

HUD Handbook 4000.1: Overview of Changes



A division of HomeBridge Financial Services, Inc.

10-24-16

- **Significant changes to the FHA single family handbook**
- **The new handbook represents a consolidation of approximately 450 Mortgagee Letters, handbooks, and other policy statements**
 - The “4155” is now retired; there is now only the “4000.1”
 - HUD’s goal is to provide more clear and concise information in a single source document
 - Many changes to wording, look and feel
- **FHA is not providing lenders with a comprehensive comparison of old versus new policy**
 - Each lender is responsible for reviewing and interpreting the changes
- **Several items are still pending clarification from HUD**
 - As such, additional information could follow

- **New guidelines are effective for case numbers issued on and after 9/14/15**
 - Case numbers issued on and before 9/13/15 are subject to 4155 guidelines
- **Changes are based upon case number issuance/assignment date**
 - Critical to check case number assignment date to ensure using correct guidelines
 - Expired case numbers will not be reinstated and are subject to new guidelines
 - Transactions which could benefit from use of new guidelines have the option to cancel existing case number and reorder
- **HomeBridge Wholesale will use two sets of guidelines to coincide with case assignment date until that time older guidelines can be retired**

New Handbook



Single Family Housing Policy Handbook (HUD Handbook 4000.1) Information Page

The Federal Housing Administration's (FHA) *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) is a consolidated, consistent, and comprehensive source of FHA Single Family Housing policy.

- **Consolidated:** Several hundred FHA Handbooks, Mortgagee Letters, Housing Notices, and other policy documents have been consolidated into this single source. This eliminates the need for mortgagees and other stakeholders in FHA transactions to search through multiple stand-alone policy documents to find precise and current policy information.
- **Consistent:** The SF Handbook's consistent format of "Definition, Standard, and Documentation" supports greater understanding, easier use, and a better source for mortgagees to extend the wide range of FHA products and programs across a broader spectrum of eligible borrowers.
- **Comprehensive:** The SF Handbook is well on its way to becoming a comprehensive source of Single Family Housing policy. While not yet complete, the SF Handbook currently has everything a lending entity needs to become FHA approved; to originate and receive an FHA insurance endorsement; to service; and to adhere to FHA's quality control policies for almost all Title II forward mortgages—the bulk of FHA volume.

Two Ways to Access the SF Handbook

Stakeholders and the public can access the SF Handbook's published sections in two ways:

- FHA's **online SF Handbook**: a fully electronic, fully searchable policy library that uses web-based technology to achieve easier access to precise policy information.
- The SF Handbook in **portable document format (PDF)**: a linear format similar to traditional FHA Handbooks, but with enhanced links, format, and structure to provide a comprehensive beginning-to-end view of FHA's published policies.

SF Policy Handbook 4000.1



**Online SF Handbook
Portable Document
Format (PDF) SF Handbook**

Updates, Revisions, Notifications

- ▶ Major sections of the SF Handbook are now effective (view the September 14, 2015 **FHA INFO** announcement)
- ▶ Three new sections published August 26, 2015:
 - ▶ Doing Business with FHA-Other Participants in FHA Transactions (for 203(k) Consultants, DE Underwriters, Nonprofits)
 - ▶ Quality Control, Oversight and Compliance-Other Participants in FHA Transactions (for 203(k) Consultants, DE Underwriters, Nonprofits)
 - ▶ HUD Real Estate Owned Purchasing (view the **SF Handbook Change Pages**)
- ▶ Electronic Appraisal Delivery (EAD) Portal March 18, 2015 SF Handbook Transmittal and Change Pages (view the **change pages** and note that this information has not been incorporated into the SF Handbook.)

Partners for the Path Ahead

New Handbook



Federal Housing Administration

US Department of Housing and Urban Development



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4000.1: FHA Single Family Housing Policy Handbook

Transmittal: Handbook 4000.1 (03)

Transmittal: Handbook 4000.1 (09)

Transmittal: Handbook 4000.1 (06)

I. DOING BUSINESS WITH FHA

II. ORIGINATION THROUGH POST-CLOSING

III. SERVICING AND LOSS MITIGATION

IV. CLAIMS AND DISPOSITION

V. QUALITY CONTROL, OVERSIGHT

APPENDIX 1.0 - MORTGAGE INSURANCE

APPENDIX 2.0 - ANALYZING IRS FORM 986

APPENDIX 3.0 - POST-ENDORSEMENT

APPENDIX 4.0 - HUD SCHEDULE OF

APPENDIX 5.0 - FIRST LEGAL ACTION

APPENDIX 6.0 - MAXIMUM PROPERTY

GLOSSARY (09/14/15)

ACRONYMS (09/14/15)

Welcome to The Federal Housing Administration's (FHA) Single Family Housing Policy Handbook (HUD Handbook 4000.1)

The site contains the authoritative version of all completed sections of FHA's future, consolidated *Single Family Housing Policy Handbook* (SF Handbook).

Please note that FHA is in the process of developing and finalizing additional sections of its SF Handbook, which will be incorporated into this site as they are completed. Users must access existing FHA Single Family Housing policy not incorporated into this site on the Department of Housing and Urban Development's Client Information Policy Systems (HUDCLIPS) pages of [www. HUD.gov](http://www.HUD.gov).

In addition to the completed sections of FHA's Single Family Handbook, this site also contains:

- Access to FHA Single Family Mortgagee Letters and other policy documents published from March 2015 to present.
- Access to previous FHA Single Family Housing Mortgagee Letters, Handbooks and policy documents that have, or will be, superseded as of the effective date(s) of the policies contained on this site.

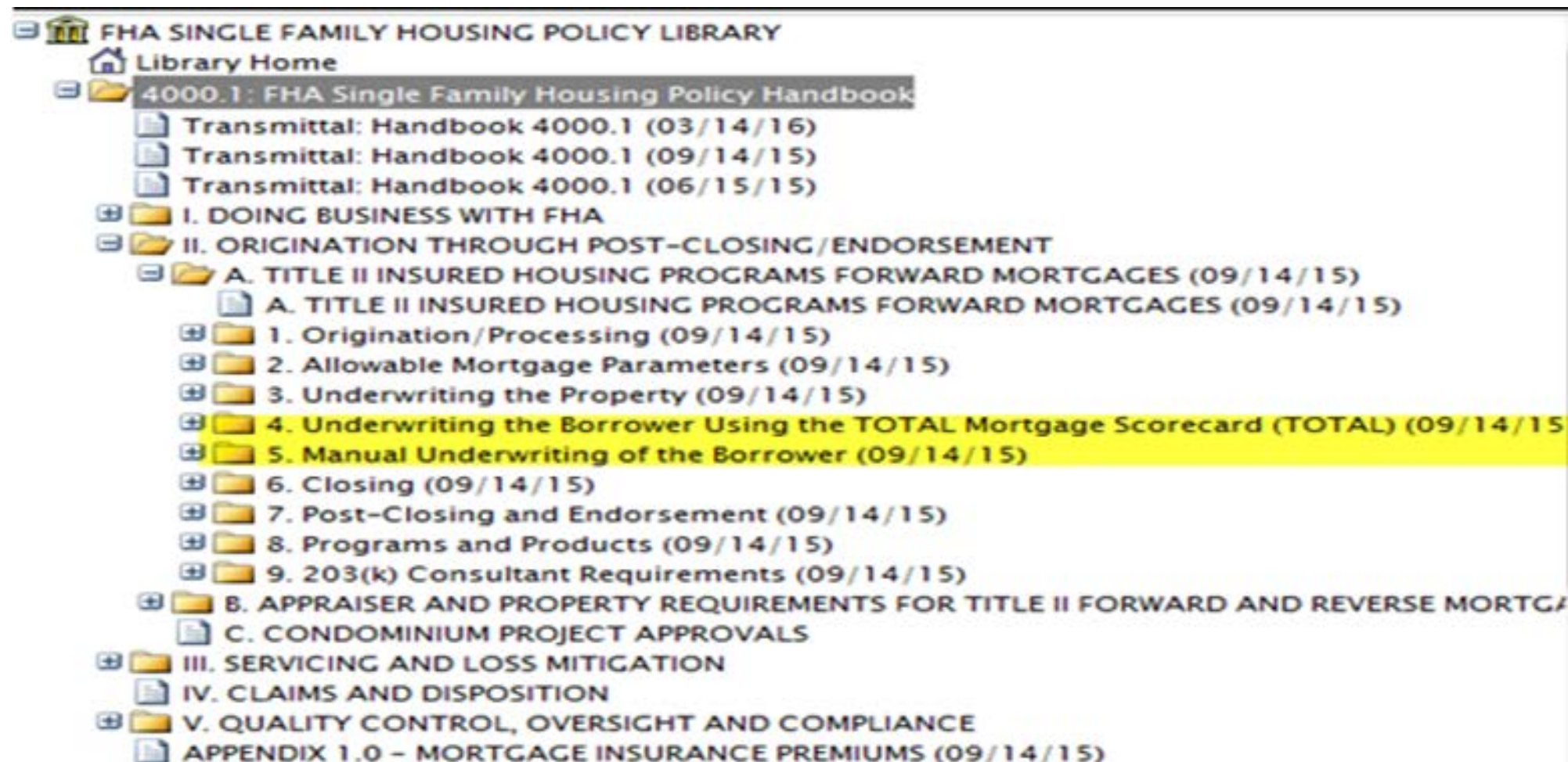
Agency Announcements

There are no announcements at this time.

Partners for the Path Ahead

New Handbook

- Important to note that Total Scorecard (“DU”) is separate from Manual Underwriting within the new handbook
 - Must follow guidelines for either AUS method (Total Scorecard) **or** Manual Underwriting-cannot “choose”



■ New format: TOTAL versus MANUAL

4. Underwriting the Borrower Using the TOTAL Mortgage Scorecard (TOTAL)	131
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■ New format: “ Definition, Standard, Documentation”

v. Overtime and Bonus Income (TOTAL)

(A) Definition

Overtime and Bonus Income refers to income that the Borrower receives in addition to the Borrower’s normal salary.

(B) Standard

The Mortgagee may use Overtime and Bonus Income 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.

(C) Calculation of Effective Income

For employees with Overtime or Bonus Income, the Mortgagee must average the income earned over the previous two years to calculate Effective Income. However, if the Overtime or Bonus Income from the current year decreases by 20 percent or more from the previous year, the Mortgagee must use the current year’s income.

New Handbook Features

■ New Handbook has several features and a more consistent structure:

- **DEFINITIONS:** explains terms and/or policy
- **STANDARDS:** provides required action
- **DOCUMENTATION:** required documents or documentation of action to be taken

THE MORTGAGEE SHALL VERIFY THE BORROWER'S INVESTMENT IN THE PROPERTY IS NOT LESS THAN THE BORROWER'S CONTRIBUTION TO THE PURCHASE PRICE OF THE PROPERTY. EFFECTIVE 09/14/15

ii. Source Requirements for the Borrower's Minimum Required Investment (TOTAL)

(A) Definition

Minimum Required Investment (MRI) refers to the Borrower's contribution in cash or its equivalent required by Section 203(b)(9) of the National Housing Act, which represents at least 3.5 percent of the Adjusted Value of the Property.

(B) Standard

The Mortgagee may only permit the Borrower's MRI to be provided by a source permissible under Section 203(b)(9)(C) of the National Housing Act, which means the funds for the Borrower's MRI must not come from:

- (1) the seller of the Property;
- (2) any other person or Entity who financially benefits from the transaction (directly or indirectly); or
- (3) anyone who is or will be reimbursed, directly or indirectly, by any party included in (1) or (2) above.

While additional funds to close may be provided by one of these sources if permitted under the relevant source of funds requirements above, none of the Borrower's MRI may come from these sources. The Mortgagee must document permissible sources for the full MRI in accordance with special requirements noted above.

Additionally, in accordance with HUD's Interpretive Rule, [Docket No. FR-5679-N-01](#), HUD does not interpret Section 203(b)(9)(C) of the National Housing Act to prohibit Governmental Entities, when acting in their governmental capacity, from providing the Borrower's MRI where the Governmental Entity is originating the insured Mortgage through one of its homeownership programs.

(C) Required Documentation

Where the Borrower's MRI is provided by someone other than the Borrower, the Mortgagee must also obtain documentation to support the permissible nature of the source of those funds.

To establish that the Governmental Entity provided the Borrower's MRI in a manner consistent with HUD's Interpretive Rule, the Mortgagee must document that the Governmental

New Handbook Features



- **New handbook is *consolidated, consistent, and comprehensive***
- **Updated wording**
 - Vague and discretionary guidance has been replaced with:
 - **MUST** *or*
 - **MAY NOT**
- **Consistent format throughout the new manual**
 - Definition
 - Standard
 - Verification
 - Required Documentation
 - Calculation of Effective Income
- **DE Underwriter discretion reduced**
 - DE discretion has been substantially reduced, in particular with Manual Underwriting

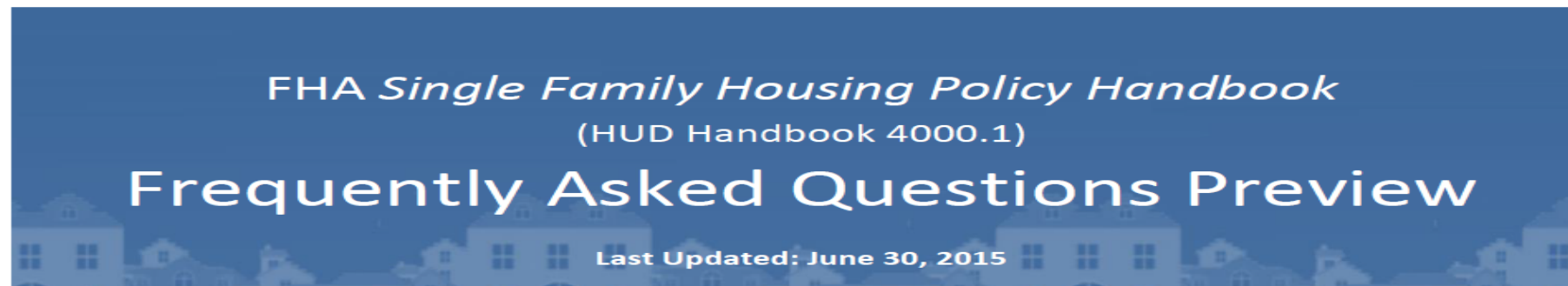
HUD Handbook FAQ's

- FAQ is 171 pages.... and *growing*:

Office of Single Family Housing



Link to the SF Handbook Overview FAQ (Updated 8/26/15) at: http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_HB_4000-1_FAQS.PDF



155.	6/17/15	Where can I find the guidelines regarding gift funds?	<p>Gifts refer to the contributions of cash or equity with no expectation of repayment.</p> <p>Gift funds may be provided by:</p> <ul style="list-style-type: none"> • 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; • a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers. <p>Cash on hand is not an acceptable source of donor gift funds.</p> <p>Only family members may provide equity credit as a gift on property being sold to other family members.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F) available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</p>	4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F)
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- **Total Scorecard is a valuable tool that carries lot of weight in the risk analysis, but it does not replace “underwriting” the loan**

iii. Function of TOTAL Mortgage Scorecard

TOTAL Mortgage Scorecard evaluates the overall credit risk posed by the Borrower, based on a number of credit variables, when combined with the functionalities of an AUS.

The Mortgagee may not accept or deny an FHA-insured Mortgage based solely on a risk assessment generated by TOTAL Mortgage Scorecard.

Transaction Types



- Purchase
- Refinance definition changes:
 - Cash-out refinance
 - Rate/term refinance
 - Simple refinance (**new**)
 - Streamline refinance without appraisal (**Streamline with appraisal option now retired**)

- **Purchase (enhancement)**

- Maximum CLTV retired

- ☐ Maximum combined loan amount (aggregate of first and junior liens) cannot exceed county limits

■ Available Refinance Options

- **Cash-Out Refinance (same):** refinance of any existing mortgage that results in cash proceeds
- **Rate/Term Refinance (same):** a no cash-out refinance of any mortgage in which all proceeds are used to pay off eligible existing liens and costs
- **Simple Refinance (new):** a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay off eligible existing liens and costs
 - ☐ Fully credit qualified
 - ☐ Requires appraisal
 - ☐ Can finance closing costs
- **Streamline Refinance (change):** a refinance of an existing FHA-insured mortgage with no appraisal
 - ☐ Credit Qualified would now only be used if removing a borrower
 - ☐ Streamline with an appraisal option retired
 - ☐ Can no longer finance closing costs since done without an appraisal (**change; previously eligible on Streamline with Appraisal, which is now retired**)

Refinance Comparison

	Rate/Term Refinance No Cash-out	Simple Refinance No Cash-out	Cash-out Refinance	Streamline Credit Qualifying Refinance	Streamline Non-Credit Qualifying Refinance
Borrower Restriction	Owner-occupied only	Owner-occupied only	<ul style="list-style-type: none"> Owner-occupied only If non-occupant co-borrower on transaction the following applies: <ul style="list-style-type: none"> - Cannot use income for qualifying. - Debts/assets are considered 	At minimum, one borrower from existing loan must be on new loan	All borrowers on existing loan must be on new loan except in certain circumstance. Refer to HomeBridge FHA Streamline guides for details.
Cash Back	Maximum \$500	Maximum \$500	Up to max allowed per LTV	Maximum \$500	Maximum \$500
Existing Lien	Any	FHA	Any	FHA	FHA
Maximum LTV	<ul style="list-style-type: none"> 97.75% when ≥ 12 months owner occupancy, or 85% with < 12 months owner occupancy 	97.75%	85%	N/A	N/A - unlimited
Maximum CLTV	97.75%	97.75%	85%	N/A	N/A - unlimited
Maximum Mortgage	UPB of 1st lien plus 2 nd lien(s) > 12 months (if applicable) plus closing costs & <u>prepaids</u>	UPB of 1st lien plus <u>plus</u> closing costs & <u>prepaids</u>	N/A – up to maximum LTV	Owner-occupied: Lesser of: <ul style="list-style-type: none"> UPB plus interest plus UFMIP minus any UFMIP refund, or Original prin. balance including UFMIP minus any UFMIP refund Investment: Lesser of: <ul style="list-style-type: none"> UPB month prior to disbursement, or Original prin. balance including UFMIP 	Owner-occupied: Lesser of: <ul style="list-style-type: none"> UPB plus interest plus UFMIP minus any UFMIP refund, or Original prin. balance including UFMIP minus any UFMIP refund Investment: Lesser of: <ul style="list-style-type: none"> UPB month prior to disbursement, or Original prin. balance including UFMIP

Refinance Comparison

	Rate/Term Refinance No Cash-out	Simple Refinance No Cash-out	Cash-out Refinance	Streamline Credit Qualifying Refinance	Streamline Non-Credit Qualifying Refinance
Ownership Seasoning	No minimum required but value determined as follows: <ul style="list-style-type: none"> Owned < 12 months value is lesser of purchase price plus documented improvements, or Appraisal 	No minimum required but value determined as follows: <ul style="list-style-type: none"> Owned < 12 months value is lesser of purchase price plus documented improvements, or Appraisal 	Requires minimum 12 month occupancy as primary residence	N/A	N/A
Mortgage Payment History	Manual downgrade required if: <ul style="list-style-type: none"> 3 or more payments > 30 days late, or 1 or more payments > 60 days plus one or more > 30 days, or 1 payment > 90 days 	Manual downgrade required if: <ul style="list-style-type: none"> 3 or more payments > 30 days late, or 1 or more payments > 60 days plus one or more > 30 days, or 1 payment > 90 days 	<ul style="list-style-type: none"> Minimum 6 months payments on existing loan (subject property) Manual downgrade required if any mortgage (including HELOC) is currently delinquent or any mortgage delinquency within 12 months of case number assignment. 	Minimum 6 payments made plus minimum 210 days have passed from closing of loan being refinanced	Minimum 6 payments made plus minimum 210 days have passed from closing of loan being refinanced
Eligible Product	Fixed or ARM	Fixed or ARM	Fixed or ARM	<ul style="list-style-type: none"> Owner-occupied: Fixed or ARM Investment: Fixed rate only 	<ul style="list-style-type: none"> Owner-occupied: Fixed or ARM Investment: Fixed rate only

Cash Out Refinance



■ Cash Out Refinance

- Must have been owned and occupied by borrower as their principal residence for the 12 months prior to the case assignment date **or** ineligible (inheritance exception available)
- Payment History
 - ☐ Minimum 6 month payment history on subject mortgage **or** ineligible (inheritance exception available) **and**
 - ☐ Downgrade to Manual Underwrite required **if**:
 - ❖ **Any** delinquency on **any** mortgage (**not just subject loan**) for the 12 months prior to case assignment date **or**
 - ❖ **Any** delinquency on **any** mortgage from case number assignment date to date of funding on new loan
- Transactions downgraded to Manual Underwrite due to mortgage late, must meet acceptable extenuating circumstance exception (**enhancement; previously ineligible if delinquent within past 12 months**)
 - ☐ Extenuating circumstance has **specific** new requirements
- Cannot consider income of non-occupant co-borrower

Extenuating Circumstance Exception



- **Extenuating Circumstance Definition has changed and is more defined and specific**
 - New specific definition of extenuating circumstances is universal to any references to “extenuating circumstances” throughout the 4000.1
 - **Eligible extenuating circumstance (new):**
 - ☐ Serious illness or death of wage earner (resulting in subsequent loss of income/employment)
 - **Ineligible extenuating circumstance (new):**
 - ☐ Divorce
 - ☐ Inability to sell home
 - ☐ Loss of income/employment without serious illness/death of wage earner
 - ❖ Loss of income/employment should be structured “Back to Work”
- **There are no “exceptions” to the above**
- Underwriter will exercise great care in using the extenuating circumstance exception
- It is important to note that derogatory credit events have specific requirements that vary based upon event type

Rate/Term Refinance



- Existing loan not an FHA loan or existing loan is an FHA loan paying off 1st and 2nd
- Specific occupancy requirements apply to maximum mortgage(new)
 - **Maximum Mortgage**
 - ☐ Occupied 12 months or more as owner occupied: 97.75% LTV
 - ☐ Occupied < 12 months as owner occupied: 85% LTV cap
- **Mortgage Payment History-Total Scorecard-per DU *however*:**
 - **Manual Downgrade is required regardless of DU findings *if*:**
 - ☐ Any mortgage trade line (**on any mortgage not just subject loan**) reflects the following during the 12 months preceding case assignment date:
 - ❖ 3 or more payments greater than 30 days late ***or***
 - ❖ 1 or more payments of 60 days late ***plus*** one or more 30 day ***or***
 - ❖ 1 payment greater than 90 days
- **Mortgage Payment History- Manual Underwrite Only**
 - Less than 6 payments: 0 X 30 prior to case assignment date
 - 6 or more payments:
 - ☐ 0 X 30 immediate 6 payments prior to case assignment date ***and***
 - ☐ no more than 1 X 30 months 7-12 prior to case assignment date
 - Borrower must make all payments timely for the month prior to disbursement of new loan ***and*** for any months from case assignment date to disbursement date of new loan

Simple Refinance



- **FHA to FHA loan (can only pay off 1st), without any requirements for length of ownership**
 - Maximum mortgage cannot include payoff of junior lien(s) but can include closing costs
 - Cash back cannot exceed \$500
 - “Replaced” Streamline With Appraisal option; fully Credit Qualified with appraisal
- **Maximum Mortgage is the *lesser of*:**
 - 97.75% LTV/CLTV *or*
 - sum of existing debt, closing costs, pre-paid items (see guidelines for complete details)
- **Mortgage Payment History-Total Scorecard-per DU *however*:**
 - **Manual Downgrade is required regardless of DU findings *if*:**
 - ❑ Any mortgage trade line (**on any mortgage, not just subject**) reflects the following during the 12 months preceding case assignment date:
 - ❖ 3 or more payments greater than 30 days late *or*
 - ❖ 1 or more payments of 60 days late *plus* one or more 30 day *or*
 - ❖ 1 payment greater than 90 days
- **Mortgage Payment History- Manual Underwrite Only**
 - Less than 6 payments: 0 X 30 prior to case assignment date
 - 6 or more payments:
 - ❑ 0 X 30 immediate 6 payments prior to case assignment date *and*
 - ❑ no more than 1 X 30 months 7-12 prior to case assignment date
 - Borrower must make all payments timely for the month prior to disbursement of new loan *and* for any months from case assignment date to disbursement date of new loan

Streamline Refinance



- **Seasoning Requirements: still subject to 6 payments/210 day rule (no change)**
- **Mortgage History Requirements (change):**
 - Loan must be current for month due (no change) **and**
 - 0 X 30 in the 6 months prior to case assignment date for all mortgages for subject property **and**
 - No more than 1 X 30 in months 7-12 (as applicable) prior to case assignment date for all mortgages for subject property
 - Example:
 - ❖ 1st payment due Sept 2014; case number assigned Aug 2015 (meets 6 months/210 day “rule”)
 - ❖ *If* late payment in Mar 2015, ineligible as does not meet 0 X 30 for 6 mo prior to case assignment
 - ❖ *If* late payment in Dec 2014, eligible as 1 X 30 was in months 7-12 prior to case assignment
- **Now have unlimited CLTV (enhancement; previously CLTV capped)**
- Investment- fixed rate only
- Appraisal cannot have been ordered (previously could do Streamline with an Appraisal)
- Cannot finance closing costs (**change; previously could only finance with appraisal. Streamline with Appraisal option now retired**)

Streamline Refinance



- **Owner Occupied NCQ Streamline Documentation Requirement (change)**
 - Borrower to provide a **utility bill (one month most recent)** to verify borrower currently occupying property, and
 - **The hazard insurance policy must reflect the same mailing/billing address as the subject property**
- **Funds to Close Documentation Requirement Change (enhancement)- applies to NCQ and Credit Qualifying**
 - Only need to verify funds to close for amount in excess of new loan PITI (via 2 months bank statements)
 - ☐ If funds to close less than new loan PITI, no verification required
- **Removing a borrower**
 - Removing a borrower would be only reason to now go Credit Qualifying Streamline
 - NCQ- can only delete a borrower under the qualifying exceptions below (divorce, legal separation or death):
 - ☐ Divorce decree or legal separation agreement awarded the property and the responsibility for making the payments to the borrower **and**
 - ☐ The borrower awarded the property can document they have made the current mortgage payments for a minimum of 6 months prior to case assignment date

Streamline Refinance



- **Net Tangible Benefit definition has changed**
 - Must be exact; cannot round up
 - Now based upon rate instead of payment; reduction in term is now considered a benefit
 - If reduction in term:
 - ☐ The new interest rate cannot exceed the current rate *and*
 - ☐ The combined PITI plus MIP cannot increase by more than \$50

From	To	Requirement for New Combined Rate (see Note below)
Fixed rate	Fixed rate	New rate must be a minimum 0.5% below the prior combined rate
Fixed rate	Hybrid ARM	New rate must be a minimum 2% below the prior combined rate
Any ARM with < 15 months to next payment change date	Fixed rate	New rate cannot be > 2% above the prior combined rate
Any ARM with < 15 months to next payment change date	Hybrid ARM	New rate must be a minimum 1% below the prior combined rate
Any ARM with ≥ 15 months to next payment change date	Fixed rate	New rate cannot be > 2% points above the prior combined rate
Any ARM with ≥ 15 months to next payment change date	Hybrid ARM	New rate must be a minimum 1% below the prior combined rate

Streamline Refinance



- **Max Mortgage Calculation has changed**

- Cannot finance closing costs since there is no appraisal (since Streamline with Appraisal now retired)
 - ☐ Reminder: Simple Refinance can finance closing costs (Credit Qualified/Appraisal)
- Streamline Worksheets updated for max mortgage calculation changes
- **Owner Occupied Primary Residence- Base Loan Amount is *Lesser of*:**
 - ☐ Outstanding principal balance as of month prior to disbursement + interest due (up to 60 days) + MIP due ***or***
 - ☐ Original principal balance of the existing Mortgage (including UFMIP)
 - ☐ ***Less*** any refund of UFMIP
- **Investment- Base Loan Amount is *Lesser of*:**
 - ☐ Outstanding principal balance as of month prior to disbursement ***or***
 - ☐ Original principal balance of the existing Mortgage (including UFMIP)
 - ☐ ***Less*** any refund of UFMIP

Streamline Refinance Example: Owner Occupied Primary Residence



Statement of amount necessary to pay loan in full on or before 10-01-15.

Interest Rate: 5.25000%
Next Payment Due Date: 09-01-15

Interest Paid to: 08-01-15

Present Principal Balance: \$ 261,689.85
Interest to 10-01-15: 2,289.78
Earned MIP Premium: 213.12
Less Current Escrow Balance: -1,082.83

Computed Premium: \$4,900.87
Original Mortgage Amt: \$284,950
Old Term (in months): 360

Original Property Value: \$294,790
Original Closing Date: 05/14/10
Original Endorsement Date: 05/27/10

Subtotal of Amount Secured
by Security Instrument: \$ 263,109.92

New Closing Month: 09/15
Period of Insurance: 64
Refund UFMIP Factor (%): .00000
UFMIP Earned by HUD: \$4,900.87
Unearned UFMIP: \$0.00
Unpaid Balance: \$260,870
Authorization No. 5505220150819
Expiration Date 01/31/16

OTHER CHARGES
Recording Fee : 23.00

Other Charges Sub Total: 23.00

Total Due: \$ 263,132.92

OWNER OCCUPIED PRIMARY RESIDENCE			
CALCULATION #1		CALCULATION #2	
Outstanding Principal Balance	\$261,689.85	Original Principal Balance	\$284,950.00
Interest Paid to 08/01/15	2,289.78	Less UFMIP Refund	0.00
MIP Due	213.12	Total = Base Loan Amount (rounded down to lowest \$50)	\$284,950.00
Total = Base Loan Amount (rounded down to lowest \$50)	\$264,150.00	Plus UFMIP (HBFS Loan)	4,986.63
Less UFMIP Refund	0.00	Total = Total Loan Amount	\$289,936.00
Plus UFMIP (HBFS Loan)	4,622.63		
Total = Total Loan Amount	\$268,772.00		
In this example, the Outstanding Principal Balance + Interest + MIP is the lower of the two (2) calculations. Therefore, \$264,150.00 is the Base Loan Amount. (Example assumes loan disbursing in September)			

Streamline Refinance Example: Investment



Statement of amount necessary to pay loan in full on or before 10-01-15.

Interest Rate: 5.25000%
Next Payment Due Date: 09-01-15

Interest Paid to: 08-01-15

Present Principal Balance: \$ 261,689.85
Interest to 10-01-15: 2,289.78
Earned MIP Premium: 213.12
Less Current Escrow Balance: -1,082.83

Subtotal of Amount Secured
by Security Instrument: \$ 263,109.92

OTHER CHARGES
Recording Fee : 23.00

Other Charges Sub Total: 23.00

Total Due: \$ 263,132.92

Computed Premium: \$4,900.87
Original Mortgage Amt: \$284,950
Old Term (in months): 360

New Closing Month: 09/15
Period of Insurance: 64
Refund UFMIP Factor (%): .00000
UFMIP Earned by HUD: \$4,900.87
Unearned UFMIP: \$0.00
Unpaid Balance: \$260,870
Authorization No. 5505220150819
Expiration Date 01/31/16

Original Property Value: \$294,790
Original Closing Date: 05/14/10
Original Endorsement Date: 05/27/10

INVESTMENT			
CALCULATION #1		CALCULATION #2	
Outstanding Principal Balance	\$261,689.85	Original Principal Balance	\$284,950.00
Less UFMIP Refund	0.00	Less UFMIP Refund	0.00
Total – Base Loan Amount (rounded down to lowest \$50)	\$261,650.00	Total – Base Loan Amount (rounded down to lowest \$50)	\$284,950.00
Plus UFMIP (HBFS Loan)	4,578.88	Plus UFMIP (HBFS Loan)	4,986.63
Total – Total Loan Amount	\$266,228.00	Total – Total Loan Amount	\$289,936.00

In this example, the Original Principal Balance minus UFMIP is the lesser of the two (2) calculations. Therefore, \$261,650.00 is the Base Loan Amount. (Example assumes loan disbursing in September)

- **Refinances: Rate/Term, Simple and Cash-Out (new)**
 - Owned < 12 months from case assignment date the value is the *lesser* of current appraised value *or* purchase price plus documented improvements
- **Rate/Term and Simple Refinance (new)**
 - ≥12 months property ownership from case assignment date: required to use appraised value in determining LTV
 - ≤12 months from case assignment date: use adjusted value per guidelines
 - Cannot re-use appraisal if ownership is < 12 months from case assignment date
- **Rate/Term Refinance (new)**
 - < 12 months owner occupancy from case assignment date max 85% LTV
 - ≥ 12 months owner occupancy from case assignment date max 97.75% LTV
- **Cash-Out Refinance (new)**
 - 12 months property ownership and occupancy as primary residence prior to case number assignment date required to use appraised value in determining LTV (inheritance exception available)
- **Streamline Refinance**
 - At least 6 months must have passed since first payment date of the refinance and at least 210 days have passed from the closing date of the mortgage being refinanced (no change)

Co-Mortgagor/Non-Occ. Co-Borr.



- **Co-mortgagor on title but not on loan can only be “family member” (previously no restriction)**
- **Non-occupant co-borrower**
 - Must be US citizen or have a principal residence in US
 - ☐ Non-permanent resident alien ineligible
 - **New guidance:** Max financing limited to 75% LTV unless:
 - ☐ LTV can be increased to a max of 96.50% if the borrowers are family members, provided the transaction does not involve:
 - ☐ a family member selling to another family member who will be a non-occupying co-borrower
or
 - ☐ a transaction on a 2-4 unit property
 - **Cash-out refinance : Cannot use non-occupant co-borrower income to qualify**

Borrower Types

Borrower Type	Liability for debt (signs the Note)	Ownership in property (On the contract and deed)	Income, assets, debts considered in qualifying ratios	Miscellaneous
Borrower/co-borrower	Yes	Yes	Yes	Must occupy the property (unless streamline refinance)
Co-signor	Yes	No	Yes	Must be a US citizen or have a principal residence in the US
Non-occupying co-borrower	Yes	Yes	Yes * <ul style="list-style-type: none"> Only on purchase/rate term or streamline where currently on the loan If cash out or not on current streamline loan, cannot use income 	Must be a US citizen or have a principal residence in the US Standard LTV is 75%. Can be increased to maximum financing for a 1 family unit, provided a family member is not selling to another family member who will be the non-occupant co-borrower. (Long standing relationship has been removed) LTV limited to 75% on all 2-4 family properties Income not eligible for cash-out transactions Not eligible if the occupying borrower or co-borrower has no credit score
Co-mortgagor	No	Only on title	No	ONLY ACCEPTABLE CO-MORTGAGOR IS A "FAMILY MEMBER" OF THE BORROWER

- **Subordinate financing is now subject to county loan limits**
 - More restrictive change as previously was not subject to county limits
 - Streamlines with subordinate financing are the exception and are not subject to county limits

- **New construction and existing construction now have same expiration date for credit documents: 120 days old at time of disbursement (change; previously 120 days from Note date)**
 - HomeBridge will require credit, income and asset documents to be 120 days from date of funding due to disbursement date being “unknown” in dry closing states
- Appraisals continue to be 120 days from effective date (no change)
 - 30 day extension to appraisal continues to be available provided there is a signed sales contract or borrower has loan approval prior to the original appraisal expiration date

- **New guidelines prohibit the use of documents transmitted through equipment of interested parties or unknown parties**
 - Lender required to identify source of all electronic transmission including fax and email transmissions
 - Change: addition of “unknown parties”
 - Expands scope of what HomeBridge Underwriter will review and request
 - ☐ Currently limited to fax header verification policy (refinances: WVOE/VOD/VOM; purchases: all income/employment/asset)
 - ☐ Underwriter will now review all fax/electronic transmissions on all transaction types

- The following parties must be checked against the LDP and GSA list (**those in bold represent changes to HB Wholesale existing policy**):
 - Borrower(s)
 - Seller
 - **Loan Processor**
 - **203(k) Consultant (as applicable)**
 - Loan Officer
 - Broker
 - Appraiser
 - Listing/Selling Realtor(s)
 - **Underwriter**

Borrower's Authorization/Non-Borrowing Spouse Requirements



- **Borrowers Authorization:** now “hard” requirement for borrower and non-borrowing spouse in community property state
- **Non-Borrowing Spouse in Community Property State Requirements (new):**
 - Applies to all Credit Qualifying transactions; does not apply to NCQ Streamlines
 - ☐ Non-borrowing spouse borrower cert and authorization (new clarification)
 - ☐ Credit report for non-borrowing spouse (no change)
 - ☐ SSA-89, with validated results, if non-borrowing spouse has SSN on credit (**new**)
 - ❖ In event non-borrowing spouse credit does not have SSN, report must contain name, date of birth, and addresses for past 2 years
 - ❖ HomeBridge will require SSA- 89 as necessary signed by non-borrowing spouse; HomeBridge will process results

Family Member Definition



- The following constitute a “family member”, regardless of sexual orientation, gender identity or marital status:
 - Child, parent or grandparent: including “step”, “foster”, or “in-law”
 - Spouse or domestic partner
 - Siblings: including “step” or “in-law”
 - Aunts/Uncles: including “step” or “in-law”
- Summary of changes:
 - **COUSINS** have been **REMOVED** from the family member definition
 - **IN-LAWS** are now **INCLUDED** in the family member definition
- Family member definition is applicable for several underwriting criteria/restrictions as follows:
 - Gift of Equity (must be eligible family member)
 - Identity of Interest (exception to max 85% LTV may be granted when eligible family member)
 - Non-occupant co-borrower requirements (exception to max 75% LTV may be granted when eligible family member)
 - Who can be on title only

Reminder: Although removed from family member definition, cousins are an eligible source of gift funds

- **Active Deployed Military Personnel**

- If deployed more than 100 miles from the subject property, subject can still be considered owner occupied if a family member will reside in property
- If a family member will not reside in property, statement from borrower confirming their intent to occupy upon discharge is required

- **Manual Underwrite: Borrower's living "rent free" (previously no specific requirements)**
 - Borrower must now prove they are living "rent free", which is accomplished by letter from homeowner or renter where they are "living rent free" confirming such and including amount time living "rent free"
 - ☐ If borrower lives with a homeowner : require letter from homeowner confirming such
 - ☐ If borrower lives with a renter : require letter from renter confirming such

Contract of Sale/Purchase Disclosures



- **All purchasers listed on the contract of sale must now be borrowers**
 - Exception: A family member of a purchaser, who is not a borrower, may be listed on the contract of sale
- **Only borrowers can sign the contract of sale (clarification)**
 - An addendum may be used to remove or correct any provisions not met, in lieu of a new contract
- **Miscellaneous purchase disclosures still required:**
 - FHA amendatory clause still required, unless covered by one of the following exemptions:
 - HUD REO
 - Seller is FNMA, FHLMC, VA, USDA, Mortgagee disposing of REO or seller at foreclosure sale
 - Real Estate Certification
 - Lead based paint notice for properties built before 1978
 - For Your Protection Get a Home Inspection (HUD 92564 CN)

Co-Mortgagor Eligibility



- **Only a family member can now be on title only and not on loan (restriction)**
 - Previously no restrictions

- **Only one FHA loan is permitted with certain exceptions. Allowable exceptions to one FHA loan:**
 - **Relocation Exception (“distance requirement” is new):** for employment related reasons *and* the new residence is at least 100 miles from the borrower’s current residence
 - **Increase in Family Size Exception (no change):** must provide satisfactory evidence of increase in family size/that current housing does not meet needs *and* existing primary residence must have an LTV of 75% or less based on the current principal balance and appraised value
 - **Vacating a Jointly Owned Property Exception (no change):** the other borrower must remain in the jointly owned property
 - **Non-occupant Co-borrower Exception (no change):** Non-occupant co-borrower who is now purchasing their own primary residence

Value Determination

- **“Adjusted value”** now used for definition of large deposits and EMD verification for purchases
- **Purchase transactions:** the adjusted value is the *lesser of*:
 - the purchase price *or*
 - the appraised value
- **Refinance transactions:** based on property acquisition as per below:

Property Acquisition	Adjusted Value Determined by:
Less than 12 months from case number assignment	Lesser of: <ul style="list-style-type: none">• Purchase price plus any documented improvements made subsequent to the purchase, OR• The appraised value
Greater than or equal to 12 months from case number assignment	The current appraised value
Property acquired within 12 months of case number assignment through inheritance or as a gift from a family member	The current appraised value

Identity of Interest



- LTV restricted to 85% when sale is between a party with an existing business relationship or family member (no change)
- Exceptions to 85% LTV remain unchanged with exception of Family Member:
 - **Family Member Exception:** If purchasing the family member's primary residence –or- borrower has been a tenant in family member's dwelling for at least 6 months prior to execution of contract of sale
 - ☐ **Change:** Family member "definition"
 - **Builder/Employee Exception:** If purchasing new construction home, including model
 - **Corporate Employee Exception:** Transferring employee (borrower) purchases the home of another employee
 - **Tenant Purchase Exception**
 - ☐ Borrower has been tenant for 6 months prior to execution of contract of sale

New Criteria for Manual Underwrite Downgrade (regardless of DU finding)



- **Requirements for required Manual Underwrite downgrade have changed**
- Downgrade to manual UW required when the file contains information or documentation that cannot be evaluated by TOTAL Scorecard **or** additional information, not considered in the AUS recommendation, that impacts the overall insurability of the Mortgage as follows:
 - **Disputed Derogatory Accounts:** \$1000 or greater collective balance
 - ☐ excludes disputed medical and accounts resulting from theft or unauthorized use
 - **Bankruptcy:** Less than two years from discharge date to case number assignment date
 - **Foreclosure, Pre-Foreclosure Sale, or Short Sale that was delinquent at time of sale or Deed-in-Lieu:** Less than three years from deed transfer to case number assignment date
 - **Mortgage Payment: Purchase, Rate/Term Refi or Simple Refi:** If any mortgage trade line (not just subject) reflects the following for the 12 months prior to case assignment date:
 - ☐ 3 or more payments greater than 30 days late **or**
 - ☐ 1 or more payments of 60 days late **plus** one or more 30 day **or**
 - ☐ 1 payment greater than 90 days
 - **Mortgage Payment: Cash-Out :** A current delinquency or any delinquency within 12 months of case assignment date on any property (not just subject)
 - ☐ must meet new specific extenuating circumstance definition to be eligible
 - **Self-employed borrower** where business reflects a greater than 20 % decline over the analysis period

Undisclosed Mortgage Debt/Downgrade to Manual Underwrite



- A downgrade to a Manual Underwrite is **only** required when a debt or obligation that is secured by a mortgage is not listed/disclosed on the application *and/or* not listed/rated on credit report **when the two (2) year history provided by the servicer indicates:**
 - ✓ A current delinquency, and/or
 - ✓ Any delinquency within 12 month of case number assignment, and/or
 - ✓ More than two 30 day late payments within 24 months of case assignment
- NOTE: If the undisclosed mortgage has < 24 months history, the mortgage history requirements apply, as applicable, since loan inception.
- “Undisclosed” mortgage debt refers to either:
 - ☐ A mortgage not disclosed on the application (undisclosed real estate owned) **and/or**
 - ☐ Mortgages not rated on the credit report
 - The following require a downgrade to a manual underwrite:
 - ☐ Open mortgage not rated on the credit report, **and/or**
 - ☐ Paid mortgage not rated on the credit report which is identified on Data Verify, **and/or**
 - ☐ Undisclosed mortgage debt (subject to the requirements detailed above)

Undisclosed Mortgage Debt/Downgrade to Manual Underwrite (cont.)



- **A downgrade to a Manual Underwrite is required *even if*:**
 - ☐ Subsequent trailing rating is satisfactory (since Scorecard cannot read a supplement), **and/or**
 - ☐ Mortgage tied to derogatory credit event has met wait period based upon seasoning to case assignment date, **and/or**
 - ☐ A mortgage identified on Data Verify and/or MERS was paid in full and is not rated on the credit report
- **Example:**
 - ☐ Foreclosure not rated on credit report
 - ☐ Same foreclosure title transferred 4 years from case assignment date, so meets seasoning requirement
 - ☐ In this example, would require downgrade to Manual Underwrite. Even though met wait period, foreclosure not on credit and therefore must be manually underwritten

Manual Underwrite Requirements



- **Requirements for Manual Underwriting have changed**
 - Manual Underwrites must meet either new satisfactory credit criteria or the borrower's payment history will require additional analysis
 - Manual Underwrites are still subject to HUD's maximum DTI and compensating factor requirements

Manual Underwrites	
If...	Then...
Manual Underwrite With Traditional Credit History (FICO)*	<ul style="list-style-type: none"> Borrower must meet HUD's new satisfactory credit criteria defined as: <ul style="list-style-type: none"> Housing payments: 0x30 in previous 12 months and no more than 2x30 in previous 24 months Installment payments: 0x30 in previous 12 months and no more than 2x30 in previous 24 months, Revolving accounts: No major derogatory credit in previous 12 months. Defined as: <ul style="list-style-type: none"> - Any revolving payment more than 90 days later, or - Any revolving payment more than 3x60 days late. - OR - The payment history requires additional analysis (i.e. the payment history does not meet the criteria above) <ul style="list-style-type: none"> - Only loans that meet HUD's new extenuating circumstance definition (documented serious illness or death of wage earner) are eligible. If extenuating circumstances are not met the loan is ineligible.
Manual Underwrite with Insufficient Credit History/Non-Traditional Credit History (no FICO)*	<p>Determine sufficient credit history:</p> <ul style="list-style-type: none"> Must include a minimum of 3 credit references that includes at least one of the following: <ul style="list-style-type: none"> - Rental/housing payment (verification of payment is required) - Phone - Utilities (e.g. gas, electric, water, television/cable, internet) If all 3 cannot be obtained from the above, other sources may be used to satisfy the remaining requirement (e.g. insurance premium, medical, auto, life that are not deducted from payroll, or retail store credit cards, Rent-to-own etc.) Refer to guidelines for complete list of acceptable alternative sources. Must meet new satisfactory credit criteria: <ul style="list-style-type: none"> - If housing history is available must meet housing history requirement of 0x30 in previous 12 months and no more than 2x30 in previous 24 months unless documented extenuating circumstance requirement is met (serious illness or death of wage earner) - If no housing history but 3 acceptable sources can be developed follow manual underwriting guidelines. - If no housing history and cannot develop three (3) other additional sources the loan is ineligible.

*NOTE: Existing HUD FICO/DTI additional compensating factor requirements still apply to all Manual Underwrites (with or without FICO)

Manual Underwrite Requirements



- **General manual underwriting requirements/reminders:**
 - 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 for borrowers without a credit score
 - Gifts cannot be included to meet reserve requirements
 - Specific changes as they relate to charge offs and collections
 - If living rent free, require letter from homeowner/renter where borrower is living “rent free”

Manual Underwrite Reminders



- **Minimum required reserves for all Manual Underwrites (no change):**
 - 1 and 2 units: 1 month
 - 3 and 4 units: 3 months
 - Reserves cannot be cash back (refinance), gift funds, equity in other property and/or borrowed funds
 - Retirement funds eligible at 60% of vested amount, less any loans as applicable
- **Maximum ratios when ratios exceed 31.00% and 43.00% for all Manual Underwrites (no change):**
 - Maximum ratios and compensating defined factors dependent on FICO score
 - When reserves used as compensating factor, must be over and above the minimum required reserves per above
 - Ratios must be met individually
 - Ratios can never exceed 40.00% and 50.00% (with required compensating factors)
- **Acceptable Defined Compensating Factors for all Manual Underwrites (no change):**
 - Reserves in excess of minimum
 - Minimal increase in housing
 - No discretionary debt
 - Additional income not used to qualify the loan
 - VA residual income

Derogatory Credit Wait Periods

- Wait periods now measured from event end date to case assignment date (previously measured from end of date of event to application date) plus new specific definition of extenuating circumstances:

Event Type	Wait Period - No Extenuating Circumstance	Wait Period - With Extenuating Circumstance* Requires downgrade to manual underwrite
	DU/TOTAL	Manual Underwrite
Bankruptcy Chapter 7 & 11	≥ 2 years from discharge (measured from event end date to case number assignment) If < 2 years must be downgraded to manual underwrite	< 2 years from discharge 12 – 24 months eligible subject to: <ul style="list-style-type: none"> Documented extenuating circumstances, and Borrower has re-established good credit, or Borrower has chosen not to incur new credit obligations NOTE: < 12 months ineligible
Bankruptcy Chapter 13	≥ 2 years from discharge or dismissal (measured from event end date to case number assignment) If < 2 years must be downgraded to manual underwrite	< 2 years eligible subject to: <ul style="list-style-type: none"> A minimum of 1-year of pay-out has occurred, and All required payments have been made on time, and Written permission from the bankruptcy court to enter into a mortgage loan, and The event that led to the bankruptcy is not likely to recur
Foreclosure/ Deed-in-Lieu	≥ 3 years (measured from date of title transfer to case number assignment)	Less than 3 years eligible if: <ul style="list-style-type: none"> Documented extenuating circumstance, and Borrower has re-established good credit, or Borrower has chosen not to incur new credit obligations
Short Sale/ Pre-foreclosure	≥ 3 years (measured from date of title transfer to case number assignment)	Less than 3 years eligible if: <ul style="list-style-type: none"> Documented extenuating circumstance, and Borrower has re-established good credit
Short Sale - Current at time of sale	≥ 3 years (measured from date of title transfer to case number assignment)	Wait period is waived if: Borrower has made all of the payments below within the month due in the 12 months preceding the short sale (i.e. 0x30 in 12 months): <ul style="list-style-type: none"> Mortgage payments, and Installment payments

*HUD defines extenuating circumstances as an event outside the borrower's control such as serious illness or death of a wage earner; divorce or inability to sell the property due to a job transfer or relocation are **not** considered an extenuating circumstance.

Short Payoff (Subject Loan)



- **Borrower must be current on existing loan to be eligible for that loan to be refinanced into an FHA (change; previously required borrower to experience a reduction income without capacity to repay mortgage)**
- **If existing lien holder is not willing to write down the indebtedness when approving the short payoff, the new loan is ineligible (previously eligible to subordinate)**
 - Verification existing lien holder will write down the shortage is required with no future implications to borrower for additional liability

- **New guidance for Total Scorecard and Manual Underwrite**
 - Collection and charge-off guidance are no longer grouped together (**new**); separate guidance for collections
 - **Cumulative outstanding balance \geq \$2000 for Total Scorecard and Manual Underwrite remains unchanged (exclude medical; include non-borrowing spouse for Credit Qualifying community property state):**
 - ☐ Verify debt paid in full at time of or prior to settlement (payoff required if paying through loan) **or**
 - ☐ Verify borrower has made payment arrangements and include in DTI **or**
 - ☐ If payment arrangement not available, calculate the monthly payment using 5% of outstanding balance of each collection
 - **Manual Underwrite remains unchanged** (requires additional documentation):
 - ☐ Underwriter must determine if collection accounts a result of:
 - ❖ the borrower's disregard for financial obligations **or**
 - ❖ the borrower's inability to manage debt **or**
 - ❖ extenuating circumstances
 - ☐ Borrower LOE and supportive documentation required ; UW must justify rationale for approval
 - Collection accounts with an outstanding cumulative balance $<$ \$2,000 no action required
 - Accounts **cannot** be paid down to $<$ \$2,000

- **Guidance has changed and is now specific to charge-offs as stand alone requirement (previously guidance grouped charge-offs with collections based on aggregate amount)**
 - **Total Scorecard:** do not need to include in DTI and no additional action required
 - **Manual Underwrite:** do not need to include in DTI; require additional action
 - ☐ Underwriter must determine if charge off accounts a result of:
 - ❖ the borrower's disregard for financial obligations **or**
 - ❖ the borrower's inability to manage debt **or**
 - ❖ extenuating circumstances
 - ☐ Borrower LOE and supportive documentation required
 - ☐ Underwriter must justify rationale for approval

■ Borrowers with Delinquent Federal Tax Debt

- Federal tax liens may remain unpaid if borrower is in a valid repayment agreement **and** has made timely payments for a minimum of 3 months from case assignment date
 - ☐ Borrower cannot prepay scheduled payments in order to meet the required minimum of 3 months payments from case assignment date
- Repayment plan amount must be included in DTI
- Copy of repayment plan and verification of payments made from IRS required
- Reminders:
 - ☐ A tax lien is not necessarily filed against the property
 - ☐ Any tax debt in a payment plan is considered delinquent federal tax debt
 - ☐ Tax liability that is not past due is not delinquent federal tax debt

■ Borrowers with Delinquent Federal Non-Tax Debt

- If a delinquent federal non-tax debt is reflected in public records, credit report, or otherwise, lender must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed (**change**)

☐ If creditor confirms debt valid and in delinquent status, borrower is ineligible

- ❖ In order for a borrower with verified federal delinquent non-tax debt to become eligible, the borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act

☐ If creditor confirms debt resolved, borrower is eligible

- ❖ HomeBridge Underwriter must confirm with the creditor directly that the debt is resolved and complete a certification
- ❖ If debt reflected on CAIVRS, clear CAIVRS required

Evaluation of Liabilities and Debt



- **Authorized User Accounts (previously debts not required to be considered)**
 - Must consider payments unless documentation available to show account holder/owner has made ***all*** required payments timely for the 12 months preceding the case number issuance date
 - ☐ If documentation unavailable or questionable, debt must be included in DTI
 - ☐ If less than 3 payments required on the account in the past 12 months, the payment amount must be included in the DTI
 - If borrower removed from account, an updated credit report evidencing removal is required (credit supplement not acceptable)
- **Installment Debt (previously payment not considered if less than 10 months remaining; borrower could pay down to 10 months or less)**
 - Closed-end installment debt is not required to be considered if it will be paid in 10 months ***provided***:
 - ☐ Cumulative payment of all such debt is $\leq 5\%$ of the borrower's gross monthly income
 - ☐ The borrower may not pay down the debt to meet the 10 month requirement
 - Closed-end installment debt may be excluded from the DTI if the account is paid in full prior to or at close.

Evaluation of Liabilities and Debt



- **Alimony and/or child support/separate maintenance obligations (previously no specific paystub requirement)**
 - Alimony
 - ☐ Still have option to reduce income or consider as debt
 - ☐ Best practice: handle way paid. If garnishment, deduct from income; if paid monthly treat as monthly debt
 - Child support/separate maintenance
 - ☐ Consider as debt
 - ☐ Require borrower's paystub covering no less than 28 consecutive days in order to verify not subject to garnishment **(change)**
 - ☐ Payment used to qualify is greater of what is shown on legal documents or the amount of monthly garnishment
- **Time-share**
 - Loan secured by time-share is considered installment debt **(clarification; previously was not specific)**

Evaluation of Liabilities and Debt



Applies to Case Numbers Assigned prior to June 30, 2016

- Student Loans/Deferred Debt (previously if in deferment payment not considered)
 - Student Loans in Repayment Plan
 - ☐ Qualify using the actual payment
 - ☐ Graduated payment plans-use current payment
 - ☐ Projected/proposed/estimated payments may **not** be used to qualify
 - ❖ Example: Cannot use projected payment after graduation
 - Deferred Student Loans (including forbearance) – Scheduled Payment
 - ☐ The **scheduled** payment may be used. Payment must be **scheduled**, not proposed/projected
 - Deferred Student Loans (including forbearance) – No Scheduled Payment, Zero or Unavailable Payment
 - ☐ Deferred student loans without a scheduled payment, use 2% of the outstanding balance to qualify unless documentation can be obtained from the loan servicer that indicates a scheduled payment amount.

Student Loan Qualification	
If student loan is:	Then:
In repayment plan	Must use the actual payment
Deferred/in forbearance with scheduled payment	Scheduled payment may be used
Deferred/in forbearance without a scheduled payment, or unavailable/ zero payment	2% of the outstanding loan balance must be used

NOTE: Proposed/project/estimated payments **cannot be used** under any circumstances

Evaluation of Liabilities and Debt

- **Student Loans/Deferred Debt, cont. (previously if in deferment payment not considered)**
 - Example of deferred loan with **scheduled** payment
 - ❑ The Servicer has confirmed a **scheduled** payment of \$180.83; the \$180.83 payment is used to qualify

Loan Status		In Deferment
Payment Information		
Original Principal Balance		\$22,166.04
Disbursement Date		05/23/2006
Scheduled Payment Amount		\$180.83
Last Payment Received		N/A

- Example of deferred loan with no scheduled payment, zero or unavailable payment
 - ❑ The scheduled payment amount is \$0
 - ❑ The **projected** payment is \$61.13 in the example below, however since it is **not scheduled**, it **cannot** be used; must qualify at 2% of the unpaid balance of the loan

Loan Status		In School
Payment Information		
Original Principal Balance		\$5,729.00
Disbursement Date		03/17/2015
Scheduled Payment Amount		\$0.00
Last Payment Received		N/A

Cannot use \$61.13 since not a **scheduled** payment

Based on a 10 year the payment is \$61.13

Evaluation of Liabilities and Debt



Applies to Case Numbers Assigned on or after June 30, 2016

■ **Student Loans –Regardless of Payment Status**

➤ Calculate using:

- ☐ The actual documented payment if the payment will fully amortize over the loan term, **OR**
- ☐ The **greater of**:
 - ❖ 1% of the outstanding loan balance reported on the borrower's credit report, **OR**
 - ❖ The monthly payment reported on the borrower's credit report

■ **Required Documentation**

- The creditor/servicer must provide written documentation of the loan details (actual monthly payment, payment status, outstanding balance, and loan terms) only when the payment used is:
 - ☐ Less than 1% of the outstanding loan balance shown on the credit report, **AND**
 - ☐ Less than the monthly payment reported on the borrower's credit report.

Evaluation of Liabilities and Debt



- **Revolving debt (traditional)**
 - Use amount per credit to qualify
 - ☐ If payment not on credit, obtain current statement or use 5% of outstanding balance to qualify
 - ☐ May be excluded from DTI if the account will be paid in full prior to or at close.
 - ✓ The revolving account is **not** required to be closed

- **Open 30 day account /payment in full required each month i.e. Am Ex/Diner's Club (previously did not reoccur)**
 - Do not need to re-occur unless :
 - ☐ If late payments on credit for 12 months prior to case assignment date, must qualify with 5% of outstanding balance
 - If not re-occurring monthly payment, 30 day account balance must be deducted from available assets
 - Reminder: not all Am Ex cards require payment in full
 - ☐ If credit report lists a monthly payment, must treat as revolving debt and qualify with payment per credit

Evaluation of Liabilities and Debt



■ Business Debt

- Defined as debt in the borrower's name that is paid by the borrower's business
- Qualification is now the same for sole proprietorship, partnership, and corporations (**change; previously handling was different for sole proprietorship/partnership versus corporation. Specifically, sole proprietorship/partnership previously allowed for the debt to be added back to the business cash flow**)
 - ❑ Business debt must be included in borrower's DTI ratio unless evidence exists that the business pays the debt, accomplished by:
 - ❖ 12 months cancelled checks or business bank statements evidencing the business pays the debt **and**
 - ❖ Tax return must evidence obligation is included in business cash flow

Evaluation of Debt: Obligations Not Considered Debt



- The following obligations are not considered debt (changes in bold):
 - Medical collections
 - Federal, state or local taxes **that are not delinquent**
 - ❑ Previously delinquent taxes in an IRS payment plan were considered debt
 - Automatic payroll deductions for savings, **when not associated with another type of obligation**
 - Collateralized loans
 - Utilities
 - Child care
 - Commuting expenses
 - Union dues
 - Insurance
 - Open accounts with a zero balance
 - Voluntary deductions, **when not associated with another type of obligation**
 - Retirement contributions i.e. 401k

- **Effective income is income used to qualify**
 - Must be reasonably likely to continue through at least the first 3 years of the mortgage and meet specific requirements as they relate to:
 - ☐ general income
 - ☐ employment related income
 - ☐ alternative current employment documentation
 - ☐ past employment documentation
- **Additional analysis of stability of income required; new guidance for the following:**
 - **Frequent job changes (new restriction)**
 - ☐ If more than 3 job changes in 12 months, or changes in line of work, must obtain:
 - ❖ Transcripts of training or education demonstrating qualification for new position **or**
 - ❖ Employment documentation evidencing increase in income and/or benefits
 - **Gaps in employment (new restriction)**
 - ☐ Gaps 6 months or more (during 2 year employment history) require :
 - ❖ Borrower LOE **and**
 - ❖ Borrower must be employed in current job for at least 6 months at time of case assignment **and**
 - ❖ A two year work history prior to absence from employment
 - **Temporary reduction in income**-see guidelines for details

Evaluation of Income/Employment



- **Hourly Wage Earner (previously no specific requirements on averaging)**
 - **If hours do not vary:** current rate used to calculate income (hourly rate X hours worked)
 - **If hours vary:** must average over past 2 years (applies to any variance in hours)
 - ❑ If increase in pay can be documented, the most recent 12 month average of hours at the current pay rate may be used to qualify
- **Part Time Wage Earner (previously no specific requirement on consistent time frame)**
 - Part time employment must not be borrower's primary employment
 - Part time income must be uninterrupted for past 2 years to be used to qualify; must be likely to continue
 - Average of 2 years must be used to qualify
 - ❑ If increase in pay can be documented, the most recent 12 month average of hours at the current pay rate may be used to qualify
- **Overtime and Bonus Income (previously no specific requirement on time frame)**
 - Overtime and bonus income must be earned for 2 years
 - Lender may consider if earned for 1 year provided likely to continue
 - **OT and bonus less than 1 year may not be used to qualify**

Evaluation of Income/Employment



- **Commission Income (previously less than 1 year eligible at UW discretion)**
 - If commission earned less than 1 year, ineligible (significant change)
 - ☐ Includes scenarios where income changed from salary to commission
 - If commission income is 25% or more, and earned 1 year or more, calculation of income is ***lesser of:***
 - ☐ Average over the previous 2 years or the length of time the commission has been earned if less than 2 years ***or***
 - ☐ Average over the prior 1 year; must subtract net unreimbursed expenses from gross commission income
 - Effective income must be reduced by the amount of any unreimbursed expenses
- **Family Owned Business**
 - Total Scorecard cannot identify; must apply required documentation/ guidelines
 - ☐ Required Documentation: business documents (corporate resolution, letter from CPA on business letterhead, etc.) and/or tax returns required to verify no ownership (no change)
 - Cannot use expected/projected income via raises or new job for family owned business income

Evaluation of Income/Employment



- **Expected Income**

- Cost of living, performance raise, new job and/or retirement
 - ☐ Now permitted to consider if to be received within 60 days of closing **(new)**
 - ☐ Ineligible for individuals employed by family owned business
 - ☐ Income calculated based upon standards for type of income earned
 - ☐ Must verify sufficient reserves to cover “short-fall” until higher income earned

- **Non-taxable income (previously borrowers with non-taxable income could gross up 25%)**

- The amount of tax savings attributed to non-taxable income may be added to the borrower’s gross income
 - ☐ The percentage of non-taxable income that may added cannot exceed the greater of 15% or the appropriate tax rate for the income based on the borrower’s tax rate for the prior year
 - ❖ Can gross up 15% if borrower not required to file tax return

- **Temporary Income Reduction (short term disability, maternity leave, etc.)-clarification**
 - Documentation Requirements:
 - ☐ Require letter from borrower on intention to return to work including date expected to return
 - ☐ Require letter from employer confirming right to return and date expected to return
 - Qualification :
 - ☐ Borrower returning to work on or before 1st payment: qualify at pre-leave salary
 - ☐ Borrower returning to work after 1st payment: qualify at current income, plus available surplus reserves (over and above required reserves) to supplement, up to the amount of the pre-leave income

Evaluation of Income/Employment



- **Alimony, child and voluntary support income (less documentation required when court ordered; enhancement)**
 - Length of receipt requirements:
 - ☐ Divorce decree, legal separation agreement, and/or court order
 - ❖ Must document receipt for a minimum of 3 months
 - ☐ Voluntary Agreement
 - ❖ Must document receipt for a minimum of 12 months
 - Qualification:
 - ☐ Income is paid in timely manner for past 6 months
 - ❖ Alimony/Child Support: use current payment
 - ❖ Voluntary Agreement: use most recent 6 month average
 - ☐ Income is not paid in consistent/ timely manner :
 - ❖ Use average of income received for past 2 years, or since inception if less than 2 years
 - ☐ Income has not been received for 2 years
 - ❖ Use average over the time of receipt

- **Paystub Documentation Requirements-General Guidance**

- **Total Scorecard:** Dependent upon type of income, Scorecard will provide guidance on required documentation
 - ❑ Handwritten paystubs will most likely not satisfy Scorecard since they do not provide YTD earnings
 - ❖ In this instance, a WVOE would be required to supplement handwritten paystub
- **Manual Underwrite:** Paystub must cover most recent 30 day period, with a minimum 28 consecutive days and must include YTD
 - ❑ In event paystub does not include YTD, a WVOE would be required to supplement paystub without YTD (including handwritten paystub)

■ Self-employment Income

- Self-employment requires a 2 year history (previously could consider training and education in timeframe)
 - ☐ Exception: If the borrower has been self-employed between 1 and 2 years, the income may be considered if the borrower was previously employed in the same line of work
 - ❖ Previously allowed for education/training exception (**restriction: education/training exception retired; no longer available**)
 - ☐ Less than 1 year self-employment ineligible
- Stability of self-employment income/income calculation (**new**)
 - If self-employed income has a 20% or more decline over the analysis period (for effective income), loan must be automatically downgraded to a Manual Underwrite, even if qualify at lower amount
- Documentation requirements:
 - ☐ Year to date P and L and balance sheet required if more than one calendar quarter has elapsed since the most recent tax return
 - ☐ In the event the income used to qualify exceeds the 2 year tax return average, the P and L must be audited or signed quarterly tax return must be obtained from IRS
 - ❖ Balance sheet not required for Schedule C borrowers (**enhancement**)

- **Changes to Dual or Outside Employment (previously prohibited)**
 - **Authorizes** dual employment in real estate industry
 - ☐ An individual can only have one role in the transaction and can be paid from only one source
 - ☐ Dual employment still remains subject to state restrictions, as applicable
 - **Prohibits** multiple roles in a single FHA insured transaction
 - **Prohibits** multiple sources of compensation in a single FHA insured transaction

Rental Income Changes



- **Vacancy factor now 25% for 3-4 units**
 - Specific vacancy factor by HOC now retired

- **Rental Income-Departing Primary Residence (previously could consider income without specific relocation distance)**
 - Must be moving a minimum of 100 miles away to use income to qualify for departing primary residence, or income ineligible
 - Lease of at least 1 year duration after the mortgage is closed is required along with evidence of payment of security deposit or first month rent
 - Appraisal required to document 25% equity in property (existing requirement)
 - HOC vacancy factor change
 - ❑ Vacancy factor per HOC now retired; is 25% across the board
 - See Rental Income Other Real Estate Owned for details on calculation

Rental Income-Subject Property



- **Subject Property Rental Income: History of Rental Income**
 - 2 years tax returns required
 - If owned less than 2 years, must document acquisition date and annualize rental income for length of time owned
 - Income is the average of net Schedule E income
 - ❑ Depreciation, interest, taxes, insurance and HOA can be added back in
- **Subject Property Rental Income: No History of Rental Income**
 - 1 unit: require FNMA 1004/FHLMC 70, FNMA 1007/FHLMC 1000 (Single Family Comparable Rent Schedule), and FNMA 216/FHLMC 998 (Operating Income Statement) and, if available, lease
 - 2-4 units: require FNMA 1025/FHLMC 72 and, if available, leases
 - Income is the **lesser** of:
 - ❑ The monthly operating income from FNMA 216/FHLMC 998 **or**
 - ❑ 75% of the **lesser** of fair market rent reported by appraiser **or** lease

Rental Income- Subject Property

Employment/Income: Rental Income - Subject Property

Rental Income - Subject Property

Rent received from a property owned by the borrower is acceptable income for qualifying subject to the following.

Documentation Requirements	
Limited or No History of Rental Income (No rental income since previous tax filing)	History of Rental Income
One Unit: <ul style="list-style-type: none"> An appraisal (Fannie Mae 1004) to document 25% equity and indicates fair market rent, and Copy of the lease (if available) 2-4 Units: <ul style="list-style-type: none"> An appraisal (Fannie Mae 1025) to document 25% equity and indicates fair market rent Copies of the leases (if available) 	<ul style="list-style-type: none"> Obtain copies of the borrower's most recent 2-years tax returns including Schedule E If < 2 years of rental income history, copies of the deed, settlement statement, etc. are required to document the date of acquisition.
Income Calculation	
The net rental income must be added to the borrower's gross income; do not reduce the borrower's total loan payment by the net subject property rental income	
Limited or No History of Rental Income (No rental income since previous tax filing)	History of Rental Income
Use the lesser of: <ul style="list-style-type: none"> The monthly operating income reported on Freddie Mac's Operating Income Statement (Form 998), or 75% of the lesser of: <ul style="list-style-type: none"> The fair market rent reported by the appraiser, or The rent indicated on the lease agreement 	Property owned ≥ 2 years: <ul style="list-style-type: none"> Average the rental income by 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. Property owned < 2 years <ul style="list-style-type: none"> Annualize the rental income for the length of time the borrower has owned the property

Rental Income-Other Real Estate



- **Other Real Estate Rental Income: History of Rental Income**
 - 2 years tax returns required
 - If owned less than 2 years, must document acquisition date and annualize rental income for length of time owned
 - Income is the average of net Schedule E income
 - ❑ Depreciation may be added back to net income or loss
 - Positive net rental income must be added to effective income; negative net rental income must be included as a liability
- **Other Real Estate Rental Income: No History of Rental Income**
 - No history of rental income since previous tax filing
 - If departing residence, borrower must be relocating to area more than 100 miles away, or income cannot be considered; property must have documented 25% equity
 - 1 unit: require FNMA 1004/FHLMC 70, FNMA 1007/FHLMC 1000 (Single Family Comparable Rent Schedule), and FNMA 216/FHLMC 998 (Operating Income Statement) and, if available, lease
 - 2-4 units: require FNMA 1025/FHLMC 72 and, if available, leases
 - Income must deduct PITI from the **lesser of**:
 - ❑ The monthly operating income from FNMA 216/FHLMC 998 **or**
 - ❑ 75% of the **lesser** of :
 - ❖ Fair market rent from appraiser **or** lease

Rental Income-Other Real Estate

Employment/Income:
Rental Income - Other
Real Estate Owned

Rental Income - Other Real Estate Owned

Rent received for properties owned by the borrower is acceptable income for qualifying subject to the following

Documentation Requirements	
Limited or No History of Rental Income (No rental income since previous tax filing)	History of Rental Income
One Unit: <ul style="list-style-type: none"> An appraisal (Fannie Mae 1004) that indicates the fair market rent, and Copy of the lease (if available) 2-4 Units: <ul style="list-style-type: none"> An appraisal (Fannie Mae 1025) that indicates the fair market rent Copies of the leases (if available) 	Obtain previous 2 years tax returns and Schedule E
Income Calculation	
Positive net rental income is added to the borrower's effective income. Negative net rental income is included as a debt/liability.	
Limited or No History of Rental Income (No rental income since previous tax filing)	History of Rental Income
Deduct the PITI payment from the lesser of: <ul style="list-style-type: none"> The monthly operating income reported on Freddie Mac's Operating Income Statement (Form 998), or 75% of the lesser of: <ul style="list-style-type: none"> The fair market rent reported by the appraiser, or The rent indicated on the lease agreement 	Property owned \geq 2 years: <ul style="list-style-type: none"> Calculate the net rental income by averaging the rental income shown on Schedule E for properties the borrower continues to own Add any depreciation indicated on Schedule E may back to the net income or loss. Property owned $<$ 2 years <ul style="list-style-type: none"> Annualize the rental income for the length of time the borrower has owned the property Obtain documentation that indicates the <u>date</u> of acquisition (deed, settlement statement etc.)

Evaluation of Assets



- **Minimum cash investment cannot come from:**
 - Seller *or*
 - Any interested party *or*
 - Anyone reimbursed by either the seller or an interested party
- **Earnest Money Deposit (change; previously was 2% of sales price)**
 - Must verify EMD when:
 - ☐ exceeds 1% of sales price *or*
 - ☐ is excessive based upon borrower's savings history
- **Large Deposits (change; previously was individual deposit of more than 2% of purchase price or appraised value)**
 - Large deposits are now defined as individual deposit of more than 1% of the sales price for purchases or 1 % of the adjusted value for refinances
- **Jointly Owned Bank Accounts-Access Letter (change; previously if borrower was on joint account, access letter not required)**
 - In all instances joint accounts require all non-borrowers (including non-borrowing spouse) to provide a letter with specific authorization for full access

■ Gift Funds

➤ Acceptable donor for cash gifts:

- ☐ Family member (must use new definition), **or**

- ❖ Cousins removed from definition and in-laws added

NOTE: Does not disqualify a cousin from providing a gift

- ☐ Employer, **or**

- ☐ A close friend with a clearly defined interest, **or**

- ☐ Charitable organization, **or**

- ☐ Government agency

➤ Acceptable donor for gift of equity:

- ☐ Family member (must use new definition) is the only permitted individual

➤ **Gift funds cannot be used to meet reserve requirements for loans subject to a manual underwrite**

➤ **Gift funds may be used to meet reserve requirements on loans with an “Approve/Eligible” Finding**

➤ Regardless of when gift funds are made available, the Lender must make a reasonable determination that the gift is not from an unacceptable source

- ☐ **Significant changes as a result:**

- ❖ Donor funds must be sourced with bank statements including all large deposits

- ❖ **Essentially a complete and full paper trail now required**

- **Gift Transfer Documentation Requirements- gift fund availability and transfer of funds must be documented per below:**
 - **If gift funds are in the borrower's account:**
 - ☐ Gift letter
 - ☐ Donor's bank statement showing the withdrawal **(new)**
 - ☐ Proof of deposit into borrower's account
 - **If gift funds are not in the borrower's account:**
 - ☐ Gift letter
 - ☐ Evidence of certified check, money order, cashier's check or wire transfer
 - ☐ Donor's bank statement showing the withdrawal **(new)**
 - ☐ Proof of deposit into borrower's account
 - **If gift funds are paid directly to the settlement agent:**
 - ☐ Gift letter
 - ☐ Verification settlement agent received funds from the donor's account
 - ☐ Donor's bank statement to evidence availability of acceptable funds **(new)**

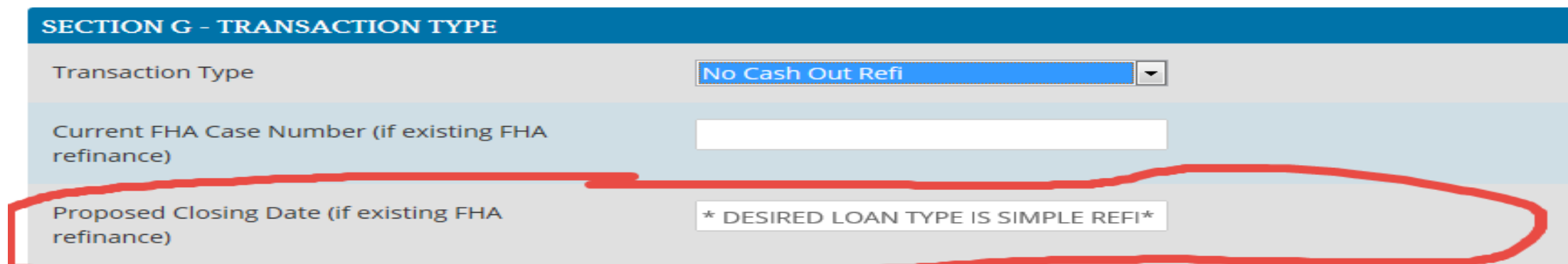
Reserve Requirements



- **Reserves can not be from gift funds on manual underwrites**
- Reserve requirements remain the same and vary based upon use of Total Scorecard or Manual Underwriting (no change)
 - 1-2 Unit
 - ☐ Total Scorecard: no minimum requirements; per AUS
 - ☐ Manual Underwrite: 1 month PITI (gift funds ineligible)
 - 3-4 Unit
 - ☐ Total Scorecard: 3 months PITI (gift funds eligible)
 - ☐ Manual Underwrite: 3 months PITI (gift funds ineligible)
- Reserves as compensating factor for Manual Underwrite remain the same (no change). Gift funds ineligible.
 - 1-2 Unit- 3 mo PITI required reserves (varies based upon FICO and DTI)
 - 3-4 Unit- 6 mo PITI required reserves (varies based upon FICO and DTI)

- **Property contract cannot be “re-executed” on day 91+ and use the same loan application/loan number**
 - Will require new application, loan number and case number
 - ❑ New credit and supportive documentation also required

- **When requesting a case number, please note option for Simple Refinance is not currently coded**
 - Until that time the Portal is updated, please indicate in “Transaction Type” section a note under Proposed Closing Date that desired loan type is “Simple Refi”



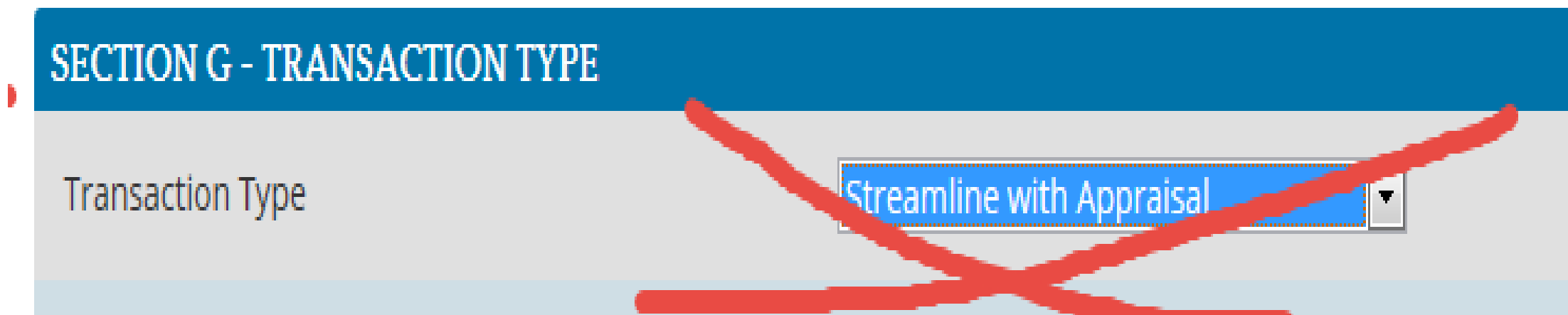
SECTION G - TRANSACTION TYPE

Transaction Type: No Cash Out Refi

Current FHA Case Number (if existing FHA refinance):

Proposed Closing Date (if existing FHA refinance): * DESIRED LOAN TYPE IS SIMPLE REFI*

- **The “Streamline with Appraisal” option has not been deleted yet; please do not use this option as it is now retired**
 - ☐ Requests for Streamline with Appraisal will be returned back to the requestor to clarify if Streamline without Appraisal or Simple Refinance option is desired



SECTION G - TRANSACTION TYPE

Transaction Type: Streamline with Appraisal

New Documentation Requirements



- **Credit Qualifying FHA loans require a case number at time of submission**
 - NCQ Streamlines only- ok for case number to follow
- **Non-Credit Qualifying Owner Occupied Streamlines**
 - Borrower to provide **a utility bill (one month most recent)** to verify currently occupying the property (can follow as condition of approval), and
 - **The hazard insurance policy must reflect the same billing/ mailing address as the subject property**
- **Credit Qualifying FHA with Non-Borrowing Spouse in Community Property State**
 - Non-borrowing spouse Certification/Authorization required at submission
 - Non-borrowing spouse with SSN on credit: require SSA-89
 - ☐ Can follow as condition of approval
 - ☐ HomeBridge will process result
 - ☐ If no SSN on credit for non-borrowing spouse on credit, see guidelines for details

New Reference Tool

■ New HUD Handbook Comparison Quick Reference Guide: 4155 v. 4000.1 “comparison”



New HUD Handbook Comparison Quick Reference Guide



Eligibility Changes

Topic	Old Guidance HUD 4155	New Guidance HUD 4000.1	Notes
Cash-Out Refinance with Derogatory Credit	Previously mortgage delinquency within past 12 months ineligible	Delinquencies within past 12 months eligible subject to automatic downgrade to Manual Underwrite. Must meet new definition of extenuating circumstances.	Enhancement Delinquency in previous 12 months may be eligible with acceptable extenuating circumstances. Provides new definition of extenuating circumstance
Simple Refinance	N/A	“Simple Refinance” is a refinance where the existing lien to be paid is FHA. Fully credit qualifying with appraisal. Benefit of transaction is reduced MIP. In comparison, Rate/Term Refinance is a refinance where existing lien to be paid is not required to be a FHA loan and can include payoff of junior liens	New terminology. Maximum mortgage calculation can include financed closing costs
Streamline Refinance	CLTV capped Could be credit qualified with or without appraisal	<ul style="list-style-type: none"> Unlimited CLTV Credit Qualified/NCQ with appraisal no longer an option Credit Qualified now only used when removing a borrower Net tangible benefit now includes reduction in term and now focuses on rate comparison rather than PITI comparison 	Maximum mortgage calculation for Streamline cannot include financed closing costs
Subordinate Financing	Previously not subject to county loan limits	Subject to county loan limits	More restrictive

- **To be posted to HomeBridge website:**

- This presentation
- Guidelines for case numbers assigned 9/14 and later
- New HUD Handbook Comparison Quick Reference Guide (overview of changes from 4155 to 4000.1)
- FHA Refinance Comparison Quick Reference Guide
- FHA Derogatory Credit Wait Period Quick Reference Guide
- FHA Derogatory Credit No Wait Period Quick Reference Guide
- FHA Borrower Type Quick Reference Guide
- Updated Streamline Worksheet