



Bulletin 16-08

Updates to the FHA and VA Programs

HomeBridge is updating and enhancing some of the requirements of the FHA and FHA Streamline and the VA and VA IRRRL programs. The information provided below are updates/enhancements **only** and **do not** reflect any requirements currently in place that did not change.

FHA Program

- Minimum credit score now 550 (previously 580) for 1- unit properties
- Minimum credit score for 2-4 unit high balance transactions now 620 (previously 660) with the exception of 2-4 units in Illinois and 3-4 units in New Jersey and New York; the minimum credit score remains at 660 with a high balance loan amount
- Credit score **550-619**:
 - **Purchase Transactions:** The existing mortgage/housing history requirements (0x30 in 12 months) now also apply to all financed properties owned by the borrower (previously did not apply to any other financed properties owned by the borrower). The borrower must be 0x30 in 12 months on any other financed properties they own.
 - **Refinance Transactions:** The two year seasoning requirement on the existing mortgage has been enhanced to allow for a two year housing history (previously required 2 year seasoning on loan being refinanced) Borrowers with documented mortgage/housing history with 0x30 in 24 months eligible.
 - The borrower must also be 0x30 in 24 on **any other** financed properties they own (previously only applied to subject property with 580-619 credit score).
 - The documentation acceptable to verify mortgage/ housing history has been clarified in the guidelines.
 - New Mexico has been removed from the list of states that have additional overlays when the borrower has a credit score of 620-639

FHA Streamline

The FHA Streamline guidelines now have separate LTV/CLTV, credit score matrices and footnotes on page one for non-credit qualifying and credit qualifying transactions.

Non-Credit Qualifying

- Minimum credit score now 580 (previously 620)
- Credit score **580-619** now eligible for non-credit qualifying (previously < 620 required credit qualifying) subject to the following requirements:

Non-Credit Qualifying Streamline (cont.)

- 1-unit property
- Minimum 2 year mortgage/housing history with 0x30 in the previous 24 months required. < 2 year mortgage/housing history is **ineligible**. If the borrower owns any additional financed property the 0x30 in 24 months payment history also applies to the other financed properties. Verify mortgage/housing history as follows:
 - **Current housing:**
 - Mortgage only credit report with trade line rating
 - **Previous housing** (if applicable):
 - Credit report with trade line rating, **or**
 - If landlord rating required:
 - Copies of cancelled checks/money orders or bank statements with evidence of consistent bank withdrawals, **or**
 - VOR acceptable
- Conforming and high balance loan amounts eligible
- Investment property subject to:
 - Minimum credit score of 680 required when LTV > 100%, **and**
 - AVM required when LTV > 100%, **and**
 - Fixed rate only.

Credit Qualifying

- Minimum credit score now 550 (previously 580)
- 2-4 units now eligible with minimum 620 credit score (previously units ineligible)
- Credit score 550-619 (previously 580-619): Eligible subject to the current requirements and the following additional requirement:
 - 550-599 credit score maximum 90% LTV/CLTV (previously 580-619 max 90% LTV/CLTV)
 - 600-619 credit score maximum 97.75% LTV/CLTV
 - The mortgage/housing history requirement of 0x30 in 24 months now also applies to any other financed properties owned by the borrower
- Minimum credit score for 2-4 unit high balance transactions now 620 (previously 660) with the exception of 2-4 units in Illinois and 3-4 units in New Jersey and New York; the minimum credit score remains at 660 with a high balance loan amount

VA Program

The VA Program requirements have been updated to more closely align with FHA Program requirements for credit scores < 620.

- Minimum credit score now 550 (previously 580)
- 2-4 units eligible with a 620 credit score (previously 600)
- 2-4 units in Illinois and 3-4 units in New Jersey and New York, the minimum credit score is now 660 with a high balance loan amount (previously minimum 620 with high balance)

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- Credit score **550-599**: In addition to the existing requirements for transactions with a credit score of 550-599 the following applies:
 - **Purchase Transactions**: The existing mortgage/housing history requirement (0x30 in 12 months) now also applies to all financed properties owned by the borrower (previously did not apply to any other financed properties owned by the borrower)
 - **Refinance Transactions**: The existing mortgage/housing history requirement (0x30 in 24 months) now also applies to any additional financed properties owned by the borrower
 - The documentation acceptable to verify housing history has been clarified in the guidelines.
 - Credit Score **600-619** (previously no restrictions for credit scores 600-619):
 - Purchase transactions:
 - 1-unit
 - Minimum 12 months documented mortgage/housing history, indicating 0x30 in 12 months is required. < 12 months mortgage/housing history is **ineligible**. The 0x30 in 12 months also applies to any additional financed properties owned by the borrower.
 - No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower own funds. Gift funds eligible for closing costs and/or to reduce LTV after 10% borrower own funds for down payment requirement is met.
 - Refinance transactions:
 - 1-unit
 - 100% LTV
 - Minimum 2 year documented mortgage/housing history with 0x30 in previous 24 months is required. The 0x30 in 24 months also applies to any additional financed properties owned by the borrower.

Additionally the following applies with a credit score 600-619 (same requirements currently in place for 550-599 credit score):

- Maximum 31%/43% DTI
 - Maximum payment shock 100%. Payment shock > 50% to 100% requires VA residual income requirements to be doubled
 - Property flips (property re-sold ≤ 90 days from acquisition) are ineligible
- Credit score 620-639 (previously no overlays for credit scores 620-639 in these states): If the subject property is located in **Arkansas, Connecticut, Delaware, Illinois, Iowa, Kentucky, Louisiana, Maryland, Mississippi, New Jersey, New York, Oklahoma, South Carolina, Tennessee, or Utah AND the borrower has a credit score of 620-639**, the following applies:
 - Gifts are not permitted. Gift funds are eligible for closing costs and/or to reduce LTV once borrower contribution requirements are met. Grants and DPA program funds are eligible.
 - Maximum 45% DTI
 - 0x30 in past 12 months housing history required
 - Borrowers without prior 12 months housing history maximum 90% LTV. Acceptable documentation for housing history acceptable documentation is copies of 12 months cancelled checks/money orders. Borrowers with multiple residences in previous 12 months, a VOR is acceptable from a **previous** landlord only; current housing must be documented with checks/money orders.
 - Borrowers with 12 months documented housing are eligible up to the maximum LTV

NOTE: The additional requirements detailed above **do not apply** to borrowers with a credit score \geq 640 even if the property is located in one of the states identified above **or** to borrowers with a 620-639 credit score and the subject property is **not** in one of the states above.

VA IRRRL

The VA IRRRL guidelines now have separate LTV/CLTV, credit score matrices and footnotes on page one for non-credit qualifying and credit qualifying transactions.

Credit Report

- Credit Qualifying: Full tri-merged credit report
- Non-Credit Qualifying: Mortgage only for subject property (previously high balance required full credit report).

Non-Credit Qualifying

- Minimum credit score now 580 (previously 640) for 1-unit owner-occupied, second home and investment properties.
- Credit Score 580-619: The following applies:
 - Two year mortgage/housing history with 0x30 in 24 months, no exceptions. < 2 year mortgage/housing history is **ineligible** (no change)
 - If the borrower owns additional property the 0x30 in 24 months also applies to **all other** financed properties (new)
 - Owner-occupied: Conforming and high balance loan amounts (no change)
 - Second home/investment: Conforming loan amounts only; high balance ineligible (no change)
- High balance loan amounts now eligible down to 580 credit score on owner-occupied properties (previously 640 credit score required for high balance non-credit qualifying transactions)
- Documentation of funds needed to close is **no longer required regardless of the amount** (previously one months' bank statement required when funds needed to close were > \$500)

Credit Qualifying

- Credit score 550-619: In addition to the existing requirements for transactions with a credit score of 550-619 the following also applies:
 - The two year mortgage/housing history with 0x30 in 24 months applies to all financed properties owned by the borrower (previously only applied to subject property with 580-619 credit score). The documentation acceptable to verify housing history has been clarified in the guidelines.
 - 2-4 units in Illinois and 3-4 units in New Jersey and New York, the minimum credit score is now 660 with a high balance loan amount (previously minimum 620 with high balance)
 - As a reminder, if funds needed to close, regardless of amount of funds required, one months' bank statement to document borrower has sufficient funds and the funds must be sourced

The FHA and FHA Streamline and VA and VA IRRRL guidelines have been updated and posted on the HomeBridge website at www.homebridgewholesale.com. Brokers should review the applicable program guidelines for complete requirements; updates/enhancements are highlighted.

As a reminder, overlays do **not** apply on HomeBridge to HomeBridge FHA Streamline and VA IRRRL transactions.

Enhancements are eligible for new submissions and loans currently in the pipeline. Updates that are new overlays will apply to applications dated on or after March 14, 2016.

If you have any questions, please contact your Account Executive.