FHA Product Profile: Correspondent and Wholesale

Matrices

Purchases

Loans that score Approve/Eligible or Accept:

Purpose	FICO Score[1,3]	LTV/CLTV[4]
Purchase	> 620	96.5%/105%[2]
	580 - 619	96.5%/100%[2]
	500 - 579	90.0%/100%[2]

Loans that DO NOT score Approve/Eligible or Accept:

Purpose	FICO Score[1,3]	LTV/CLTV[4]
Purchase	> 640	96.5%/105%[2]

Refinances (Rate & Term and Cash-out)

Purpose	FICO Score[1]	LTV/CLTV[4]
Rate & Term Refi	> 620	97.75%/97.75%
	580 - 619	97.75%/97.75%
Simple Refinance	> 620	97.75%/97.75%
	580 - 619	97.75%/97.75%
Cash-Out Refi Casefiles before 9/1/19	> 580	85%/85%
Cash-Out Refi Casefiles on/after 9/1/19		80%/80%

FHA Streamline Refinance Options

Credit Qualifying Streamline Refinance		
FICO[1]	Value Determination[3]	Max. LTV/CLTV[4]
≥ 640	Refi Authorization	97.75% / 125%
620-639	Refi Authorization	97.75% / 125%
580-619	Refi Authorization	97.75% / 125%

Non-Credit Qualifying Streamline Refinance of a Non-Portfolio Loan		
FICO	Value Determination[3]	Max. LTV/CLTV
≥ 640	Refi Authorization	97.75% / 125%
620 - 639	Refi Authorization	97.75% / 125%

Non-Credit Qualifying Streamline Refinance of a NewRez Portfolio Loan		
FICO	Value Determination[3]	Max. LTV/CLTV
-	Refi Authorization	97.75% / 125%

FHA Manufactured Housing

FHA Manufactured Home Eligibility Requirements								
Occupancy	Transaction Type	Property Type	AUS	Term	FICO	LTV[4]	CLTV[4]	Max DTI
Primary	Purchase, Rate-Term & Streamline	1 Unit	DU/LP Approve/Accept	Fixed	660	96.5%	96.5%	50%
	Cash-Out*		DU/LP Approve/Accept	Fixed	660	85.0%	85.0%	50%

1. A full review of the borrower's credit profile will be completed. Borrowers with limited depth of credit or with layered risk characteristics must be reviewed for strong compensating factors. Manual Downgrades are not permitted for FICO scores less than 640.
2. CLTV may exceed 100% with the use of an approved government second or down payment assistance program. Other secondary financing (including seconds from non-profits) are subject to a maximum 100% CTLV.
3. Principal balance may not exceed original loan amount of loan being refinanced.
4. See Borrower Eligibility for non-occupant co-borrower requirements.

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Quick Links

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Section 1: Program Summary

1.1 Program Summary

Program Summary	All NewRez guidelines will follow Handbook 4000.1, FHA Single Family Housing Policy Handbook (Handbook 4000.1) with the exception of NewRez Overlays. A loan must have an FHA case number to be eligible for underwriting. All borrowers must sign and date page two of the initial form HUD-92900-A. The underwriter must obtain the borrower's initial complete, signed *URLA* (Fannie Mae Form 1003/Freddie Mac Form 65) and page two of form HUD-92900-A before underwriting the mortgage application.

1.2 Underwriting

Underwriting	FHA TOTAL Scorecard must be run on all loans with the exception of Streamline Refinances which require manual underwriting. Total Scorecard may be run through DU or LPA. Loans scoring Refer and manual downgrades are not permitted. Loans scoring Refer/Eligible or requiring a manual downgrade (See 1.3 below) must have a minimum FICO of 640 and meet all FHA manual underwriting guidelines. This includes, but is not limited to DTI, credit history, number of trade lines, paying of derogatory credit accounts, and asset verification.

1.3 Manual Underwriting

Manual Underwriting	**Manual UW Requirements**
	• Minimum 640 FICO,
	• 0x30x12 housing history required for manual downgrade
	• Extenuating circumstances for significant derogatory credit not permitted
	• Maximum ratios (see 6.6 Qualifying Ratios see section for Credit Qualifying Streamline and additional requirements)
	    o Purchase and Refinance Transactions (As stated in 4000.1):
	        • FICO 640 and above
	            o Maximum Ratios 31/43
	            o No compensating factors required.
	        • FICO 640 and above: Maximum Ratios 37/47: One of the following:
	            o verified and documented cash Reserves;
	            o minimal increase in housing payment; or
	            o residual income
	        • FICO 640 and above: Maximum Ratios 40/40
	            o No discretionary debt
	        • FICO 640 and above: Maximum Ratios 40/50: Two of the following:
	            o verified and documented cash Reserves;
	            o minimal increase in housing payment;
	            o significant additional income not reflected in Effective Income; and/or
	            o residual income
	• Reserve requirements of one (1) month for 1-2 family properties and three (3) months for 3-4 family properties. Gift funds are not acceptable reserves.
	• Must comply with all manual underwriting requirements as outlined in Handbook 4000.1 including but not limited to:
	    • The underwriter must examine the borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the borrower's creditworthiness. The underwriter must not consider the credit history of a non-borrowing spouse.
	        o The underwriter must evaluate the borrower's payment histories in the following order: (1) previous housing expenses and related expenses, including utilities; (2) installment debts; and (3) revolving accounts.

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Manual Underwriting	**(1) Satisfactory Credit** The underwriter may consider a borrower to have an acceptable payment history if the borrower has made all housing and installment debt payments on time for the previous 12 months and has no more than two 30-day late mortgage payments or installment payments in the previous 24 months. The underwriter may approve the borrower with an acceptable payment history if the borrower has no major derogatory credit on revolving accounts in the previous 12 months. Major derogatory credit on revolving accounts must include any payments made more than 90 days after the due date, or three or more payments more than 60 days after the due date. Specific Underwriter Responsibilities (Manual) The underwriter must evaluate the totality of the borrower's circumstances and the impact of layering risks on the probability that a borrower will be able to repay the loan. The underwriter must: • Review appraisal reports, compliance inspections, and credit analyses to ensure reasonable conclusions, sound reports, and compliance with HUD requirements. • Determine the acceptability of the appraisal, the inspections, the borrower's capacity to repay the loan and the overall acceptability of the loan for FHA insurance. • Identify any inconsistencies in information obtained by NewRez in course of reviewing the borrower's application regardless of the materiality of such information to the origination and underwriting of the loan, and • Resolve all inconsistencies identified before approving the borrower's application and document the inconsistencies and the resolution of the inconsistencies in the file. • Identify and report any misrepresentations, violations of HUD requirements, and fraud to the appropriate party within NewRez. • Determine the creditworthiness of the borrower, which includes analyzing the borrower's overall pattern of credit behavior and the credit report. Compensating factors cannot be used to compensate for any derogatory credit. • Ensure that there are no other unpaid obligations incurred in connection with the loan or the purchase of the property. • Review the income of a borrower and verify that it has been supported with the proper documentation. • Review the assets of a borrower and verify that they have been supported with the proper documentation. • Review the MIP and mortgage amount and verify that they have been supported with the proper documentation. • For all transactions, except non-credit qualifying Streamline Refinances, the underwriter must calculate the borrower's Total Mortgage Payment to Effective Income Ratio (PTI) and the Total Fixed Payment to Effective Income ratio, or DTI, and verify compliance with the ratio requirements listed in the Approvable Ratio Requirements Chart contained in the Handbook 4000.1 **Manual Downgrades** A manual downgrade becomes necessary if additional information, not considered in the AUS/TOTAL decision, affects the overall insurability or eligibility of a mortgage otherwise rated as a TOTAL Accept. The underwriter must downgrade and manually underwrite the file if any of the following criteria are met:

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	• the mortgage file contains information or documentation that cannot be entered or evaluated by TOTAL Scorecard
	• additional information not considered in the AUS recommendation affects the overall insurability of the loan;
	• the borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts;
	• the date of the borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment;
	• the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale);
	• the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale;
	• the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure;
	• Purchase and No Cash Out Refinance - if any mortgage trade line, including mortgage line-of-credit payments, during the most recent 12 months reflects:
	  ○ three or more late payments of greater than 30 Days;
	  ○ one or more late payments of 60 Days plus one or more 30-Day late payments; or
	  ○ one payment greater than 90 Days late.
	• Cash Out Refinance - if any mortgage trade line, including mortgage line-of-credit payments, reflects:
	  ○ a current delinquency; or
	  ○ any delinquency within 12 months of the case number assignment date.
	• the borrower has undisclosed mortgage debt meeting any of the following
	  ○ The undisclosed mortgage is currently delinquent
	  ○ The undisclosed mortgage has been delinquent within 12 months of the case assignment date
	  ○ The undisclosed mortgage has more than two 30-day late payments within 24 months of the case assignment date
	  ○ Business income shows a greater than 20 percent decline over the analysis period.

1.4 Ineligible Programs	
Ineligible Programs	• 203K Rehab loans • Building on Own Land • Construction to Permanent (CTP) Financing where the original note is modified is not eligible • Energy Efficient Mortgages (EEM) • Escrow Holdbacks for HUD REO • FHA Back to Work Program • For cases endorsed on or before September 30, 2015, refinance of property that has been subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state. • Graduated Payment Mortgages (GPM) • Growing Equity Mortgages (GEM) • HOPE for Homeowners • HUD $100 Down REO Program • HUD approved secondary residences • Indian Reservations (Section 184 loans) • Investment properties • Loans to non-profit organizations • Military Impacted Areas • Mortgage Credit Certificates (MCCs) • Negative Equity Program

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- Section 8 loans
- Section 32 loans
- Solar and Wind Technologies
- Temporary Buydowns
- Texas 50 (a)(6) loans
- Transactions where properties will remain encumbered with a PACE obligation
- Transactions where the loan originator is acting in another real estate related role with the following exceptions:
  - Loan officers who are appropriately licensed in the state of CA or FL who are acting as the buyer's agent. A copy of the FL Disclosure of Conflict of Interest or CA Dual Capacity Disclosure is required to be provided by the broker or correspondent.

Section 2: Transaction Details

2.1 Loan Limits

Loan Limits

Maximum loan limits vary by State and County determined by HUD: https://entp.hud.gov/idapp/html/hicostlook.cfm

The base loan amount (loan amount prior to UFMIP) may not exceed the limits published by HUD.

High Balance loan amounts are available on 15 and 30 year fixed terms only.

2.2 Eligible Terms and Programs

Eligible Terms & Programs

Loan Programs- FIXED	
Term	Product Name
10 Year Fixed	FHA Fixed 10 Yr
15 Year Fixed	FHA Fixed 15 yr
20 Year Fixed	FHA Fixed 20 yr
25 Year Fixed	FHA Fixed 25 yr
30 Year Fixed	FHA Fixed 30 yr

Loan Programs- ARM Minimum 620 FICO	
Term	Product Name
5/1 ARM	FHA 5/1 ARM 1 yr Trsy

Custom term mortgages are available for all refinance transaction types. Refer to the custom loan terms job aid for requirements Custom Loan Terms. Custom loan terms are available for loans with terms greater than 15 years.

ARM programs are not permitted for Manufactured Housing

2.3 ARM Adjustments

ARM Adjustments

<table>
<tr><th colspan="5">ARM Characteristics</th></tr>
<tr><td>Index</td><td colspan="4">1 Yr T-Bill (per WSJ)</td></tr>
<tr><td>Margin</td><td colspan="4">2.00%</td></tr>
<tr><td>Life Floor</td><td colspan="4">5% below the start rate</td></tr>
<tr><td rowspan="2">Interest Rate Caps</td><td>Product</td><td>First Adjustment</td><td>Subsequent Adjustments</td><td>Lifetime</td></tr>
<tr><td>5/1</td><td>1%</td><td>1%</td><td>5%</td></tr>
<tr><td>Change Date</td><td>5/1</td><td colspan="3">The first Change Date is the 61st payment due date. Subsequent Change Dates are every twelve (12) months thereafter.</td></tr>
<tr><td>Conversion Option</td><td colspan="4">Not Available.</td></tr>
</table>

2.4 Eligible Transactions

Eligible Transactions

- Purchase
- Rate & Term (Limited Cash-out) Refinance
- Cash-out Refinance

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	• Credit Qualifying Streamline • Non-Credit Qualifying Streamline Refinance • Simple Refinance for owner-occupied principal residences
2.5 Principal Curtailments/Reductions	
Principal Curtailments/ Reductions	The amount of the curtailment cannot exceed $500.00 unless due to an excess Premium Pricing Credit. If premium pricing credit exceeds the closing costs on the subject loan the excess credit may be applied as a principal reduction. This is limited to the lesser of $2500 or 2% of the original loan amount for the subject loan. Exceptions over this amount must be approved by legal or compliance. See your Account Executive for details.
2.6 Purchases	
Purchases	• The borrower(s) name(s) must match FHA Connection, the Sales Contract (Purchase Agreement), and the Mortgage Note • A Family Member, who is not a borrower, may be listed on the sales contract. Information regarding relationship to borrower is required if Family Member is other than spouse. • The maximum mortgage amount that FHA will insure on a specific purchase is calculated by multiplying the appropriate LTV percentage by the Adjusted Value. In order for FHA to insure this maximum mortgage amount, the Borrower must make a Minimum Required Investment (MRI) of at least 3.5 percent of the Adjusted Value. • Real Estate Tax Credits - Where real estate taxes are paid in arrears; the seller's real estate tax credit may be used to meet the MRI. Documentation evidencing the borrower has sufficient assets to meet the MRI and the borrower paid closing costs at the time of underwriting is required. This permits the borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total MRI. • Where the subject property is encumbered with a Property Assessed Clean Energy (PACE) obligation, the sales contract must specify that the PACE obligation will be satisfied by the seller at, or prior to closing.
2.7 Refinances (General)	
Refinances (General)	• A NewRez's FHA Net Tangible Benefit (NTB) Streamline or Non-Streamline Worksheet must be completed on ALL refinance transactions. Streamline transactions must meet Handbook 4000.1 NTB requirements. All other refinances must meet NewRez guidelines per NewRez's NTB Worksheet.
2.8 Rate and Term Refinances	

Rate and Term Refinances	• Refers to a no cash-out refinance in which all proceeds are used to pay existing mortgage liens on the subject property and costs associated with the transaction
	• Borrower's employment documentation or utility bill MUST evidence borrower currently occupies the property. In addition, MUST validate the length of time the borrower has occupied the subject property as principal residence.
	• Maximum loan to value (LTV) is:
	    ○ 97.75% of Adjusted Value for principal residences that have been owner-occupied for previous 12 months or owner occupied since acquisition if acquired within 12 months
	    ○ 85% of Adjusted Value for borrower who has occupied subject property as principal residence for fewer than 12 months or if owned less than 12 months has not occupied the property for that entire period of ownership
	    ○ 85% of Adjusted Value for borrower who has owned > 12 months but not occupied for the previous 12 months
	    ○ Existing debt calculation: Add the outstanding balance of the existing first mortgage, any purchase money second mortgage, any junior liens over 12 months old, unpaid principal balance of any unpaid PACE obligation (must be paid in full), interest and Mortgage Insurance Premium (MIP) due on existing mortgage, any prepayment penalties, late charges or escrow shortages, and buy out of co-borrower's or ex-

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	spouse's equity. Note that if any portion of an equity line of credit in excess of $1,000 was advanced in the past 12 months and was for purposes other than repairs and rehabilitation of the property, the portion in excess of $1,000 is not eligible to be included in the existing debt calculation ○ If buying out an ex-spouse or co-mortgagor the divorce decree, settlement agreement or other bona fide equity agreement must be provided to document the equity awarded to the other party. • Maximum mortgage amount is lesser of: ○ Nationwide Mortgage Limit ○ Maximum LTV from above; or ○ Sum of ▪ existing debt (see above) and ▪ costs associated with the transaction including: • All borrower paid costs associated with the new mortgage and • Any borrower paid repairs required by the appraisal; ▪ Less any refund of the Upfront Mortgage Insurance Premium if financed in the original mortgage. ○ Cash back may not exceed $500. If estimated costs are used in calculating the maximum mortgage amount resulting in greater than $500 cash back at mortgage disbursement, the outstanding principal balance may be reduced to satisfy the $500 cash back requirement.
2.9 Cash-out Refinances	
Cash-out Refinances	• There is no limit to the maximum cash-out permitted. • See matrix for LTV/FICO and mortgage history requirements. • The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the nationwide mortgage limit. • Maximum mortgage amount is: ○ 85% of Adjusted Value for Refinances for case numbers before September 1, 2019 ○ 80% of Adjusted Value for Refinances for case numbers on or after September 1, 2019 • Property must be owned and occupied by the borrower as their principal residence for 12 months preceding date of case number assignment except in the case of inheritance of subject property. If the Borrower rents the property following the inheritance, the borrower must occupy the property as a principal residence for at least 12 months to be eligible for a cash out refinance • Seasoning Requirement of loan being refinanced: ○ the borrower must have made at least six consecutive monthly payments since the first payment due date of the FHA-insured mortgage that is being refinanced ○ the first payment due date of the new loan must be at least 210 Days from the first payment due date of the mortgage that is being refinanced; and ○ if the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption • Non-Occupant co-borrowers are not permitted • Borrower's employment documentation or utility bills must be obtained and reviewed to evidence the borrower has occupied the subject Property as their Principal Residence for the 12 months prior to case number assignment. • The borrower must have made all payments for all their mortgages within the month due for the previous 12 months or since the borrower obtained the mortgages, whichever is less. Additionally, the payments for all mortgages secured by the subject Property must have been paid within the month due for the month prior to mortgage disbursement. • Any outstanding PACE obligations must be paid in full at or prior to closing • Properties with Mortgages must have a minimum of six months of mortgage payments. • Properties owned free and clear may be refinanced as cash-out transactions.

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	Manufactured Housing: • Must be an existing dwelling permanently erected on the current site for a minimum of 12 months prior to the case number assignment date
2.10 Simple Refinance	

Simple Refinance	• See matrix for LTV/FICO requirements.
	• Refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay existing mortgage liens on subject property and costs associated with the transaction.
	• Only permissible for owner-occupied principal residence
	• Borrower's employment documentation or utility bills must be reviewed to evidence the Borrower currently occupies the Property as their Principal Residence
	• Cash back may not exceed $500. If estimated costs are used in calculating the maximum mortgage amount resulting in greater than $500 cash back at mortgage disbursement, the outstanding principal balance may be reduced to satisfy the $500 cash back requirement.
	• Existing debt calculation: Add the outstanding balance of the existing FHA-insured first mortgage as of month prior to mortgage disbursement, interest and Mortgage Insurance Premium (MIP) due on existing mortgage, late charges or escrow shortages,
	• Maximum mortgage amount is lesser of:
	  ○ Nationwide Mortgage Limit
	  ○ Maximum LTV from above; or
	  ○ Sum of
	  ○ existing debt (see above) and
	  ○ costs associated with the transaction including:
	    ▪ All borrower paid costs associated with the new mortgage and
	    ▪ Any borrower paid repairs required by the appraisal;
	  ○ Less any refund of the Upfront Mortgage Insurance Premium if financed in the original mortgage.
	
	• If manually underwritten:
	  ○ With < 6 months of mortgage payment history, all payments must have been made within the month due.
	  ○ With >6 months, all payments must have been made within the month due for the most recent 6 months prior to case number assignment and have no more than 1X30 for the previous six months for ALL mortgages. The borrower must have made the payments for all mortgages secured by the subject property for the month prior to mortgage disbursement.

2.11 Streamline Refinances	
Streamline Refinances	• See matrix for LTV/FICO requirements. • Refers to the refinance of an existing FHA-insured mortgage with limited credit documentation and underwriting. • Only permissible for owner-occupied principal residences. • Borrower's employment documentation or utility bills must be reviewed to evidence the borrower currently occupies the property as their principal residence. • All Streamline Refinances must be manually underwritten. • NewRez requires credit to be pulled for credit and non-credit qualifying streamline refinances. A Tri-merge Credit Report is required for every Borrower who executes the Note. A Mortgage Only Credit Report is only permissible for portfolio Non-Credit Qualifying Streamline Refinances. Each Borrower must have a valid and usable score from at least two of the following three agencies regardless of whether a Tri-Merge or Mortgage Only Credit report is utilized: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores

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	from these three agencies are acceptable. Refer to Section 6.1 for additional Mortgage Only Credit Report requirements.
	• Assets needed to close in excess of the total mortgage payment of the new mortgage must be verified.
	• Minimum mortgage history requirement. **On the date of the FHA case number assignment**:
	  ○ Follow Handbook 4000.1 requirements
	  ○ the borrower must have made at least six consecutive monthly payments on the FHA-insured mortgage that is being refinanced;
	  ○ at least six full months must have passed since the first payment due date of the mortgage that is being refinanced;
	  ○ at least 210 Days must have passed from the note date of the mortgage that is being refinanced; and
	  ○ if the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption; and
	  ○ 210 days must elapse from the first payment due date of the mortgage being refinanced and the first payment due date of the new loan (this requirement is not required as of Case Assignment date)
	• Cash back may not exceed $500. If estimated costs are used in calculating the maximum mortgage amount resulting in greater than $500 cash back at mortgage disbursement, the outstanding principal balance may be reduced to satisfy the $500 cash back requirement.
	• The maximum mortgage base loan amount is the lesser of:
	  ○ Outstanding principal balance of existing mortgage as of the month prior to disbursement plus:
	    ▪ Interest due on the existing mortgage; and
	    ▪ MIP due on the existing mortgage or
	  ○ Original principal balance of the existing mortgage including financed UFMIP;
	  ○ Less any refund of UFMIP (if financed in original mortgage)
	
	For Streamline Refinances, the following requirements apply.
	
	• Credit Qualifying Streamline Refinances
	  ○ Wage earners require the most recent YTD Paystub, 2 years' W-2s, and a Verbal VOE. Paystub must be the most recent consecutive 30-day paystub if paid weekly or 28-days if paid bi-weekly that show the year-to-date earnings.
	  ○ Retired borrower's utilizing only income from a source such as a pension or social security may utilize the award letter or pension statement with evidence of direct deposit into a bank statement in lieu of obtaining tax transcripts.
	  ○ Self-employed borrowers and borrowers utilizing other income must provide 2 years' tax returns or standard FHA documentation for other income.
	  ○ 4506-T and processed tax transcript requirements apply as outlined in the Income Section of this product profile.
	  ○ Reserves must equal or exceed one total monthly mortgage payment (1 and 2-unit properties) or three total mortgage payments (3 and 4-unit properties).
	
	• Non-Credit Qualifying Streamline Refinances (non-Portfolio)
	  ○ Wage Earners may utilize a verbal VOE as verification of income when the borrower has been employed with their current employer or in the same line of work for at least six (6) months. Borrowers with less than (6) months at their current employer or in the same line of work must follow the income requirements listed above for Credit Qualifying Streamline Refinances.

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	○ Self-Employed Borrowers may utilize proof of the borrower's business (most recent quarterly tax payment, CPA Letter, current unexpired business license, etc.) with 2 years self-employment. Borrowers who have been self-employed for less than two years must follow the income requirements listed above for Credit Qualifying Streamline Refinances. ○ For borrower's utilizing "other" sources of income, follow FHA guidelines ○ NewRez Portfolio Non-Credit Qualifying Streamline Refinances do not require income documentation ○ If non-mortgage debts on the credit report reflect multiple 60+ days derogatory credit in the most recent 6 months, the loan must follow Credit Qualifying Streamline Refinance guidelines.

2.12 Texas 50(f)(2) Loans

2.12 Texas 50(f)(2) Loans

Texas 50(f)(2) loans allow the refinance of a home equity loan into a non-home equity loan per the Texas Constitution. These loans are limited to an 80% LTV/CLTV and no additional funds may be rolled into the loan (except closing costs and pre-paids).

Note: UFMIP must be treated as a fee and must not be added on top of the base LTV/CLTV as the maximum LTV/CLTV is 80% with costs rolled in.

(f)(2) Determination:

New Loan Amount pays off existing lien and….	If existing lien is a non-50(a)(6); then the new lien is….	If existing lien is a 50(a)(6); then the new lien is….
Provides even $1 cash to the borrower	Texas (a)(6)	Texas (a)(6)
Pays off/down an existing TX (a)(6) lien with no cash to borrower	Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing TX (a)(6) lien with cash to borrower	Texas (a)(6)	Texas (a)(6)
The new lien is < existing UPB (no new funds)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Funds, prepaids and/or closing costs	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down a purchase money 2nd	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing Secured Home Improvement Loan (mechanic's lien)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Provides funds to satisfy a court ordered Divorce Equity Buyout	Non-Texas (a)(6)	Texas (a)(6)

*Borrower may elect to have loan remain a Texas (a)(6). Refer to Texas A6 profile.

Special Considerations:

Loan may not close until:

- Twelve days after the borrower submits the loan application or all borrowers sign the 12-day notice, whichever is later.
- One day after the borrowers receive a copy of the Settlement Statement and Closing Disclosure.
  After the one-year anniversary of the closing of an existing Texas (a)(6) loan.

No additional funds may be rolled into the loan (except closing costs and pre-paids).

New subordinate financing is not permitted on a first lien TX (f)(2).

Attorney Review:

All Texas 50 (f)(2) loans must be reviewed and certified by an NewRez approved TX Attorney prior to loan closing. NewRez's approved firms include:

- Black, Mann and Graham
- Peirson Patterson

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2.13 Down payment Assistance	
Down payment Assistance	Down payment assistance is permitted by Government Agencies and HUD-Approved Non-Profits only. Loans with Down Payment Assistance must have a minimum FICO of 620 unless minimum FICO required per eligibility matrix is higher. All DAPs must be NewRez approved prior to issuing the Clear to Close. The NewRez Underwriting Special Requests team is responsible for reviewing and approving all DAP programs; as well as ensuring the loan documentation meets Government /Agency guidelines and applicable NewRez overlays. The Special Requests team will also verify the tax-exempt status and confirm that the organization has not been terminated and is still in good standing. Once minimum documentation is obtained, the Processor may email a review request to: NewRez_UWSpecialRequests@NewRez.com.
2.14 Subordinate Financing	
Subordinate Financing	Subordinate liens are permitted within the max CLTV tolerance described in the product matrix. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is required. If there is an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt to income ratio. The qualifying payment is the payment evidenced on the credit report or for new draws the periodic payment required under the terms of the plan and the amount of credit to be drawn at or before consummation of the covered transaction.
Section3: Borrower Eligibility	
3.1 Borrower Eligibility	

Borrower Eligibility	Borrowers with delinquent federal non-tax debt, including deficiencies and other debt associated with past FHA-insured Mortgages are not eligible for FHA mortgage. Information on delinquent Federal Debts can be obtained from public records, credit reports or equivalent, and the Credit Alert Verification Reporting System (CAIVRS)
	
	Suspended and Debarred Individuals - A borrower suspended, debarred, or otherwise excluded from participation in the Agency's programs is not eligible for a FHA-insured mortgage. GSA and LDP must be reviewed to verify borrower(s) are not included on the lists.
	
	All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver's license, state-issued ID or passport. Other forms of taxpayer identification are not allowed. Borrowers must be either U.S. Citizens or be lawful permanent or non-permanent residents of the United States. A non-U.S. citizen, who is lawfully residing in the U.S. as a permanent or a nonpermanent resident alien, is eligible for a mortgage on the same terms as a U.S. citizen.
	
	A party who has a financial interest in the mortgage transaction, such as the seller, builder or real estate agent, may not be a co-borrower. Exceptions may be granted when the party with the financial interest is a Family Member.
	
	Non-Occupying Borrower Transactions:
	• Non-occupant co-borrowers must be a U.S. citizen or have a principal residence in the U.S. and may not be an interested party to the sales transactions, such as property seller, builder, or real estate broker.
	• The maximum LTV is 75%. The LTV can be increased to a maximum of 96.5% if the Borrowers are Family Members, provided the transaction does not involve:
	  ○ a Family Member selling to a Family Member who will be a non-occupying co-Borrower; or
	  ○ a transaction on a two- to four-unit Property.
	○ Not permitted on cash-out transactions

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	Borrowers who are military personnel, who cannot physically reside in a property because they are on active duty, are still considered owner occupants and are eligible for maximum financing if a Family Member of the borrower will occupy the subject property as their principal residence, or the borrower intends to occupy the subject property upon discharge from military service. The borrower must provide a copy of military orders evidencing the borrower's active duty status and that the duty station is more than 100 miles from the subject property. Note: loans made to HUD employees must be sent to the HOC for prior Underwriting approval. There can be no more than 4 borrowers per loan.
3.2 Occupancy	
Occupancy	Eligible occupancy types include: • Primary residences for 1-4 unit properties
3.3 Power of Attorney	
Power of Attorney	The use of a Power of Attorney must be approved by NewRez's Underwriting and Legal teams for Wholesale. Generally, a Power of Attorney may be used for closing in the following scenarios: • Incapacitated Borrower - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability; Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file; • Military Personnel - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing. A POA may only be used for one of the applications (initial or final), but not both. There are 2 acceptable types of power of attorney. The following persons may sign security instruments on a borrower's behalf: • Specific - this type of POA is specific to the mortgage transaction; therefore, the POA must specify the legal description, property address, and transaction type within the body of the document. It must be recorded at closing; • General Military - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty. All loan files wishing to utilize a power of attorney require the following: • A Letter of Explanation from the borrower advising why the loan is closing with a POA • Completed and Signed POA Form
3.4 Living Trust (Inter-Vivos Revocable Trust)	
Living Trust (Inter-Vivos Revocable Trust)	A living trust is an eligible mortgage borrower if it meets all criteria required by state and investor standards. To determine whether or not the Trust meets all the criteria required by state and investor standards, a copy of the trust document must be provided for review. All trusts must be approved by NewRez legal prior to Loan Closing for Wholesale.
3.5 Non-Arm's Length Transactions / Identity of Interest	
Non-Arm's Length Transactions / Identity of Interest	Not permitted in the following instances: • Flip Transactions • Transactions where the Loan Originator is acting in another real estate related role An identity of interest transaction is a sale between parties with an existing business or a family relationship. Identity of Interest transactions are limited to 85% LTV. The 85% LTV may be exceeded in the following circumstances:

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	• Borrower purchases as their principal residence the principal residence of another Family Member; or • Tenant Purchase - Borrower purchases as their principal residence a property in which the Borrower has been a tenant for at least six months immediately prior to the sales contract. A lease or other written evidence to verify occupancy is required. The property may be owned by a Family Member. • Borrower, who is an employee of a builder, who is not a Family Member, purchases one of the builder's new houses or models • Corporate Transfer – A corporation transfers an employee to another location, purchases the employee's home, and sells the home to another employee
3.6 Ineligible Borrowers	
Ineligible Borrowers	• Borrowers with Diplomatic Immunity • Borrowers with Deferred Action for Childhood (DACA) approval (EAD Category C33) • Foreign Nationals • Individuals Employed by NewRez Third Party Originators • Individuals on the LPD/GSA exclusionary lists • Limited Partnerships, Corporations and LLCs • Non-Revocable Trusts or Guardianships
3.7 Maximum # of Financed Properties per Loan	
Maximum # of Financed Properties	Follow Handbook 4000.1
3.8 Maximum # of Outstanding FHA Loans	

Maximum # of Outstanding FHA Loans	NewRez permits more than one FHA loan per borrower based upon FHA's requirements below. In addition to the below requirements review and sign off of the requirements must be completed by a NewRez Vice President of Underwriting.
	
	FHA will not insure more than one loan per borrower with the following exceptions:
	• Relocations: The borrower must be relocating or has relocated for an employment related reason and establishing or has established a new principal residence in an area more than 100 miles from the borrower's current principal residence.
	• Increase in Family Size-If the number of legal dependents increases to a size where the home no longer meets the family's needs. The borrower must pay down the outstanding mortgage balance on the present property to 75% or less, using a current appraisal to determine market value.
	• Vacating a jointly owned property-If the borrower is vacating a jointly owned property, they may purchase a new FHA mortgage. An example of this would be a divorce situation.
	• Non-Occupying Co-Borrower
	  ○ A non-occupying co-Borrower on an existing FHA-insured Mortgage may qualify for another FHA-insured Mortgage on a new Property to be their own Principal Residence.
	  ○ A Borrower with an existing FHA-insured Mortgage on their own Principal Residence may qualify as a non-occupying co-Borrower on other FHA-insured Mortgages.

3.9 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to Same Borrower	Follow Handbook 4000.1. Refer to section 3.8 for requirements when a borrower has more than one FHA loan.
Section 4: Collateral	
4.1 Eligible Properties	
Eligible Properties	• Attached/Detached SFRs • Attached/Detached PUDs

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	• Low/Mid/High-Rise Condos and site Condos
	• 2 Unit Properties
	• 3-4 Unit Properties, provided the maximum mortgage amount is limited so the ratio of PITIA divided by the Net Self-Sufficiency Rental Income doesn't exceed 100%
	• Modular Homes (these are not considered to be manufactured and are eligible under the guidelines for 1-unit properties)
	• 1 Unit Manufactured
	  ○ Single Family
	  ○ Detached PUD

4.2 Condos	
Condos	With the exception of FHA Streamlines, condominiums must be HUD approved and not expired at time of case number issuance: https://entp.hud.gov/idapp/html/condlook.cfm. NewRez will not issue a DELRAP approval; however, existing, unexpired DELRAP approvals are permitted.
4.3 Manufactured Housing	
Manufactured Housing	Manufactured housing is a structure that is transportable in one or more section. To be eligible for FHA insurance all Manufactured Housing must: • be designed as a one-family dwelling; • have a floor area of not less than 600 square feet; • must be doublewide • must be an existing dwelling permanently erected on the current site for a minimum of 12 months prior to the case number assignment date • must be served by permanent water and sewer facilities and other utilities in accordance with local and state requirements • have the HUD Certification Label affixed or have obtained a letter of label verification issued on behalf of HUD, evidencing the house was constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards; • be taxed and titled as real estate with manufacturers title surrendered as per applicable state requirements • be built and remain on a permanent chassis with the towing hitch or running gear removed and is permanently affixed to the foundation in accordance with the manufacturer's requirements for anchoring, support, stability, and maintenance and with HUD Permanent Foundations Guide for Manufactured Housing (PFGMH); • must not have been previously installed or occupied at any other site or location • if the manufactured home was structurally modified (additions or alterations), additional requirements apply. Refer to the Handbook 4000.1. • space beneath the manufactured home must be properly enclosed. The perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation; and • must have been directly transported from the manufacturer or dealership to the site.
Manufactured Housing – Eligibility	
Manufactured Housing	• Minimum FICO 660 • Must score Accept/Approve • Fixed Rate Only • Owner Occupied • 3.5% borrower's own funds into the transaction • 0X30X12 Housing History • Taxes must be on land and dwelling
Manufactured Housing – Required Documentation	
Manufactured Housing	• HUD Certification Label

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	○ If the appraisal indicates the HUD Certification Label is missing from the Manufactured Housing unit, the Mortgagee must obtain label verification from the Institute for Building Technology and Safety (IBTS). • PFGMH Certification ○ The Mortgagee must obtain a certification by an engineer or architect, who is licensed/registered in the state where the Manufactured Home is located, attesting to compliance with the PFGMH. The Mortgagee may obtain a copy of the foundation certification from a previous FHA-insured Mortgage, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.
Manufactured Housing – Ineligible	
Manufactured Housing	• Condo • Coop • Leasehold • Located in mobile home parks • Manufactured Homes with subordinate financing • Single wide • TX 50(a)(6)
Manufactured Housing – Located in Special Flood Hazard Area	
Manufactured Housing	The finished grade level beneath the Manufactured Home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling, related Structures or equipment essential to the Property Value and subject to flood damage for both new and existing Manufactured Homes are located within an SFHA, the Property is not eligible for FHA mortgage insurance unless the Mortgagee obtains: • a FEMA issued LOMA or LOMR that removes the Property from the SFHA; or • a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 81-31) prepared by a licensed engineer or surveyor stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation, and insurance under the NFIP is obtained. For Properties located within an SFHA, flood insurance must be maintained for the life of the Mortgage in an amount at least equal to the lesser of: • the outstanding balance of the Mortgage, less estimated land costs; or • the maximum amount of the NFIP insurance available with respect to the property improvements.
Manufactured Housing – Appraisal	
Manufactured Housing	• Measurement for GLA is based on the overall length, including living areas and other projections that are at least seven feet in height. Length and width must not include bay windows, roof overhangs, drawbars, couplings or hitches • must contain a minimum of 2 manufactured home comparable sales • transferred appraisals are not permitted • The value conclusion cannot include any non-realty items including, but not limited to, insurance, warranties, and furniture. • If the appraiser determines that a manufactured home is located in Flood Zones A or V, the appraiser must stop work and contact the mortgagee. The mortgagee may ask the appraiser to continue work on the assignment based on a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) or flood elevation certification. If the appraiser is provided with a LOMA or LOMR, the appraiser does not need to indicate that the property is in a flood zone.

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	If provided with an elevation certificate, the appraiser will indicate the property is in a flood hazard area on the appraisal report • The appraiser must address the adequacy of the perimeter enclosure and call for repairs or further inspection, if warranted.
4.4 Ineligible Properties	
Ineligible Properties	• Bed and Breakfast Properties • Condotels • Co-ops • Geodesic domes, berms, and earth homes • Hobby Farms • Live/Work Units • Manufactured condominiums, leasehold or coop • Non-Warrantable Condos • Properties appraised with a property condition of C5 or worse • Properties encumbered with private transfer fee covenants • Properties where farm or agricultural income from the subject property is claimed on borrower's tax returns • Properties which are subject to a right of redemption • Properties with manufactured on site being used as storage
4.5 Time Restrictions on Resale	
Property Flips/Rapid Appreciation	A property that is being resold 90 days or fewer following the seller's date of acquisition is not eligible for an FHA loan. For Resales Occurring Between 91 Days and 180 Days After Acquisition: • A second appraisal by another appraiser must be obtained if the resale price is 100% or more over the price paid by the seller to acquire the property. If the second appraisal supports a value of the property that is more than 5% lower than the value of the first appraisal, the lower value must be used to determine the Adjusted Value. • The cost of the second appraisal may not be charged to the borrower. Some of the Exceptions to time restrictions on resale are: • Properties acquired by an employer or relocation agency • Resales by HUD under its REO program • Sales of properties acquired by the seller by inheritance
4.6 Properties Previously Listed for Sale	
Properties Previously Listed for Sale	Listing must have been cancelled or expired prior to the application date, and the borrower must confirm their intent to occupy the subject for Owner Occupied. In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported.
4.7 Appraisals	
Appraisals	All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisal must be completed by a Certified FHA appraiser from a NewRez approved AMC for Wholesale loans. A copy of the appraiser's license must be included in all funded loan files • The transfer of an FHA appraisal from another lender is permitted; as a standard, an appraisal is only good for one closed and funded loan. • Re-use of an appraisal from a previously closed transaction is not permitted. Refer to Section 4.3 Manufactured Housing Appraisal Section for Manufactured Home appraisal requirements
4.8 Disaster Areas	
Disaster Areas	Refer to the list of affected counties published by FEMA at the following link:

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	https://www.fema.gov/disasters NewRez will require recertification from the appraiser on all loans located in the affected Counties prior to closing. If the county is indicated as being in a declared disaster area, the policy must be adhered to • The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 120 days from the incident END date; • If a full appraisal was obtained on the property prior to the declared disaster, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. Any of the following options are acceptable to satisfy this requirement: ○ A 1004D Final Inspection or Appraisal Update signed by the original appraiser ○ DAIR – Disaster Area Inspection Report ○ The inspection report must be dated after the Incident Period (as defined by FEMA) or 14 Days from the Incident Period start date, whichever is earlier. If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not necessary • Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster; • The NewRez branches will request the appropriate appraisal or inspection through the normal channels
4.9 Geographic Restrictions	
Geographic Restrictions	At this time, NewRez cannot finance or purchase loans secured by properties located in Alaska, or Hawaii.
Section 5: Income	
5.1 Income	
Income	• NewRez income requirements follow 4000.1 with the exception of NewRez Overlays as outlined below. **4506T & Tax Transcript Requirements** • A fully complete 4506T form must be **signed and dated** for the number of years of income required for each borrower and for all loans • The 4506T form must be **processed** and transcripts obtained in the following circumstances. ○ Wage Earners: ▪ Handwritten paystubs are used as verification of income (W-2 transcripts acceptable unless other sources of income utilized) ▪ There is a relationship between the parties (W-2 transcripts acceptable unless other sources of income utilized): • Borrower and Seller are related • Borrower/Seller/Loan Originator are related • Borrower is employed by the Third-Party Originator Company ▪ Any of the following are present (1040 transcripts required): • Additional income for qualifying is derived from sources such as rental properties, dividend/interest or other income where tax returns is required; or • Tax returns are used to document income; or • At the underwriter's discretion ○ **Self-Employed:** ▪ For self-employed borrowers personal tax transcripts are required. Business tax transcripts must be obtained if income from the business does not flow through to

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	the borrower's personal tax returns or business income appearing on personal transcripts is not consistent with the income on the business tax returns
	
	Borrower Provided Transcripts
	In certain cases, such as identification theft, transcripts will not be available directly from the IRS, and the borrower will need to obtain. Additional documentation will be required along with the transcripts:
	• Follow the guidelines below when the IRS rejects an IRS Form 4506-T request as unable to process:
	    ○ Evidence the IRS rejected the IRS Form 4506-T request,
	    ○ A borrower-obtained Record of Account Transcript, in pdf format, for all applicable years missing from the www.irs.gov website, and
	    ○ A signed IRS Form 4506-T for the year(s) impacted by the IRS rejection.
	
	• Follow the guidelines below when the IRS rejects an IRS Form 4506-T request for identity theft:
	    ○ Proof identification theft was reported to and received by the IRS (IRS Form 14039) or
	    ○ A copy of the notification from the IRS alerting the taxpayer to possible identification theft, and
	    ○ Borrower obtained transcript, in pdf format, for all applicable years missing
	
	• In addition to the above, borrower provided transcripts may also be permitted with approval from an underwriting team lead or higher. Comments must be noted in Destiny for the reason borrower provided transcripts required.
	
	Income Requirements
	• See section on Streamline Refinances for income requirements specific to those transactions.
	• <u>Boarder Income</u>: Boarder refers to an individual renting space. NewRez allows Boarder income to be included as part of Effective Income for Refinance transactions only.
	• <u>Capital Gains</u> – Capital gains or losses generally occur only one time and should not be considered when determining Effective Income. However, if the individual has a constant turnover of assets resulting in gains or losses, the capital gain or loss must be considered when determining the income. Three years' tax returns are required to evaluate an earnings trend. If two years of material losses are observed in the review of a borrower's tax returns, the third year's returns should be obtained to determine if the losses should be reflected as part of Effective Income. If the trend:
	    ○ results in a gain, it may be added as Effective Income; or
	    ○ consistently shows a loss, it must be deducted from the total income.
	• <u>Commission Income</u> – may be included as Effective Income if the borrower has earned the income for at least one year in the same or similar line of work and it is reasonably likely to continue. The borrower's employment documentation (if Commission Income is less than or equal to 25 percent of borrower's total earnings) or tax returns (if Commission Income is greater than 25 percent of the borrower's total earnings) must reflect one full year of commission income in order for the income to be included as Effective Income.
	• <u>Employee Business Expenses</u> – Unreimbursed employee business expenses, as shown on IRS Form 2106, are actual cash expenses that must be deducted from gross income.
	• <u>Foster Care Income</u>: Payments for the care of foster children who are not otherwise related to the borrower's household by blood, marriage or operation of law should not be considered as income.

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	• Part-Time and Variable:
	  ○ Evaluate income over the previous 2 years and YTD.
	  ○ Increasing income YTD may be averaged with previous 2 full years as Effective Income with verification from employer of a pay increase. If borrower is employed by a family member, three months of bank statements evidencing pay increase is required.
	  ○ Decreasing income YTD requires an explanation from employer. YTD must be used as Effective Income unless explanation adequately supports the use of the average of previous 2 years and YTD.
	• Seasonal Income:
	  ○ Evaluate average income over the previous 2 full years. (i.e. 2013 & 2014 average).
	  ○ Most recent year must be used as Effective Income if decreased over the prior year.
	  ○ YTD may not be considered as Effective Income.
	  ○ If borrower has worked his seasonal employment prior to the application date, YTD must be evaluated for stable income.
	• Self-Employment Income – may be included as Effective Income if the borrower has been self-employed for at least two years. If the borrower has been self-employed between one and two years, the borrower must have been previously employed in the same line of work in which the borrower is self-employed or in a related occupation for at least two years in order to include the self-employment income in the borrower's effective income. The borrower's tax returns must reflect one full year of self-employment income in order for the income to be included in the borrower's self-employment income. In addition, the borrower's business tax returns are required if the borrower has been self –employed for less than two years. Business tax returns would not be required if the following criteria are met:
	  ○ Individual federal income tax returns show increasing Self-Employment Income over the past two years;
	  ○ Funds to close are not coming from business accounts; and
	  ○ The loan is not a cash-out refinance.

5.2 Verification of Employment	
Verification of Employment	Verbal or electronic re-verification of employment through a third-party verification vendor is acceptable. If verbal, NewRez's Verification of Employment form must be completed on all loan files. A verbal verification of employment dated within 10 calendar days of the note date is required for all non-self-employed borrowers. The verification of employment must include the phone number contacted to complete the verbal, which must be documented as associated with the business. In addition, the verification should be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses. If the VVOE is obtained from The Work Number, the 10-day timeframe is measured from the date of the request to the vendor, not the date the information was updated in the vendor's database. The date shown in the "Information Current As Of" field must be within 30 days of the closing date. For Self Employed borrowers, the existence of the borrower's business must be validated within 30 calendar days of the note. This can be accomplished through a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, AND by verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance. In instances where the borrower is **employed by a relative or participant** to our loan transaction the following documentation must be obtained (in addition to standard program guides):

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	• Borrower's signed and completed personal federal income tax returns for the most recent two-year period, and • YTD paystub documenting at least 30 days of income • W-2s for the most recent two years. • Evidence must be provided that the borrower is not an owner of the business. Current income reported on the pay stub may be used if it is consistent with W-2 earnings report on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current pay stub, further investigation is needed to determine whether income is stable.
5.3 Conversion of Primary Residence (Rental Income)	

Conversion of Primary Residence	The underwriter may not consider rental income from a primary residence vacated in favor of another primary residence unless:
	• Relocation: The borrower must be relocating to an area more than 100 miles from the Borrower's current Principal Residence. A properly executed lease agreement of at least one year's duration after the loan is closed is required. Evidence of receipt of the security deposit or the first month's rent is required.
	
	Required Documentation:
	• If Borrower does not have a history of rental income for the property since their previous tax filing: Must obtain an appraisal evidencing market rent and that the borrower has at least 25 percent equity in the property. The appraisal is not required to be completed by an FHA Roster Appraiser.
	  ○ Two-Four Units: Must verify and document proposed rental income by obtaining an appraisal showing fair market rent (Fannie Mae Form 1025/Freddie Mac Form 72) and, if available, the prospective leases.
	  ○ One Unit: Must verify and document the proposed rental income by obtaining Fannie Mae Form 1004/Freddie Mac Form 70, Fannie Mae Form 1007/Freddie Mac Form 1000, and Fannie Mae Form 216/Freddie Mac Form 998 showing fair market rent and, if available, the prospective lease.
	• If the Borrower has a history of rental income: Must obtain the borrower's last two years' tax returns with Schedule E.

Section 6: Credit	
6.1 Credit	

Credit	• See matrix for LTV/FICO requirements, and Handbook 4000.1 for mortgage history requirements.
	  ○ Regardless of AUS score a manual downgrade is required if any mortgage trade line, including mortgage line of credit payments during the most recent 12 months reflects:
	    ▪ Three (3) or more late payments of greater than 30 days;
	    ▪ One (1) or more late payment of 60 days plus one or more 30-day late payments; or
	    ▪ One (1) payment greater than 90 days late
	• Certain FICO Score/DTI combinations require compensating factors as described in Section 6.2.
	• A Tri-merge Credit Report is required for every Borrower who executes the Note. Non-Traditional/Alt Credit is not permitted. The Credit Report should generally include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the Borrower has resided in the past two years.

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	• Each Borrower must have a valid and usable score from at least two of the following three agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these three agencies are acceptable.
	• Generally, thin credit is not allowed, and the borrower's financial position should translate into the borrower's credit profile for analysis.
	• If the Property or the Borrower is located in a community property state, a credit report for a non-borrowing spouse is required.
	• Regardless of AUS approval for manual underwrites, for a credit score to be considered valid on a manual underwrite, the score must be generated based on sufficient credit. Sufficient credit depth can vary by borrower.
	  ○ at least one occupying borrower must meet one of the following to have an acceptable credit depth:
	    • Verified Housing History (mortgage or rental) showing 0x30x12; private rentals must be verified with 12 months cancelled checks or bank statements, each dated prior to the next due date.
	    • The borrower has (3) trade lines that have been evaluated for at least 12 months. These trade lines do not need to be currently active but require some activity in the last 24 months.
	    • The borrower has (2) trade lines that have been evaluated for at least 24 months and have had some activity in the last 24 months.
	• Deferred student loans and Authorized User accounts are ineligible as valid trade-lines.
	• All credit inquiries within 90 days of the credit report are required to be addressed by the customer – see Credit Attestation Policy
	• Mortgage Only Credit Report (Portfolio NCQ Streamline Only): Only the following Credit Vendors may be utilized for a mortgage only credit report.
	  ○ Universal Credit Services*
	  ○ Credit Plus*
	  ○ Consolidated Information Services*
	  ○ Credit Link*
	  ○ Credit Technologies*
	  ○ CBCInnovis
	  ○ CoreLogic CREDCO
	• * Broker must call his/her CRA to be activated for a special option called "PUBLISH". This must be completed before a report can be reissued from the Broker to NewRez.
	
	Non-Credit Qualifying Streamline Refinances (non-Portfolio): NewRez requires if the borrower's non-mortgage debt shows multiple 60+ day derogatories in most the recent 6 months, the loan must be originated as a Credit Qualifying Streamline Refinance

6.2 Compensating Factors	
Compensating Factors	FICO Score <600: AUS decision must be A/E, AND should meet one of the following: • Three (3) months' (PITI) reserves from own funds (no gift funds; retirement accounts may be used with proper discounting as defined by FNMA), or • Additional down payment from own funds (min. 5% over matrix minimum), or • 12-month Housing verification. New monthly mortgage payment cannot be more than $100 or 5% greater than prior housing payment
6.3 Derogatory Credit	
Derogatory Credit	Loans scored through the TOTAL Mortgage Scorecard that receive an Accept score must follow the Handbook 4000.1 requirements for evaluating Credit History. **TOTAL:**

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	Collection Accounts, Charge Off Accounts, Accounts with Late Payments in the Previous 24 months and Judgements: An explanation of collection accounts, Charge-Off Accounts, accounts with late payments, Judgments or other derogatory Information is not required. Disputed Derogatory Credit Accounts: If the credit report used by TOTAL indicates that the borrower has $1000 or more collectively in Disputed Derogatory Credit Accounts, the loan must be downgraded to a Refer and must be manually underwritten. Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included to the $1000 cumulative balance. Disputed Non-Derogatory Accounts: A downgrade to Refer is not required due to disputed non-derogatory accounts or disputed accounts not indicated on the credit report. The effect of the disputed accounts on the borrower's ability to repay must be analyzed. In addition, if the dispute results in DTI ratio being less than the amount indicated on the credit report, the borrower must provide documentation of the lower payments. Non-derogatory disputed accounts are excluded from the $1000 cumulative balance limit. Judgements: Court-ordered judgements must be resolved or paid-off prior to or at closing. Judgements of non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. A judgement is considered resolved if borrower has entered into a valid agreement to make regular payments on the debt, the borrower has made timely payments for at least three months and the judgement will not supersede the FHA-insured mortgage lien. Payment amount must be included in the DTI calculation. Inaccuracy in Debt: When an inaccuracy in the amount or type of debt or obligation is revealed during the application process and the correct information was not considered by the AUS, must: • verify the actual monthly payment amount; • re-submit the Mortgage for evaluation by TOTAL if the cumulative change in the amount of the liabilities that must be included in the Borrower's debt increases by more than $100 per month; and • determine that the additional debt was not/will not be used for the borrower's Minimum Required Investment (MRI). Bankruptcy: When two years since discharge date of any bankruptcy is required. If discharged within two years of case assignment number, the loan must be downgraded to a Refer and must be manually underwritten. Pre-Foreclosure Short Sale: Three years since date of short sale is required. If short sale occurred within three years of case assignment number, the loan must be downgraded to a Refer and must be manually underwritten. Exception may be granted where a borrower's mortgage was current at the time of the divorce, the ex-spouse received the property, and there was a subsequent short sale. The three-year period begins on date of transfer of title. Foreclosures and Deed in Lieu (DIL): Foreclosures and Deed in Lieu (DIL) within three years of case assignment number require a downgrade to Refer and must be manually underwritten. Credit Counseling/Payment Plan: Participating in consumer credit counseling program does not require a downgrade to manual underwriting. Housing Obligations/Mortgage Payment History:

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	Purchase or No Cash-Out Refinance: Loan must be downgraded to refer and manually underwritten if any mortgage trade line during the most recent 12 months reflects any of the following. • ≥ 3x30 • 1x60 plus 1X30 or • 1x90 Cash-Out Refinance: Loan must be downgraded to a Refer and manually underwritten if any mortgage trade line reflects any of the following. • A current delinquency or • Any delinquency within 12 months of case number assignment date **Manual Underwriting:** Loans where TOTAL Scorecard issues a Refer, or where a downgrade to manual underwrite is required, must follow the Handbook 4000.1 requirements for evaluating Credit History (Manual). <u>Collection or Charge-Off Accounts</u>: Must document reason for approving a loan with collection or charge off accounts. Borrower must provide a letter of explanation with supporting documentation for each collection or charge off account. Must determine if collection or charge-off accounts are the result of: • Borrower's disregard for financial obligations • Borrower's inability to manage debt or • Extenuating circumstances <u>Disputed Derogatory Credit Accounts</u>: Must analyze the documentation provided for consistency with other credit information to determine if the derogatory credit account should be considered in the underwriting analysis. The following items may be excluded in the underwriting analysis: • Disputed medical accounts • Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. Must have a copy of the police report or other documentation. <u>Judgements:</u> Court-ordered judgements must be resolved or paid-off prior to or at closing. Judgements of non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. Regardless of amount of outstanding judgements, must determine if the result of: • Borrower's disregard for financial obligations • Borrower's inability to manage debt or • Extenuating circumstances A judgement is considered resolved if borrower has entered into a valid agreement to make regular payments on the debt, the borrower has made timely payments for at least three months and the judgement will not supersede the FHA-insured mortgage lien. Payment amount must be included in the DTI calculation. Borrower cannot prepay scheduled payments to meet the required minimum of three months of payments. <u>Bankruptcy:</u> Chapter 7 – at least two years have elapsed since bankruptcy discharge and borrower has re-established good credit or chosen not to incur new credit obligations. NewRez does not permit exceptions due to extenuating circumstances.

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	Chapter 13 –NewRez requires the Chapter 13 bankruptcy to have been discharged Foreclosure, Deed-in-lieu of foreclosure and Short Sales– at least three-years must have elapsed prior to date of case number assignment. NewRez does not permit exceptions due to extenuating circumstances. Exception to three-year requirement is permitted due to a divorce and a borrower's mortgage was current at the time of the borrower's divorce, the ex-spouse received the property, and the mortgage was later foreclosed. Credit Counseling/Payment Plan – Borrower must have: • One year of pay-out period elapsed under the plan • Payment performance has been satisfactory, and all required payments have been made on time and • Written permission from counseling agency to enter into the mortgage transaction **CAIVRS:** CAIVRS is HUD's Credit Alert Interactive Voice Response System that is maintained by the federal government that lists persons who have defaulted or had a loan foreclosed in the last three years on a debt owed to the federal government or are currently delinquent on a debt owed to the federal government. Examples of federal debts include previous FHA or VA home loans, federal student loans, small business administration loans and similar types of debts. **Federal non-tax debt**: If a borrower is presently delinquent on a federal non-tax debt, then the borrower is ineligible for an FHA-insured Mortgage until the borrower resolves the debt with the creditor agency. Documentation must be obtained to verify resolution of such debt. For purposes of this section, a person's delinquent debt is resolved only if the person: **(i)** Pays or otherwise satisfies the delinquent debt in full; **(ii)** Pays the delinquent debt in part if the creditor agency accepts such part payment as a compromise in lieu of payment in full; **(iii)** Cures the delinquency under terms acceptable to the creditor agency in that the person pays any overdue payments, plus all interest, penalties, late charges, and administrative charges assessed by the creditor agency as a result of the delinquency; or **(iv)** Enters into a written repayment agreement with the creditor agency to pay the debt, in whole or in part, under terms and conditions acceptable to the creditor agency. Clear CAIVRS must be obtained evidencing resolution of the delinquent federal non-tax debt. **Federal tax debt**: Borrowers with delinquent Federal Tax Debt are ineligible. Federal taxes due prior to the tax filing due date of April 15th (or applicable tax filing due date) are not considered delinquent. Evidence of sufficient funds to pay or an established payment agreement with the IRS is acceptable. The payment must be included in the calculation of the borrower's Debt-to-Income (DTI) ratio if an agreement is established. Three (3) months of payment history is not required to be verified. Federal taxes due after the tax filing due date requires a copy of the payment plan or verification that the borrower has sufficient funds to pay the taxes and the closing costs on the loan. The taxes must be paid at or prior to closing. The payment must be included in the calculation of the borrower's Debt-to-Income (DTI) ratio if a payment plan agreement has been established with IRS. Three months of payment history is not required unless the debt is a lien. If the tax debt is already a lien ("Delinquent"), it can remain unpaid if the borrower can provide a valid repayment agreement and evidence to show that three (3) months of timely payments have been made. The payments cannot be prepaid to meet the three-month requirement. The

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	payment must be included in calculation of the borrower's Debt-to-Income (DTI) ratio. Except for federal tax liens, the lien holder must subordinate the tax lien to the FHA-insured Mortgage. If a borrower had a prior claim paid with FHA, that borrower is not eligible to APPLY for another FHA mortgage until three years after the date that HUD paid the insurance claim to the lender. The names of FHA borrowers are automatically deleted from CAIVRs when this three-year waiting period expires. NOTE: Loan proceeds may not be used to clear CAIVRS.
6.4 Prior Mortgage Credit Rejects (MCRs)	
Prior Mortgage Credit Reject (MCR)	If a borrower who was previously denied a mortgage loan with another lender applies with NewRez, we will be notified when requesting the case assignment. The rejection reasons must be listed on the 92900LT.
6.5 General Liabilities and Debts	
General Liabilities and Debts	All applicable monthly liabilities must be included in the qualifying ratio. 30-day Accounts– Must verify the borrower has paid the outstanding balance in full on every 30-Day Account each month for the past 12 months. 30-Day Accounts that are paid monthly are not included in the borrower's DTI. If the credit report reflects the account as paid as agreed for 12 months (no late payments), the information on the credit report is adequate documentation that account has been paid in full monthly and the account can be excluded from the borrower's DTI. Note that funds available necessary to pay off the balance per the credit report must be documented. These funds are in addition to any funds required for funds and reserves required to close the loan. If the credit report reflects any late payments in the last 12 months, 5 percent of the outstanding balance must be included as a monthly debt in the DTI. If the account has been open less than 12 months, the debt must be included in the DTI. Authorized User Accounts: Accounts for which the borrower is an authorized user must be included in a borrower's DTI ratio unless the borrower can document that the primary account holder has made all required payments on the account for the previous 12 months. If less than three payments have been required on the account in the previous 12 months, the payment amount must be included in the Borrower's DTI. If the account has not been open for at least 12 months, verify the primary account holder has made timely payments for the number of months the account has been opened up to the required 12 months. Removing the borrower as an authorized user is not permitted as an alternative to documenting the payment history in order to exclude the debt in the calculation of the borrower's DTI ratio. Business debt in borrower's name refers to liabilities reported on the borrower's personal credit report but payment for the debt is attributed to the borrower's business. When business debt is included on the borrower's personal credit report, the debt must be included in the borrower's DTI calculation unless documentation is provided that evidences the debt is being paid by the borrower's business and the debt is considered in the tax returns and cash flow analysis of the borrower's business. Closed-end debts with < 10 months remaining: do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5 percent of the borrower's gross monthly income. Cumulative payments is the sum of the remaining payments. Confirm loans scored through DU automatically excluded the referenced debts as appropriate. Child Support – should be treated as a recurring liability and included in the borrower's DTI ratio when court-ordered or otherwise agreed.

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	<u>Contingent Liabilities</u> - Payments on Contingent liabilities must be included in the calculation of the borrower's monthly obligations unless there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default or the other legally obligated party has made 12 months of timely payments. In the case of divorce, a divorce decree reflecting the ex-spouse as the obligor in lieu of cancelled checks is required.
	
	<u>Collection Accounts</u> – If the credit reports show cumulative outstanding collection account balances of $2000 or greater, the following must be documented:
	• Verify debt is paid in full at time of or prior to settlement using acceptable sources of funds;
	• Verify the borrower has made payment arrangements with the creditor and include the monthly payment in the borrower's DTI; or
	• If a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the borrower's DTI
	
	Collection accounts of non-borrowing spouse in a community property state must be included in the $2000 cumulative balance and analyzed as part of the borrower's ability to pay all collection accounts, unless excluded by law. Paying down the outstanding collection accounts to less than $2000 to avoid the requirements above is not permitted. The full amount of the collection accounts must be addressed if the cumulative balance is $2000 or greater.
	
	<u>Deferred Obligations</u> - The actual monthly payment to be paid on a deferred liability, whenever available, must be included in the calculation of the borrower's monthly obligations. If the actual monthly payment is not available for this installment debt, the terms of the debt or 5 percent of the outstanding balance must be used to establish the monthly payment.
	• Student Loans – All student loans must be included in the Borrower's liabilities regardless of the payment type or status of payments. The debt to income calculation must be calculated using the following:
	  ○ The greater of:
	    ▪ One (1) percent of the outstanding balance on the loan; or
	    ▪ The monthly payment reported on the Borrower's credit report; or
	  ○ The actual documented payment, provided the payment will fully amortize the loan over its term.
	
	Paying Down/Off Debt to Qualify
	• Paying down debt to less than 10 months to avoid including in the debt ratio is not permitted.
	• Any installment or revolving debt being paid off to qualify must be paid off at or before closing. Documentation for source of funds used to pay account(s) off will be required in all instances.

6.6 Qualifying Ratios	
Qualifying Ratios	**Purchase, Rate & Term Refinance, or Cash-out Refinance:** FICO / DTI: ≥ 620 — Per AUS 600 - 619* — 50% < 600 — ≤ 43% ≥640: Manually Underwritten — ≤43%** * Approve/Eligible or Accept Required ** See 1.3 Manual Underwriting for expanded ratios **Credit Qualifying Streamline Refinances:**

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	• FICO 580 and above: Maximum ratios 31/43:
	  ○ No compensating factors required. These ratios may be exceeded when the compensating factors defined in Handbook 4000.1 are met.
	• FICO 580 and above: Maximum Ratios 37/47:
	  ○ One of the following:
	    ▪ verified and documented cash Reserves; or
	    ▪ minimal increase in housing payment;
	• FICO 580 and above: Maximum Ratios 40/40:
	  ○ No discretionary debt
	• FICO 580 and above: Maximum Ratios 40/50:
	  ○ Two of the following:
	    ▪ verified and documented cash Reserves;
	    ▪ minimal increase in housing payment; and/or
	    ▪ significant additional income not reflected in Effective Income
	
	Non-Credit Qualifying Streamline Refinances:
	Not Calculated
	
	DTI is calculated using the following:
	<table><tr><th>Mortgage Type</th><th>Qualifying Interest Rate</th></tr><tr><td>Fixed Rate Mortgage</td><td>Note Rate</td></tr><tr><td>5/1 ARMs</td><td>Note Rate</td></tr></table>
	Housing Payment Ratio:
	The monthly housing expense is the sum of the following charges as they apply to any properties owned and financed by the borrower:
	• Monthly principal and interest payment as per the qualifying rate
	• 1/12th of the annual hazard insurance premium and any other insurance required by loan program.
	• 1/12th of the annual real estate taxes.
	• 1/12th of the annual flood insurance premium, when applicable.
	• Monthly leasehold payments, when applicable.
	• Monthly homeowner association dues, condominium maintenance fees and monthly assessments (when applicable).
	• Monthly payment for other secured financing (when applicable).
	
	Total Debt Ratio
	• Monthly housing expense as per qualifying rate.
	• Outstanding monthly obligations such as:
	  ○ Installment debt
	  ○ Revolving debt payments
	  ○ Alimony, child support or maintenance payments
	  ○ Losses associated with other real-estate owned
	  ○ Other obligations where a monthly payment is legally required.

Section 7: Assets

7.1 Assets

Assets	Follow Handbook 4000.1, unless otherwise specified below. Assets must be verified as noted by the AUS. Written Verifications of Deposit (VOD) are not acceptable. Only system generated Verifications of Deposit from the financial institution or third-party verification vendor are acceptable.

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	Business Assets are allowed for down payment and closing costs; however, the borrower must be the majority owner of the business. Business assets may not be used for reserves. The use of these funds must be documented as having no negative impact on the businesses livelihood. Evidence of assets to cover Federal Tax Debt that is not delinquent or demonstrated capacity to accumulate the required funds to pay non-delinquent Federal Tax Debt is required.
7.2 Cash Reserves	
Cash Reserves	Reserves refer to the sum of the borrower's verified and documented liquid assets minus the total funds the borrower is required to pay at closing. Reserves do not include: • the amount of cash taken at settlement in cash-out transactions; • incidental cash received at settlement in other loan transactions; • gift funds; • equity in another Property; or • borrowed funds from any source. **One-Two Units (Manually Underwritten and Credit Qualifying Streamline Refinances)** • Must verify and document reserves equivalent to one month's PITI after closing. **Three-Four Unit (Total, Manually Underwritten and Credit Qualifying Streamline Refinances)** • Must verify and document reserves equivalent to three months' PITI after closing.
7.3 Gifts	
Gifts	Follow Handbook 4000.1
7.4 Seller/Interested Party Contributions	
Seller/Interested Party Contributions	6% maximum; The seller and/or third party may contribute up to six percent of the sales price toward the borrower's origination fees, other closing costs and, discount points. The 6 percent limit also includes: • Interested Party payment for permanent and temporary interest rate buydowns, and other payment supplements • Payments of mortgage interest for fixed rate mortgages • Mortgage payment protection insurance and • Payment of UFMIP. Credits from the Mortgagee or Third Party Originators (TPO) are excluded from the 6 percent limit, provided the Mortgagee or TPO is not the seller, real estate agent, builder, or developer.
7.5 Ineligible Assets	
Ineligible Assets	• 1031 Exchanges • Cash on Hand/Mattress Money • Cryptocurrency, i.e. Bitcoin, cannot be used for down payment, closing costs or reserves • Pooled Funds • Sweat equity • UTMA/Custodial Accounts for minors (cannot be used by account custodian)

Section 8: Program Details

8.1 Age of Documentation	
Age of Documentation	Follow Handbook 4000.1: At loan disbursement, all documents in the mortgage loan application may be up to 120 days old unless the nature of the documents is such that their validity for underwriting purposes is not affected by the prescribed time frame, such as a divorce decrees or tax returns.

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8.2 Signature Requirements	
Signature Requirements	All borrowers must sign and date page two of the initial form HUD-92900-A. The underwriter must obtain the Borrower's initial complete, signed *URLA* (Fannie Mae Form 1003/Freddie Mac Form 65) and page two of form HUD-92900-A before underwriting the mortgage application. Electronic Signatures: NewRez will accept electronic signatures on third party documents in accordance with Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable. The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document. Electronic signatures are not permitted for any final documents including but not limited to the Note, Mortgage, final 1003, etc.
8.3 Escrows	
Escrows	Tax and Insurance escrows are required on all FHA loans.
8.4 Escrow Holdbacks	
Escrow Holdbacks	Permitted. Follow Handbook 4000.1.
8.5 Excluded Parties- LDP/GSA Searches	
Excluded Parties- LDP/GSA Searches	FHA loans requires confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the Freddie Mac Exclusionary List, General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Regardless of the reason for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery. All name variations found throughout the loan file must be run when performing the searches. The search must be run on the following parties in the transaction: • Borrowers • Seller • Builder • Listing Agent & Listing Company • Selling Agent & Selling Company • Title Agent • Title Company • Closing Attorney • Appraiser and Appraisal Company • Loan Originator • Loan Processor • Underwriter • 203(k) consultant
8.6 Flood Insurance	
Flood Insurance	Follow Handbook 4000.1
8.7 Hazard Insurance	
Hazard Insurance	Follow Handbook 4000.1
8.8 Interest Credit Hardships	
Interest Credit Hardships	Permitted on Fixed Rate loans only; purchases must fund by the 7th day and refinances must fund by the 10th calendar day.

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8.9 Mortgage Insurance	
Mortgage Insurance	Mortgage insurance is broken down into upfront mortgage insurance (UFMIP) and monthly mortgage insurance (MIP). Every FHA loan will have an upfront mortgage insurance charge and the monthly insurance amounts vary depending on loan term and LTV.
8.10 Process to Add or Remove Borrowers	

Process to Add or Remove Borrowers	**Adding Borrowers**
	• Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information.
	Removing Borrowers
	• Removing a borrower from a loan is allowed only in the following scenarios
	  ○ No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application
	  ○ Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application.
	    ▪ In both of the above scenarios - Request in writing from borrower should be placed in the file supporting their desire to withdraw their name from the application.
	    ▪ Detailed notes should also be placed in the file to eliminate any possible confusion
	• Removing a borrower from a loan is NOT allowed in the following scenarios
	  ○ Loan is declined by underwriting
	    ▪ In this scenario the loan would need to be adversed and a new application would need to be taken with only the 1 borrower.
	  ○ Underwriting should not be issuing loan approvals with any type of condition that states 1 borrower needs to be removed. The loan should be declined and have a new application submitted with only the one borrower.
	Exceptions
	• Any exceptions to the above rules or scenarios not explained above should be submitted to compliance for review (Compliance@NewRez.com).

8.11 Title Insurance	
Title Insurance	All loans must close with an ALTA title insurance policy which will provide evidence of the borrower's lawful interest in the property to be mortgaged. The title policy must be in the lender's name and /or its assigns. Title must be vested in the borrower's name, in the name of an eligible inter-vivos trust (if permitted per program guides), or in the case of a purchase money must be currently vested in the seller's name with a requirement for a deed to be recorded transferring title to our borrower's name at closing. The insured amount of the policy must be at least for the gross loan amount and the policy must be dated within 45 days of closing. A survey will be required only if an exception appears on the title. ALTA 9 Endorsement, or its equivalent, may be substituted in the event a survey is not commonly required by the property area. A minimum of a twelve-month title chain must be provided on each policy. The chain of title will be reviewed for flips as part of the underwriting process.
8.12 Legal Restrictions on Conveyance	
Legal Restrictions on Conveyance	Loans where the property contains leased equipment (i.e. solar panels) or operates with a leased energy system may be eligible for an FHA loan but only when such agreements are free of restrictions that prevent the borrower from freely transferring the property. Such agreements

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	are acceptable, provided they do not cause an ownership transfer of the property by the borrower to: • be void, or voidable by a third party; • be the basis of contractual liability of the borrower • terminate or be subject to termination all or part of the interest held by the borrower; • be subject to the consent of a third party; • be subject to limits on the amount of sales proceeds a borrower can retain (e.g.,due to a lien, "due on sale" clause, etc.); • be grounds for accelerating the insured loan; or • be grounds for increasing the interest rate of the insured loan. Follow guidelines contained in Handbook 4000.1

Section 9: Glossary of Terms

9.1 Glossary of Terms – For complete Handbook glossary of terms, please use the following link: http://portal.hud.gov/hudportal/documents/huddoc?id=40001gaHSGH.pdf

Glossary of Terms	**30-Day Account** - 30-Day Account refers to a credit arrangement that requires the Borrower to pay off the outstanding balance on the account every month. **Adjusted Value – purchase transactions** is the lesser of: • Purchase price less any inducements to purchase; or • The property value **Adjusted Value – refinance transactions** where property was acquired by the borrower within 12 months of case number assignment date – is the lesser of: • Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or • The property value **Adjusted Value – refinance transactions** where property was acquired by the borrower greater than or equal to 12 months prior to case number assignment date or if the property was acquired by inheritance or through a gift from a Family Member: • The property value **Commission Income -** Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service **Contingent Liability-** A Contingent Liability is a liability that may result in the obligation to repay only where a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include Cosigner liabilities and liabilities resulting from a mortgage assumption without release of liability. **Deferred Obligations** - Deferred Obligations refer to liabilities that have been incurred but where payment is deferred or has not yet commenced, including accounts in forbearance. **Disputed Derogatory Credit Accounts --** Disputed Derogatory Credit Account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. **Effective Income -** Effective Income refers to income that may be used to qualify a borrower for a loan. Effective Income must be reasonably likely to continue through at least the first three years of the loan. **Family Members -** Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

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	• child, parent, or grandparent
	  ○ a child is defined as a son, stepson, daughter, or stepdaughter
	  ○ a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
	• spouse or domestic partner
	• legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption
	• foster child
	• brother, stepbrother
	• sister, stepsister
	• uncle
	• aunt
	• son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower
	
	Minimum Required Investment (MRI) – 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 (NHA), which represents at least 3.5 percent of the Adjusted Value of the Property.
	
	Self-Employment Income - Self-Employment Income refers to income generated by a business in which the borrower has a 25 percent or greater ownership interest.

Section 10: References

10.1 References

References	• HUD HandBooks • Limited Denial of Participation (LDP) List • General Services Administration (GSA) Exclusionary List

10.2 Contacts

HOC Contact Info	The following is the contact method required to have Case Numbers cancelled, transferred or reinstated with HUD: • Atlanta: (404) 331-3361 • Philadelphia: Send request to email box: phocinsure@hud.gov. Subject should read "case reinstatement request with case number" if applicable • Denver: Send request to email box: denhocinsure@hud.gov. Subject should read "case reinstatement request with case number" if applicable • Santa Ana: (714) 796-5521

10.3 Homeownership Centers

Homeownership Centers (HOC Offices)

Philadelphia	Atlanta	Denver	Santa Ana
Connecticut	Alabama	Arkansas	Alaska
Delaware	Florida	Colorado	Arizona
District of Columbia	Georgia	Iowa	California
Maine	Illinois	Kansas	Hawaii
Maryland	Indiana	Louisiana	Idaho
Massachusetts	Kentucky	Minnesota	Nevada
Michigan	Mississippi	Missouri	Oregon
New Hampshire	North Carolina	Montana	Washington
New Jersey	Puerto Rico	Nebraska	
New York	South Carolina	New Mexico	
Ohio	Tennessee	North Dakota	
Pennsylvania		Oklahoma	
Rhode Island		South Dakota	
Vermont		Texas	
Virginia		Utah	
West Virginia		Wisconsin	
		Wyoming	

Section 11: Version Control

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1.4 Ineligible Programs	Updated to allow transactions where loan officers who are appropriately licensed in the state of CA or FL are acting as the buyer's agent. Removed HPML as ineligible.	March 28, 2019
7.5 Ineligible Assets	Added sweat equity as ineligible (clarification)	March 28, 2019
3.8 Maximum # of Outstanding FHA Loans	Added clarification regarding non-occupying co-borrower ownership requirements.	April 12, 2019
5.2 Verification of Employment	Added clarification that electronic re-verification of employment is permitted and must be current within 30 days of the closing date.	April 12, 2019
6.3 Derogatory Credit	Added clarification that a tax lien (delinquent) must be subordinate to the FHA-insured mortgage.	April 12, 2019
7.1 Assets	Added clarification that a verification of deposit from a third-party verification vendor is acceptable.	April 12, 2019
Eligibility Matrices	Reduced LTV to 80% for case numbers assigned on or after 9/1/19	August 19, 2019
2.9 Cash-Out Refinances	Reduced LTV to 80% for case numbers assigned on or after 9/1/19	August 19, 2019
4.7 Appraisals	Clarified that appraisals ordered through NewRez approved AMCs are only required for Wholesale.	September 3, 2019
4.8 Disaster Areas	Updated timeline for when disaster inspections are required and can be ordered.	September 3, 2019
7.4 Seller/Interested Party Contributions	Clarified that credits from the Mortgagee or Third Party Originators (TPO) are excluded from the 6 percent limit, provided the Mortgagee or TPO is not the seller, real estate agent, builder, or developer.	September 3, 2019

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