

Bulletin 22-21

FHA Clarification on Cash-Out Transactions

FHA has clarified **cash-out** transaction eligibility as it applies to mortgage payment history as follows:

- The borrower must have made **all** mortgage payments within the month due for the previous 12 months (0x30 in 12 months) **or** since loan inception if less than 12 months. This requirement applies as follows:
 - To loans run through the AUS and to manually underwritten loans (including loans downgraded to a manual underwrite)
 - To **all** mortgages the borrower is obligated on, not just the subject, and **includes** mortgages that were in forbearance and/or had a modification
 - The exception for extenuating circumstances **does not apply**; cash-out is not eligible unless the payment history requirement is met
 - If a loan was in forbearance, there is a 12 month waiting period from the completion of the forbearance period, with a 0 X 30 payment history, before the borrower is eligible for a cash-out transaction
 - A modified loan must not have any late payments during the prior 12 months

Important Reminders

- Cash-out transactions require **a minimum of 6 months payments be made on the loan being refinanced, and**
- A 210 day waiting period, measured from first payment due date of the loan being refinanced to the first payment date of the new loan, is required

The FHA guidelines have been updated with these clarifications and posted on the Homebridge website at www.HomebridgeWholesale.com

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