	Hybrid ARM
	Fixed Rate	At least 0.5 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.
	Any ARM With Less Than 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.
	Any ARM With Greater Than or Equal to 15 Months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate.	At least 2 percentage points below the prior Combined Rate.	At least 1 percentage point below the prior Combined Rate.
<p><b>Reduction in Term The net tangible benefit test is met if:</b></p> <ul style="list-style-type: none"> <li>) the mortgage term is reduced;</li> <li>) the new interest rate does not exceed the current interest rate; and</li> <li>) the combined principal, interest and MIP payment of the new Mortgage does not exceed the combined principal, interest and MIP of the refinanced Mortgage by more than \$50.</li> </ul>				

**FHA STREAMLINE REFINANCE TRANSACTIONS (CON'T):**

**AVM IS REQUIRED WHEN FICO IS  $\leq$  640 (NOTE: LTV IS CALCULATED FROM THE MAM AVM OBTAINED FROM CORELOGIC NOT THE FHA CONNECTION VALUE).**

**Maximum CLTV of 100% when the fico is below 640.**

NON-OWNER OCCUPIED	MAXIMUM LOAN AMOUNT	MAXIMUM LTV/CLTV	FICO
1 UNIT	COUNTY LOAN LIMIT PER HUD	100% / 100%	$\geq$ 680

- ) **LOAN AMOUNT CALCULATION:** The current unpaid principal balance, plus up to 2 months of interest, up to 2 months MIP, less any UPMIP refund, plus new UFMIP = Max Total Loan Amount
- ) New loan term may not exceed the remaining term plus 12 years or a new appraisal is required
- ) New Subordinate Financing is NOT allowed
- ) Discount Points may NOT be included in the new mortgage. If the borrower has agreed to pay discount points, the lender must verify the borrower has assets to pay them along with any other financing costs that are not included in the new mortgage
- ) The payoff of the existing mortgage may include interest charges for the current month, the payoff may NOT include delinquent interest
- ) **DOCUMENTATION REQUIREMENTS:**
  - o Verbal Verification of Employment (VVOE) and Proof of Source of Income only
  - o CAIVRS not required
  - o GSA/LDP checks are required
  - o If assets are required to close, WVOD or most recent 30 day bank statement required to verify and document assets
  - o Verbal VOE required at time of underwriting
  - o Signed and dated IRS 4506T will be required prior to closing (**DO NOT ORDER TRANSCRIPTS**)

**OTHER MISCELLANEOUS REQUIREMENTS:**

- o Borrower cannot be in Bankruptcy
- o Collections & Charge Off accounts not required to be paid off unless they affect lien position
- o Outstanding judgments and liens must be paid if they affect title; exceptions for 12 month repayment plan with subordination agreement
- o Lender must verify borrower(s) is employed and has income at the time of application