

## FHA Product Profile: Correspondent

### Matrices

Purchase				
Units	Credit Score <sup>1</sup>	LTV <sup>2</sup>	CLTV <sup>3</sup>	DTI
<b>Approve/Eligible or Accept</b>				
1-4	620	96.5%	96.5%	50%
	640	96.5%	96.5%	55% <sup>4</sup>
<b>Refer and Manual Underwrite</b>				
1-4	Not Permitted			
<sup>1</sup> 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. <sup>2</sup> See 3.1 Borrower Eligibility for non-occupant co-borrower requirements and 3.5 Identity-of-Interest transactions <sup>3</sup> Max CLTV 100% (cost of acquisition) for Delegated Clients <sup>4</sup> West Virginia: Maximum DTI 50%				

Rate & Term and Cash-Out Refinance				
Purpose	Credit Score <sup>1</sup>	LTV	CLTV	DTI
<b>Approve/Eligible or Accept</b>				
Rate & Term Refi and Simple Refi	620	97.75%	97.75%	50%
	640	97.5%	97.75%	55% <sup>2</sup>
Cash-Out Refi	640	80%	80%	50%
<b>Refer and Manual Downgrade</b>				
Rate & Term Refi and Simple Refi	Not Permitted			
Cash-Out Refi				
<sup>1</sup> 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. <sup>2</sup> West Virginia: Maximum DTI 50%				

FHA Manufactured Housing					
Purpose	Units	Credit Score	LTV	CLTV	DTI
Purchase	1	640	96.5%	96.5%	55% <sup>1</sup>
Rate & Term Refi and Simple Refi	1	640	97.75%	97.75%	55% <sup>1</sup>
Cash-Out Refi	1	640	80%	80%	50%
Streamline Refi Credit Qualify	1	640	Unlimited	Unlimited	50%
Streamline Refi Non-Credit Qualify	1	640	Unlimited	Unlimited	NA
Fixed Rate only for Manufacturing Housing <sup>1</sup> West Virginia: Maximum DTI 50%					

FHA Streamline Refinance					
Credit Qualifying Streamline Refinance					
Units	Credit Score	Value Determination <sup>1</sup>	LTV	CLTV	DTI
1-4	640	Refi Authorization	Unlimited	Unlimited	50%

Non-Credit Qualifying Streamline Refinance					
Units	Credit Score	Value Determination <sup>1</sup>	LTV	CLTV	DTI
1-4	640	Refi Authorization	Unlimited	Unlimited	NA
<sup>1</sup> Principal balance may not exceed original loan amount of loan being refinanced.					

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### Matrices

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Section 1: Program Summary	
1.1 Program Summary	
Program Summary	<p>All NewRez guidelines will follow the FHA Single Family Housing Policy Handbook (Handbook 4000.1), except for NewRez Overlays.</p> <p>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 <a href="#">HUD-92900-A</a>. The underwriter must obtain the borrower's initial complete, signed <i>URLA</i> (<a href="#">Fannie Mae Form 1003</a>/<a href="#">Freddie Mac Form 65</a>) and page two of form <a href="#">HUD-92900-A</a> before underwriting the mortgage application.</p>
1.2 Underwriting	
Underwriting	<ul style="list-style-type: none"> <li>All loans, except for Streamline Refinances, must be run through FHA TOTAL Scorecard.</li> <li>Total Scorecard may be run through DU or LPA.</li> <li>Loans scoring Refer/Eligible or requiring a manual downgrade are not permitted, with the exception of Streamline Refinances.</li> </ul>
1.3 Ineligible Programs	
Ineligible Programs	<ul style="list-style-type: none"> <li>203(k) Rehab Mortgages</li> <li>Construction to Permanent (CTP) financing where the original note is modified is eligible for Delegated Clients</li> <li>Energy Efficient Mortgages (EEM) (Non-delegated Correspondents)</li> <li>Escrow Holdbacks for HUD REO</li> <li>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.</li> <li>Graduated Payment Mortgages (GPM)</li> <li>Growing Equity Mortgages (GEM)</li> <li>HOPE for Homeowners</li> <li>Housing Choice Voucher Homeownership Program (Section 8)</li> <li>HUD REO Purchase Programs</li> <li>HUD \$100 Down REO Program</li> <li>Indian Reservations (Section 184 loans)</li> <li>Investment properties</li> <li>Loans to non-profit organizations</li> <li>Mortgage Credit Certificates (MCCs) (Non-delegated Correspondents)</li> <li>Negative Equity Program</li> <li>Refinance transaction that is subject to Texas Home Equity Section 50 (a)(6)</li> <li>Section 32 loans</li> <li>Temporary Buydowns</li> <li>Transactions where properties will remain encumbered with a PACE obligation</li> <li>Transactions where the loan originator is acting in another real estate related role except for 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 correspondent.</li> </ul>
Section 2: Transaction Details	
2.1 Loan Limits	
Loan Limits	<ul style="list-style-type: none"> <li>Maximum loan limits vary by State and County determined by HUD: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></li> <li>The base loan amount (loan amount prior to UFMIP) may not exceed the limits published by HUD.</li> </ul>

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	<ul style="list-style-type: none"> <li>High-Balance loan amounts are available on 15 and 30 year fixed terms only.</li> </ul>				
<b>2.2 Eligible Terms and Product Codes</b>					
Eligible Terms & Product Codes	<b>Fixed Rate</b>				
	<b>Product Code</b>	<b>Eligible Terms</b>	<b>Product Code</b>	<b>Eligible Terms</b>	
	Y11	FHA Fixed Rate 10 Year	Y13	High-Balance FHA Fixed Rate 10 Year	
	050	FHA Fixed Rate 15 Year	V50	High-Balance FHA Fixed Rate 15 Year	
	Y10	FHA Fixed Rate 20 Year	Y12	High-Balance FHA Fixed Rate 20 Year	
	051	FHA Fixed Rate 30 Year	V44	High-Balance FHA Fixed Rate 30 Year	
	<b>ARM</b>				
GG3	FHA 5/1 Hybrid ARM (45 day look-back) 1/1/5 Cap	GG5	High-Balance FHA 5/1 Hybrid ARM (45 day look-back) 1/1/5 Cap		
	<ul style="list-style-type: none"> <li>Custom loan terms are available in annual increments for loan terms greater than 15 years. for all refinance transaction types. Contact the Pricing Desk.</li> <li>ARM programs are not permitted for manufactured housing</li> </ul>				
<b>2.3 ARM Adjustments</b>					
ARM Adjustments	Index	1 Yr T-Bill (per WSJ)			
	Margin	2.00%			
	Life Floor	5% below the start rate			
	Interest Rate Caps	<b>Product</b>	<b>First Adjustment</b>	<b>Subsequent Adjustments</b>	<b>Lifetime</b>
		5/1	1%	1%	5%
	Change Date	5/1	The first Change Date is the 61 <sup>st</sup> payment due date. Subsequent Change Dates are every twelve (12) months thereafter		
	Conversion Option	Not available			
<b>2.4 Eligible Transactions</b>					
Eligible Transactions	<ul style="list-style-type: none"> <li>Purchase</li> <li>Rate &amp; Term Refinance</li> <li>Cash-Out Refinance</li> <li>Credit Qualifying Streamline</li> <li>Non-Credit Qualifying Streamline Refinance</li> <li>Simple Refinance</li> </ul>				
<b>2.5 Principal Curtailments/Reductions</b>					
Principal Curtailments/Reductions	<p>The amount of the curtailment cannot exceed \$500.00 unless due to an excess Premium Pricing Credit.</p> <p>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 Regional Account Manager for details.</p>				
<b>2.6 Purchase</b>					
Purchases	<ul style="list-style-type: none"> <li>The borrower(s) name(s) must match FHA Connection, the Sales Contract, and the Mortgage Note</li> <li>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.</li> <li>The maximum mortgage amount that FHA will insure on a specific purchase is calculated by multiplying the appropriate LTV percentage by the Adjusted Value. For FHA to insure</li> </ul>				

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	<p>this maximum mortgage amount, the Borrower must make a Minimum Required Investment (MRI) of at least 3.5% of the Adjusted Value.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>2.7 Refinances (General)</b></p>	
<p>Refinances (General)</p>	<p>An NTB Streamline or Non-Streamline Worksheet meeting NewRez requirements must be completed on ALL refinance transactions. Streamline transactions must meet Handbook 4000.1 NTB requirements.</p> <ul style="list-style-type: none"> <li>• Delegated Correspondents are responsible for determining when Net Tangible Benefit must be met.</li> <li>• In all states, complete the product specific worksheet as noted below: <ul style="list-style-type: none"> <li>○ FHA Streamline</li> <li>○ FHA Standard (Non-Streamline): Generic NTB Test</li> </ul> </li> <li>• In CO*, MA, MD, ME, RI, SC, VA, and WV: Also complete the state specific forms as required by the state</li> <li>• <a href="#">See Net Tangible Benefit Policy</a></li> <li>• LTV/CLTV for FHA Refinances that require appraisals, including FHA-to-FHA are based on the adjusted value as defined below. For properties acquired by the borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of: <ul style="list-style-type: none"> <li>○ the purchase price, plus any documented improvements made subsequent to the purchase; or</li> <li>○ the Property Value.</li> </ul> </li> <li>• Properties acquired by the borrower within 12 months of case number assignment by inheritance or through a gift from a family member may utilize the calculation of Adjusted Value for properties purchased 12 months or greater.</li> <li>• For properties acquired by the borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value.</li> </ul>
<p><b>2.8 Rate and Term Refinances</b></p>	
<p>Rate and Term Refinances</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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 primary residence.</li> <li>• Maximum LTV: <ul style="list-style-type: none"> <li>○ 97.75% of Adjusted Value for primary residences that have been owner-occupied for previous 12 months or owner occupied since acquisition if acquired within 12 months <ul style="list-style-type: none"> <li>• 85% of Adjusted Value for borrower who has <ul style="list-style-type: none"> <li>○ Occupied subject property as primary residence for fewer than 12 months or</li> <li>○ Owned less than 12 months has not occupied the property for that entire period of ownership</li> <li>○ Owned &gt; 12 months but not occupied for the previous 12 months</li> </ul> </li> </ul> </li> </ul> </li> <li>• Existing Debt Calculation</li> </ul>

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	<ul style="list-style-type: none"> <li>○ Outstanding balance of the existing first mortgage;</li> <li>○ Purchase money second mortgage and/or any junior liens over 12 months old;                         <ul style="list-style-type: none"> <li>● 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</li> </ul> </li> <li>○ Unpaid PACE obligation, in full;</li> <li>○ Interest, late charges, escrow shortages, and prepayment penalties;</li> <li>○ MIP due on existing mortgage; and</li> <li>○ Buy-out of co-borrower's or ex-spouse's equity.                         <ul style="list-style-type: none"> <li>● 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.</li> </ul> </li> <li>○ 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.</li> <li>● Maximum mortgage amount is lesser of:                         <ul style="list-style-type: none"> <li>○ Nationwide Mortgage Limit</li> <li>○ Maximum LTV from above; or</li> <li>○ Sum of                                 <ul style="list-style-type: none"> <li>● existing debt (see above) and</li> <li>● costs associated with the transaction including:   <ul style="list-style-type: none"> <li>○ All borrower paid costs associated with the new mortgage, and</li> <li>○ Any borrower paid repairs required by the appraisal;</li> </ul> </li> <li>● Less any refund of the Upfront Mortgage Insurance Premium if financed in the original mortgage.</li> </ul> </li> </ul> </li> <li>○ 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.</li> </ul>
<b>2.9 Cash-Out Refinance</b>	
Cash-Out Refinance	<ul style="list-style-type: none"> <li>● There is no limit to the maximum cash-out permitted.</li> <li>● The mortgage amount of the first mortgage cannot exceed the nationwide mortgage limit.</li> <li>● Property must be owned and occupied by the borrower as their primary 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 primary residence for at least 12 months to be eligible for a cash out refinance</li> <li>● Seasoning Requirement of loan being refinanced:                         <ul style="list-style-type: none"> <li>○ 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</li> <li>○ 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</li> <li>○ if the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption</li> </ul> </li> <li>● Non-occupant co-borrowers are not permitted</li> <li>● Borrower's employment documentation or utility bills must be obtained and reviewed to evidence the borrower has occupied the subject property as their primary residence for the 12 months prior to case number assignment.</li> </ul>

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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Any outstanding PACE obligations must be paid in full at or prior to closing</li> <li>• Properties with mortgages must have a minimum of six months of mortgage payments.</li> <li>• Properties owned free and clear may be refinanced as cash-out transactions.</li> </ul>
<b>2.10 Simple Refinance</b>	
Simple Refinance	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Only permissible for owner-occupied primary residence</li> <li>• Borrower’s employment documentation or utility bills must be reviewed to evidence the Borrower currently occupies the property as their primary residence</li> <li>• 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.</li> <li>• Existing debt calculation: Add the outstanding balance of the existing FHA-insured first mortgage as of month prior to mortgage disbursement, interest, and MIP due on existing mortgage, late charges, or escrow shortages,</li> <li>• Maximum mortgage amount is lesser of:             <ul style="list-style-type: none"> <li>○ Nationwide Mortgage Limit</li> <li>○ maximum LTV from above; or</li> <li>○ Sum of                 <ul style="list-style-type: none"> <li>• existing debt (see above) and</li> <li>• costs associated with the transaction including:                     <ul style="list-style-type: none"> <li>○ All borrower paid costs associated with the new mortgage and</li> <li>○ Any borrower paid repairs required by the appraisal;</li> </ul> </li> <li>• Less any refund of the UFMIIP if financed in the original mortgage.</li> </ul> </li> </ul> </li> </ul>
<b>2.11 Streamline Refinances</b>	
Streamline Refinances	<ul style="list-style-type: none"> <li>• Refers to the refinance of an existing FHA-insured mortgage with limited credit documentation and underwriting.</li> <li>• Owner-occupied primary residences.</li> <li>• Borrower’s employment documentation or utility bills must be reviewed to evidence the borrower currently occupies the property as their primary residence.</li> <li>• QM Rebuttable Presumption Streamline Refinances must be Credit Qualified</li> <li>• <b>WV State Restriction – West Virginia requires FHA Streamline Refinances to be credit qualified. NCQ Streamline Refinance not permitted</b></li> <li>• All Streamline Refinances must be manually underwritten.</li> <li>• Mortgage Payment History             <ul style="list-style-type: none"> <li>○ Non-Credit Qualifying                 <ul style="list-style-type: none"> <li>• 0x30x6 for ALL mortgages secured by subject property prior to case number assignment date; and</li> <li>• 1x30 for six months previous (months 7-12) for ALL mortgages secured by subject property</li> </ul> </li> <li>○ Credit Qualifying                 <ul style="list-style-type: none"> <li>• 0x30x6 for ALL mortgages on all properties prior to case number assignment date; and</li> </ul> </li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• 1x30 for six months previous (months 7-12) for ALL mortgages on all properties</li> <li>• Where a credit score is required, each borrower must have a valid and usable score from at least one 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 from these three agencies are acceptable. Refer to Section 6.1 for additional <u>Mortgage Only Credit Report requirements</u>.</li> <li>• Any assets needed to close in excess of the total mortgage payment of the new mortgage must be verified (e.g. PITI = \$100, cash needed to closed = \$150, then \$50 must be verified)</li> <li>• Minimum mortgage seasoning requirement.             <ul style="list-style-type: none"> <li>○ On the date of the FHA case number assignment:                 <ul style="list-style-type: none"> <li>• the borrower must have made at least six consecutive monthly payments on the FHA-insured mortgage that is being refinanced;</li> <li>• at least six full months must have passed since the first payment due date of the mortgage that is being refinanced;</li> <li>• at least 210 Days must have passed from the note date of the mortgage that is being refinanced; and</li> <li>• if the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption; and</li> <li>• 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)</li> </ul> </li> </ul> </li> <li>• 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.</li> <li>• The maximum mortgage base loan amount is the lesser of:             <ul style="list-style-type: none"> <li>○ Outstanding principal balance of existing mortgage as of the month prior to disbursement plus:                 <ul style="list-style-type: none"> <li>• Interest due on the existing mortgage; and</li> <li>• MIP due on the existing mortgage or</li> </ul> </li> <li>○ Original principal balance of the existing mortgage including financed UFMIP; less any refund of UFMIP (if financed in original mortgage)</li> </ul> </li> <li>• Credit Qualifying Streamline Refinances             <ul style="list-style-type: none"> <li>○ Wage earners require the most recent YTD Paystub, 2 years' W-2s, and a                 <ul style="list-style-type: none"> <li>• 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.</li> </ul> </li> <li>○ 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.</li> <li>○ Self-employed borrowers and borrowers utilizing other income must provide 2 years' tax returns or standard FHA documentation for other income.</li> <li>○ 4506-T and processed tax transcript requirements apply as outlined in the Income Section of this product profile.</li> <li>○ 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).</li> </ul> </li> </ul>
<p><b>2.12 Texas 50(f)(2) Loans</b></p>	
<p>2.12 Texas 50(f)(2) Loans</p>	<p>Texas 50(f)(2) loans allow the refinance of a home equity loan into a non-home equity loan.</p> <ul style="list-style-type: none"> <li>• Maximum 80% LTV/CLTV;</li> </ul>

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- No additional funds may be rolled into the loan (except closing costs and pre-pays).UFMIP must be treated as a fee and must not be added on top of the base LTV/CLTV. The maximum LTV/CLTV is 80% with costs rolled in.
- Subordinate financing not permitted.
- 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.

**(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 (a)6( )profile.

**2.13 Down Payment Assistance**

Down Payment Assistance Not permitted for non-delegated correspondents

**2.14 Subordinate Financing**

Subordinate Financing Not permitted for non-delegated correspondents

**Section 3: 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 an FHA-insured mortgage. GSA and LDP must be reviewed to verify borrower(s) are not included on the lists.

All borrowers must have a valid and verifiable Social Security Number, 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

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	<p>permanent or a nonpermanent resident alien, is eligible for a mortgage on the same terms as a U.S. citizen.</p> <p>Non-Occupying Borrower Transactions:</p> <ul style="list-style-type: none"> <li>• Non-occupant co-borrowers must be a U.S. citizen or have a primary 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.</li> <li>• 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:             <ul style="list-style-type: none"> <li>○ a family member selling to a family member who will be a non-occupying co-borrower; or</li> <li>○ a transaction on a two- to four-unit property.</li> </ul> </li> <li>• Not permitted on cash-out transactions</li> </ul> <p>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 primary 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.</p> <p>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.</p>
<p><b>3.2 Occupancy</b></p>	
<p>Occupancy</p>	<p>Primary residences</p>
<p><b>3.3 Power of Attorney</b></p>	
<p>Power of Attorney (POA)</p>	<p>Generally, a POA may be used for closing in the following scenarios:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul> <p>There are two acceptable types of power of attorney. The following persons may sign security instruments on a borrower’s behalf:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul> <p>All loan files wishing to utilize a power of attorney require the following:</p> <ul style="list-style-type: none"> <li>• Copies of signed initial URLA, HUD-92900-A and Application disclosures by the borrower</li> <li>• A Letter of Explanation from the borrower advising why the loan is closing with a POA</li> <li>• Completed and Signed POA Form</li> </ul>

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3.4 Living Trust (Inter-Vivos Revocable Trust)	
Living Trust (Inter-Vivos Revocable Trust)	<ul style="list-style-type: none"> <li>• A living trust is an eligible borrower if it meets investor and State requirements.</li> <li>• For loans underwritten by NewRez, all trusts must be approved by NewRez legal prior to loan approval.</li> </ul> <p>One of the following is required:</p> <ul style="list-style-type: none"> <li>• A copy of the trust document must be included in the file; or</li> <li>• Exception: California, where a current (less than 1 year old) trust certification completed by the borrower may be provide din lieu of the full trust document. If this certification is incomplete or contrary to title results, the full trust documentation may still be required.</li> </ul>
3.5 Non-Arm's Length Transactions / Identity of Interest	
Non-Arm's Length Transactions / Identity of Interest	<p>Transactions where the Loan Originator is acting in another real estate related role are not permitted.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Borrower purchases as their primary residence the primary residence of another Family Member; or</li> <li>• Tenant Purchase - Borrower purchases as their primary 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.</li> <li>• Borrower, who is an employee of a builder, who is not a family member, purchases one of the builder's new houses or models</li> <li>• Corporate Transfer – A corporation transfers an employee to another location, purchases the employee's home, and sells the home to another employee</li> </ul>
3.6 Ineligible Borrowers	
Ineligible Borrowers	<ul style="list-style-type: none"> <li>• Borrowers with Diplomatic Immunity</li> <li>• Borrowers with Deferred Action for Childhood (DACA) approval (EAD Category C33)</li> <li>• Foreign Nationals</li> <li>• Principal/Owners of NewRez Third Party Originators</li> <li>• Individuals on the LPD/GSA exclusionary lists</li> <li>• Life Estate</li> <li>• Limited Partnerships, Corporations and LLCs</li> <li>• Non-Revocable Trusts or Guardianships</li> </ul>
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	<p>NewRez permits more than one FHA loan per borrower based upon FHA's requirements below.</p> <p>FHA will not insure more than one loan per borrower with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Relocations: The borrower must be relocating or has relocated for an employment related reason and establishing or has established a new primary residence in an area more than 100 miles from the borrower's current primary residence.</li> <li>• 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</li> </ul>

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	<p>mortgage balance on the present property to 75% or less, using a current appraisal to determine market value.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Non-Occupying Co-Borrower             <ul style="list-style-type: none"> <li>○ 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 primary residence.</li> <li>○ A borrower with an existing FHA-insured mortgage on their own primary residence may qualify as a non-occupying co-borrower on other FHA-insured mortgages.</li> </ul> </li> </ul>
<p><b>Section 4: Collateral</b></p>	
<p><b>4.1 Eligible Properties</b></p>	
<p>Eligible Properties</p>	<ul style="list-style-type: none"> <li>• Attached/Detached Single Family Residence</li> <li>• Attached/Detached PUDs</li> <li>• Low/Mid/High-Rise Condos and site Condos</li> <li>• 2 Unit Properties</li> <li>• 3-4 Unit Properties, provided the maximum mortgage amount is limited so the ratio of PITIA divided by the Net Self-Sufficiency Rental Income does not exceed 100%</li> <li>• Modular Homes</li> <li>• Manufactured Home</li> </ul>
<p><b>4.2 Condos</b></p>	
<p>Condos</p>	<ul style="list-style-type: none"> <li>• All loans secured by condos must be reviewed by the NewRez Project Review team prior to approval, except for Delegated Correspondents. All requests for condominium review should be emailed to <a href="mailto:projectreview@newrez.com">projectreview@newrez.com</a>.</li> <li>• With the exception of FHA Streamlines, condominiums must be HUD approved and not expired at time of case number issuance: <a href="https://entp.hud.gov/idapp/html/condlook.cfm">https://entp.hud.gov/idapp/html/condlook.cfm</a>.</li> <li>• Single Unit Approval may be used for projects that are not HUD approved, or for expired HUD approved projects.</li> <li>• NewRez will not issue a DELRAP approval; however, existing, unexpired DELRAP approvals are permitted.</li> </ul>
<p><b>4.3 Manufactured Housing</b></p>	
<p>Manufactured Housing</p>	<p>Manufactured housing is a structure that is transportable in one or more section. To be eligible for FHA insurance all Manufactured Housing must:</p> <ul style="list-style-type: none"> <li>• be designed as a one-family dwelling;</li> <li>• have a floor area of not less than 400 square feet</li> <li>• must be an existing dwelling permanently erected on the current site for a minimum of 12 months prior to the case number assignment date</li> <li>• must be served by permanent water and sewer facilities and other utilities in accordance with local and state requirements</li> <li>• 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;</li> <li>• be taxed and titled as real estate with manufacturers title surrendered as per applicable state requirements</li> <li>• 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</li> </ul>

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	<p>manufacturer’s requirements for anchoring, support, stability, and maintenance and with HUD Permanent Foundations Guide for Manufactured Housing (PFGMH);</p> <ul style="list-style-type: none"> <li>• must not have been previously installed or occupied at any other site or location</li> <li>• if the manufactured home was structurally modified (additions or alterations), additional requirements apply. Refer to the Handbook 4000.1.</li> <li>• 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</li> <li>• must have been directly transported from the manufacturer or dealership to the site.</li> </ul>
<b>Manufactured Housing – Required Documentation</b>	
<p>Manufactured Housing</p>	<ul style="list-style-type: none"> <li>• HUD Certification Label <ul style="list-style-type: none"> <li>○ If the appraisal indicates the HUD Certification Label is missing from the Manufactured Housing unit, obtain label verification from the Institute for Building Technology and Safety (IBTS).</li> </ul> </li> <li>• PFGMH Certification <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> </ul>
<b>Manufactured Housing – Ineligible</b>	
<p>Manufactured Housing</p>	<ul style="list-style-type: none"> <li>• Condo for non-delegated clients</li> <li>• Leasehold</li> <li>• Located in mobile home parks</li> </ul>
<b>Manufactured Housing – Located in Special Flood Hazard Area</b>	
<p>Manufactured Housing</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• a FEMA issued LOMA or LOMR that removes the Property from the SFHA; or</li> <li>• a FEMA National Flood Insurance Program (NFIP) Elevation <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• the outstanding balance of the mortgage, less estimated land costs; or</li> <li>• the maximum amount of the NFIP insurance available with respect to the property improvements.</li> </ul>
<b>Manufactured Housing – Appraisal</b>	
<p>Manufactured Housing</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Must contain a minimum of two (2) manufactured home comparable sales</li> <li>• The value conclusion cannot include any non-realty items including, but not limited to, insurance, warranties, and furniture.</li> </ul>

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	<ul style="list-style-type: none"> <li>• If the appraiser determines that a manufactured home is 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. If provided with an elevation certificate, the appraiser will indicate the property is in a flood hazard area on the appraisal report</li> <li>• The appraiser must address the adequacy of the perimeter enclosure and call for repairs or further inspection, if warranted.</li> </ul>
<p><b>4.4 Ineligible Properties</b></p>	
<p>Ineligible Properties</p>	<ul style="list-style-type: none"> <li>• Bed and Breakfast</li> <li>• Coastal Barrier Resources System areas</li> <li>• Condotels</li> <li>• Co-ops</li> <li>• Hobby Farms</li> <li>• Land Trust</li> <li>• Live-Work Units</li> <li>• Manufactured condo or leasehold</li> <li>• Non-warrantable condos</li> <li>• Properties encumbered with private transfer fee covenants</li> <li>• Properties not meeting MPRs</li> <li>• Properties subject to a right of redemption</li> <li>• Properties where farm or agricultural income from the subject property is claimed on borrower's tax returns</li> <li>• Unique property types (Geodesic domes, berms, and earth homes)</li> </ul>
<p><b>4.5 Time Restrictions on Resale</b></p>	
<p>Property Flips/Rapid Appreciation</p>	<p>A property that is being resold 90 days or fewer following the seller's date of acquisition is not eligible for an FHA loan.</p> <p>For Resales Occurring Between 91 Days and 180 Days After Acquisition:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The cost of the second appraisal may not be charged to the borrower.</li> </ul> <p>Some of the Exceptions to time restrictions on resale are:</p> <ul style="list-style-type: none"> <li>• Properties acquired by an employer or relocation agency</li> <li>• Resales by HUD under its REO program</li> <li>• Sales of properties acquired by the seller by inheritance</li> </ul>
<p><b>4.6 Properties Previously Listed for Sale</b></p>	
<p>Properties Previously Listed for Sale</p>	<p>Careful consideration should be given to the listing price and appraised value to be sure the value is supported.</p>
<p><b>4.7 Appraisals</b></p>	
<p>Appraisals</p>	<p>All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisal must be completed by a Certified FHA appraiser A copy of the appraiser's license must be included in all funded loan files</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Re-use of an appraisal from a previously closed transaction is not permitted.</li> </ul>

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	Refer to Section <a href="#">4.3 Manufactured Housing Appraisal Section</a> for Manufactured Home appraisal requirements
<b>4.8 Disaster Areas</b>	
Disaster Areas	<p>Presidentially Declared Major Disaster Area (PDMDA) - Refer to the list of affected counties published by FEMA at the following link:  <a href="https://www.fema.gov/disasters">https://www.fema.gov/disasters</a></p> <p>NewRez will require recertification from the appraiser on all loans located in the affected Counties prior to closing or pending endorsement, if the county is indicated as being in a declared disaster area, the policy must be adhered to</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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:                         <ul style="list-style-type: none"> <li>○ Final Inspection or Appraisal Update signed by the original appraiser (Form 1004D/442)</li> <li>○ Disaster Area Inspection Report (DAIR)</li> </ul> </li> <li>• 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</li> <li>• Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster</li> </ul>
<b>4.9 Geographic Restrictions</b>	
Geographic Restrictions	<p>Ineligible for loans underwritten by NewRez</p> <ul style="list-style-type: none"> <li>• Alaska</li> <li>• Hawaii</li> </ul> <p><b>West Virginia State Lending Restrictions:</b></p> <ul style="list-style-type: none"> <li>• <b>Maximum DTI for Purchase, Cash-out, Simple and Rate Term Refinances are limited to 50%</b></li> <li>• <b>FHA Streamline Refinances must be credit qualified. NCQ Streamlines are not permitted. See Section 2.11 Streamline Refinances</b></li> </ul>
<b>Section 5: Income</b>	
<b>5.1 Income</b>	
Income	<p><b>4506-T &amp; Tax Transcript Requirements</b></p> <ul style="list-style-type: none"> <li>• Prior to Underwriting (NewRez underwritten loans)                         <ul style="list-style-type: none"> <li>○ 4506-T must be signed for each borrower whose income must be documented with tax returns and used for qualification (self-employment, rental income, etc.)</li> </ul> </li> <li>• At Closing (all loans)                         <ul style="list-style-type: none"> <li>○ 4506-T for each borrower whose income is used to qualify must be signed at closing</li> <li>○ 4506-T for the business tax return transcripts (s) must be signed at closing when the business returns are used for qualification</li> </ul> </li> <li>• Tax transcripts may be required at underwriter discretion.</li> </ul>

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#### Income Requirements

- Effective Income refers to income that may be used to qualify a borrower for a mortgage. Effective income must be reasonably likely to continue for at least three years and meet the following:
  - Document the borrower’s income and employment history;
  - Verify the accuracy of the amounts of income being reported; and
  - Determine if the income can be considered as Effective Income in accordance with the requirements in the FHA Handbook 4000.1.
  - Only consider income if it is legally derived and, when required, properly reported as income on the borrower’s tax returns.
  - Negative income must be subtracted from the borrower’s gross monthly income and not treated as a recurring monthly liability unless otherwise noted.
  - If FHA requires tax returns as required documentation for any type of Effective Income, the underwriter must also analyze the tax returns in accordance with Appendix 2.0 – Analyzing IRS Forms.
  - For borrowers with gaps in employment of six months or more (an extended absence), the underwriter may consider the borrower’s current income as Effective Income if it can verify and document that:
    - The borrower has been employed in the current job for at least six months at the time of case number assignment; and
    - A two-year work history prior to the absence from employment using standard or alternative employment verification. See section on Streamline Refinances for income requirements specific to those transactions.
- Commission Income: 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 must reflect one full year of commission income for the income to be included as Effective Income.
- Public Assistance: Verify and document the income from the government agency. If the income is due to expire within three years from the date of application, it is not acceptable. If the documentation does not have a defined expiration date, the income may be considered effective and likely to continue.
- Part-Time and Variable
  - Evaluate income over the previous two years and YTD.
  - Increasing income YTD may be averaged with previous two 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. 2017 & 2018 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

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	<p>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 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:</p> <ul style="list-style-type: none"> <li>○ Individual federal income tax returns show increasing self-employment income over the past two years;</li> <li>○ Funds to close are not coming from business accounts; and</li> <li>○ The loan is not a cash-out refinance.</li> </ul>
<b>5.2 Verification of Employment</b>	
Verification of Employment	<p>Verbal or electronic re-verification of employment through a third-party verification vendor is acceptable.</p> <p><b>Wage Earner and Non-Self-Employed Borrower</b></p> <ul style="list-style-type: none"> <li>● A Verbal Verification of Employment (VVOE) dated within 10 calendar days of the Note date is required. The VVOE must:                         <ul style="list-style-type: none"> <li>○ Include the phone number contacted to complete the verbal, which must be documented as associated with the business;</li> <li>○ the verification should be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses.                                 <ul style="list-style-type: none"> <li>● 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.</li> </ul> </li> </ul> </li> </ul> <p><b>Self Employed borrowers</b></p> <ul style="list-style-type: none"> <li>● The existence of the borrower’s business must be validated within 30 calendar days of the Note date. This can be accomplished through a third party, such as:                         <ul style="list-style-type: none"> <li>○ a CPA;</li> <li>○ regulatory agency; or</li> <li>○ the applicable licensing bureau.</li> </ul> </li> <li>● AND by verifying a phone listing and address for the borrower’s business using a telephone book, the internet, or directory assistance.</li> </ul> <p>Current income reported on the paystub 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.</p>
<b>5.3 Conversion of Primary Residence (Rental Income)</b>	
Conversion of Primary Residence	<p>The underwriter may not consider rental income from a primary residence vacated in favor of another primary residence unless:</p> <ul style="list-style-type: none"> <li>● Relocation: The borrower must be relocating to an area more than 100 miles from the Borrower’s current Primary 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.</li> </ul> <p><b>Required Documentation</b></p> <ul style="list-style-type: none"> <li>● If the 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</li> </ul>

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	<p>borrower has at least 25% equity in the property. The appraisal is not required to be completed by an FHA Roster Appraiser.</p> <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ 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.</li> </ul> <ul style="list-style-type: none"> <li>● If the Borrower has a history of rental income: Must obtain the borrower’s last two years’ tax returns with Schedule E.</li> </ul>
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**Section 6: Credit**

**6.1 Credit**

<p>Credit</p>	<p>Non-Traditional Credit is not permitted</p> <ul style="list-style-type: none"> <li>● 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.</li> <li>● Each Borrower must have a valid and usable score from at least one of the following three agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these three agencies are acceptable.</li> <li>● Generally, thin credit is not allowed, and the borrower’s financial position should translate into the borrower’s credit profile for analysis.</li> <li>● If the property or the borrower is in a community property state, a credit report for a non-borrowing spouse is required.</li> <li>● Deferred student loans and Authorized User accounts are ineligible as valid trade-lines.</li> <li>● All credit inquiries within 90 days of the credit report are required to be addressed by the customer – see Credit Attestation Policy</li> <li>● Mortgage Only Credit Report for NCQ Streamline only is permitted</li> </ul>
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**6.2 Derogatory Credit**

<p>Derogatory Credit</p>	<p>Loans scored through the TOTAL Mortgage Scorecard that receive an Accept score must follow the Handbook 4000.1 requirements for evaluating Credit History.</p> <p><b>TOTAL</b>  <u>Collection Accounts, Charge Off Accounts, Accounts with Late Payments in the Previous 24 months and Judgements:</u> An explanation of collection accounts, Charge-Off Accounts, accounts with late payments, Judgments or other derogatory Information is not required.</p> <p><u>Disputed Derogatory Credit Accounts:</u> 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 is not permitted. Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included to the \$1000 cumulative balance.</p> <p><u>Disputed Non-Derogatory Accounts:</u> 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.</p>
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	<p><b>Judgments:</b> Court-ordered judgments must be resolved or paid-off prior to or at closing. Judgments of non-borrowing spouse in a community property state must be resolved or paid in full, except for obligations excluded by state law. A judgment 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 judgment will not supersede the FHA-insured mortgage lien. Payment amount must be included in the DTI calculation.</p> <p><b>Inaccuracy in Debt:</b> 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:</p> <ul style="list-style-type: none"> <li>• verify the actual monthly payment amount;</li> <li>• 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</li> <li>• determine that the additional debt was not/will not be used for the borrower’s Minimum Required Investment (MRI).</li> </ul> <p><b>Bankruptcy:</b> 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 is not permitted.</p> <p><b>Pre-Foreclosure Short Sale:</b> 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 is not permitted. 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.</p> <p><b>Foreclosures and Deed in Lieu (DIL):</b> Foreclosures and Deed in Lieu (DIL) within three years of case assignment number require a downgrade to Refer and is not permitted.</p> <p><b>Credit Counseling/Payment Plan:</b> Participating in consumer credit counseling program does not require a downgrade to manual underwriting.</p> <p><b>Housing Obligations/Mortgage Payment History:</b>  <b>Purchase or No Cash-Out Refinance:</b> Loan must be downgraded to Refer and is not permitted if any mortgage trade line during the most recent 12 months reflects any of the following.</p> <ul style="list-style-type: none"> <li>• 3x30</li> <li>• 1x60 plus 1x30 or</li> <li>• 1x90</li> </ul> <p><b>Cash-Out Refinance:</b> Loan must be downgraded to a Refer and is not permitted if any mortgage trade line reflects any of the following.</p> <ul style="list-style-type: none"> <li>• A current delinquency or</li> <li>• Any delinquency within 12 months of case number assignment date</li> </ul> <p><b>Manual Underwriting:</b>  Loans where TOTAL Scorecard issues a Refer, or where a downgrade to manual underwrite is required, are not permitted.</p> <p><b>Collection or Charge-Off Accounts:</b> Must document reason for approving a loan with collection or charge off accounts. Borrower must provide a letter of explanation with</p>
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	<p>supporting documentation for each collection or charge off account. Must determine if collection or charge-off accounts are the result of:</p> <ul style="list-style-type: none"> <li>• Borrower’s disregard for financial obligations</li> <li>• Borrower’s inability to manage debt or</li> <li>• Extenuating circumstances</li> </ul> <p><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:</p> <ul style="list-style-type: none"> <li>• Disputed medical accounts</li> <li>• Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. Must have a copy of the police report or other documentation.</li> </ul> <p><u>Judgments:</u> Court-ordered judgments must be resolved or paid-off prior to or at closing. Judgments of non-borrowing spouse in a community property state must be resolved or paid in full, except for obligations excluded by state law.</p> <p>Regardless of amount of outstanding judgments, must determine if the result of:</p> <ul style="list-style-type: none"> <li>• Borrower’s disregard for financial obligations</li> <li>• Borrower’s inability to manage debt or</li> <li>• Extenuating circumstances</li> </ul> <p>A judgment 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.</p> <p><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.</p> <p><u>Foreclosure, Deed-in-lieu of foreclosure and Short Sales:</u> At least three-years must have elapsed prior to date of case number assignment. 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.</p> <p><u>Credit Counseling/Payment Plan</u> – Borrower must have:</p> <ul style="list-style-type: none"> <li>• One year of pay-out period elapsed under the plan</li> <li>• Payment performance has been satisfactory, and all required payments have been made on time and</li> <li>• Written permission from counseling agency to enter into the mortgage transaction</li> </ul> <p><b>CAIVRS</b> 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.</p>
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	<p><b>Federal Non-Tax Debt</b></p> <p>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. Delinquent debt is resolved only if the person:</p> <ul style="list-style-type: none"> <li>• Pays or otherwise satisfies the delinquent debt in full;</li> <li>• Pays the delinquent debt in part if the creditor agency accepts such part payment as a compromise in lieu of payment in full;</li> <li>• 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</li> <li>• 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.</li> </ul> <p>Clear CAIVRS must be obtained evidencing resolution of the delinquent federal non-tax debt.</p> <p><b>Federal Tax Debt</b></p> <p>Borrowers with delinquent Federal Tax Debt are ineligible.</p> <ul style="list-style-type: none"> <li>• Federal taxes due <u>prior to</u> the tax filing due date of April 15<sup>th</sup> (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.</li> <li>• Federal taxes due <u>after</u> 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.</li> <li>• If the tax debt is <u>already a lien</u> (“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 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.</li> </ul> <p>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.</p> <p>NOTE: Loan proceeds may not be used to clear CAIVRS.</p>
<p><b>6.3 Prior Mortgage Credit Rejects (MCRs)</b></p>	
<p>Prior Mortgage Credit Reject (MCR)</p>	<p>Not permitted for non-delegated correspondents</p>
<p><b>6.4 General Liabilities and Debts</b></p>	
<p>General Liabilities and Debts</p>	<p>All applicable monthly liabilities must be included in the qualifying ratio.</p> <p><u>30-day Accounts</u>: 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</p>

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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% 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% of the borrower's gross monthly income. Cumulative payments are 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.

Contingent Liabilities: 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.

Collection Accounts: 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% 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

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	<p>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.</p> <p><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% of the outstanding balance must be used to establish the monthly payment.</p> <ul style="list-style-type: none"> <li>• 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:             <ul style="list-style-type: none"> <li>○ The greater of:                 <ul style="list-style-type: none"> <li>• 1% of the outstanding balance on the loan; or</li> <li>• The monthly payment reported on the borrower’s credit report; or</li> </ul> </li> <li>○ The actual documented payment provided the payment will fully amortize the loan over its term.</li> </ul> </li> </ul> <p><b>Paying Down/Off Debt to Qualify</b></p> <ul style="list-style-type: none"> <li>• Paying down debt to less than 10 months to avoid including in the debt ratio is not permitted.</li> <li>• 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.</li> </ul>
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**6.5 Qualifying Ratios**

<p>Qualifying Ratios</p>	<p><b>Qualifying Rate</b></p> <ul style="list-style-type: none"> <li>• Fixed Rate: Note Rate</li> <li>• 5/1 ARM: Note Rate</li> </ul> <p><b>Housing Payment Ratio</b></p> <p>The monthly housing expense is the sum of the following charges as they apply to any properties owned and financed by the borrower:</p> <ul style="list-style-type: none"> <li>• Monthly principal and interest payment as per the qualifying rate</li> <li>• 1/12th of the annual hazard insurance premium and any other insurance required by loan program.</li> <li>• 1/12th of the annual real estate taxes.</li> <li>• 1/12th of the annual flood insurance premium, when applicable.</li> <li>• Monthly leasehold payments, when applicable.</li> <li>• Monthly homeowner association dues, condominium maintenance fees and monthly assessments (when applicable).</li> <li>• Monthly payment for other secured financing (when applicable).</li> </ul> <p><b>Total Debt Ratio</b></p> <ul style="list-style-type: none"> <li>• Monthly housing expense as per qualifying rate.</li> <li>• Outstanding monthly obligations such as:             <ul style="list-style-type: none"> <li>• Installment debt</li> <li>• Revolving debt payments</li> <li>• Alimony, child support or maintenance payments                 <ul style="list-style-type: none"> <li>○ Losses associated with other real estate owned</li> </ul> </li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>○ Other obligations where a monthly payment is legally required.</li> </ul>
Section 7: Assets	
7.1 Assets	
Assets	<p>Follow Handbook 4000.1, unless otherwise specified below. Assets must be verified as noted by the AUS.</p> <p>For loans underwritten by NewRez, Business Assets are allowed for down payment and closing costs:</p> <ul style="list-style-type: none"> <li>• the borrower must be the majority owner of the business.</li> <li>• business assets may not be used for reserves.</li> <li>• The use of these funds must be documented as having no negative impact on the business's livelihood</li> </ul> <p>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.</p>
7.2 Cash Reserves	
Cash Reserves	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Reserves do not include:                             <ul style="list-style-type: none"> <li>○ the amount of cash taken at settlement in cash-out transactions;</li> <li>○ incidental cash received at settlement in other loan transactions;</li> <li>○ gift funds;</li> <li>○ equity in another property; or</li> <li>○ borrowed funds from any source.</li> </ul> </li> <li>• <b>Reserve Requirements Based on Property Type</b> <ul style="list-style-type: none"> <li>○ 1-2 units (Credit Qualifying Streamline Refinances)                                     <ul style="list-style-type: none"> <li>▪ Verify and document one month's PITI reserves</li> </ul> </li> <li>○ 3-4 units (Total and Credit Qualifying Streamline Refi)                                     <ul style="list-style-type: none"> <li>▪ Verify and document three months' PITI reserves</li> </ul> </li> </ul> </li> </ul>
7.3 Gifts	
Gifts	Follow Handbook 4000.1
7.4 Seller/Interested Party Contributions	
Seller/Interested Party Contributions	<p>6% maximum; the seller and/or third party may contribute up to 6% of the sales price toward the borrower's origination fees, other closing costs and, discount points. The 6% limit also includes:</p> <ul style="list-style-type: none"> <li>• Interested party payment for permanent and temporary interest rate buydowns, and other payment supplements</li> <li>• Payments of mortgage interest for fixed rate mortgages</li> <li>• Mortgage payment protection insurance and</li> <li>• Payment of UFMIP.</li> </ul> <p>Credits from the Mortgagee or Third-Party Originators (TPO) are excluded from the 6% limit, provided the Mortgagee or TPO is not the seller, real estate agent, builder, or developer.</p>
7.5 Ineligible Assets	
Ineligible Assets	<ul style="list-style-type: none"> <li>• Cryptocurrency (e.g., Bitcoin)</li> <li>• Custodial accounts for minors (UTMA/UGMA)</li> <li>• Pooled Funds</li> <li>• Sweat equity</li> </ul>
Section 8: Program Details	

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8.1 Age of Documentation	
Age of Documentation	Income and asset documentation may not be more than 60 days old on the Note date for non-delegated correspondents.
8.2 Signature Requirements	
Signature Requirements	<ul style="list-style-type: none"> <li>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 <i>URLA</i> (Fannie Mae Form 1003/Freddie Mac Form 65) and page two of form HUD-92900-A before underwriting the mortgage application.</li> <li>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.</li> <li>The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document.</li> <li>Electronic signatures are not permitted for any final documents including but not limited to the Note, Mortgage, final 1003, etc.</li> </ul>
8.3 Escrows	
Escrows	Tax and Insurance escrows are required on all FHA loans.
8.4 Repair Escrow Holdbacks	
Repair Escrow Holdbacks	Follow Handbook 4000.1 requirements and refer to <a href="#">Chapter 16 of NewRez Client Guide</a>
8.5 Excluded Parties- LDP/GSA Searches	
Excluded Parties- LDP/GSA Searches	<p>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:</p> <ul style="list-style-type: none"> <li>Borrowers</li> <li>Seller</li> <li>Builder</li> <li>Listing Agent &amp; Listing Company</li> <li>Selling Agent &amp; Selling Company</li> <li>Title Agent</li> <li>Title Company</li> <li>Closing Attorney</li> <li>Appraiser and Appraisal Company</li> <li>Loan Originator</li> <li>Loan Processor</li> <li>Underwriter</li> <li>203(k) consultant</li> </ul>
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 7 <sup>th</sup> day and refinances must fund by the 10 <sup>th</sup> 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 Title Insurance	
Title Insurance	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
8.11 Legal Restrictions on Conveyance	
Legal Restrictions on Conveyance	<p>Loans where the property contains leased equipment (e.g., 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 are acceptable, provided they do not cause an ownership transfer of the property by the borrower to:</p> <ul style="list-style-type: none"> <li>• be void, or voidable by a third party;</li> <li>• be the basis of contractual liability of the borrower</li> <li>• terminate or be subject to termination all or part of the interest held by the borrower;</li> <li>• be subject to the consent of a third party;</li> <li>• 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.);</li> <li>• be grounds for accelerating the insured loan; or</li> <li>• be grounds for increasing the interest rate of the insured loan.</li> </ul> <p>Follow guidelines contained in Handbook 4000.1</p>
Section 9: Glossary of Terms	
<p>9.1 Glossary of Terms – For complete Handbook glossary of terms, please use the following link:  <a href="http://portal.hud.gov/hudportal/documents/huddoc?id=40001gaHSGH.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=40001gaHSGH.pdf</a></p>	
Glossary of Terms	<p><b>30-Day Account</b> - 30-Day Account refers to a credit arrangement that requires the Borrower to pay off the outstanding balance on the account every month.</p> <p><b>Adjusted Value – purchase transactions</b> is the lesser of:</p> <ul style="list-style-type: none"> <li>• Purchase price less any inducements to purchase; or</li> <li>• The property value</li> </ul>

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**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:

- child, parent, or grandparent
  - a child is defined as a son, stepson, daughter, or stepdaughter
- a parent or grandparent includes a stepparent/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% 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% or greater ownership interest.

Section 10: References

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10.1 References	
References	<ul style="list-style-type: none"> <li>• HUD Handbook</li> <li>• <a href="#">Limited Denial of Participation (LDP) List</a></li> <li>• <a href="#">General Services Administration (GSA) Exclusionary List</a></li> </ul>

10.2 Contacts	
HOC Contact Info	<p>The following is the contact method required to have Case Numbers cancelled, transferred, or reinstated with HUD. FHA has implemented new procedures for handling case processing request for case cancellation, case transfer, case reinstatement, and Mortgage Insurance Certificate (MIC) corrections.</p> <p>All requests will go through the FHA Resource Center via email to <a href="mailto:answers@hud.gov">answers@hud.gov</a>, utilizing the templates for each process provided at the following link <a href="#">Case Processing Requirements</a></p> <p>To speak to FHA Resource Center or HOC Office (see below) Representative, contact the FHA through 1- 800-225-5342</p>

10.3 Homeownership Centers																																																																									
Homeownership Centers (HOC Offices)	<table border="1"> <thead> <tr> <th>Philadelphia</th> <th>Atlanta</th> <th>Denver</th> <th>Santa Ana</th> </tr> </thead> <tbody> <tr> <td>Connecticut</td> <td>Alabama</td> <td>Arkansas</td> <td>Alaska</td> </tr> <tr> <td>Delaware</td> <td>Florida</td> <td>Colorado</td> <td>Arizona</td> </tr> <tr> <td>District of Columbia</td> <td>Georgia</td> <td>Iowa</td> <td>California</td> </tr> <tr> <td>Maine</td> <td>Illinois</td> <td>Kansas</td> <td>Hawaii</td> </tr> <tr> <td>Maryland</td> <td>Indiana</td> <td>Louisiana</td> <td>Idaho</td> </tr> <tr> <td>Massachusetts</td> <td>Kentucky</td> <td>Minnesota</td> <td>Nevada</td> </tr> <tr> <td>Michigan</td> <td>Mississippi</td> <td>Missouri</td> <td>Oregon</td> </tr> <tr> <td>New Hampshire</td> <td>North Carolina</td> <td>Montana</td> <td>Washington</td> </tr> <tr> <td>New Jersey</td> <td>Puerto Rico</td> <td>Nebraska</td> <td></td> </tr> <tr> <td>New York</td> <td>South Carolina</td> <td>New Mexico</td> <td></td> </tr> <tr> <td>Ohio</td> <td>Tennessee</td> <td>North Dakota</td> <td></td> </tr> <tr> <td>Pennsylvania</td> <td></td> <td>Oklahoma</td> <td></td> </tr> <tr> <td>Rhode Island</td> <td></td> <td>South Dakota</td> <td></td> </tr> <tr> <td>Vermont</td> <td></td> <td>Texas</td> <td></td> </tr> <tr> <td>Virginia</td> <td></td> <td>Utah</td> <td></td> </tr> <tr> <td>West Virginia</td> <td></td> <td>Wisconsin</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Wyoming</td> <td></td> </tr> </tbody> </table>	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	
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Section 11: Version Control		
2.7 Refinances (General)	Clarified Adjusted Value Requirements for Refinances requiring appraisals	February 24, 2020
2.11 Streamline Refinances	QM Rebuttable Presumption Streamline Refinances must be Credit-Qualified	February 24, 2020
4.3 Manufactured Housing	Removed doublewide-only overlay. Singlewide MH is eligible	February 24, 2020
5.1 Income	Clarified Effective Income for qualification and streamline 4506-T requirements	February 24, 2020
2.11 Streamline Refinance	Clarified Mortgage Payment History for Streamline Refinance	March 5, 2020
Eligibility Matrices	Updates made to FICO, DTI, subordinate financing, Refer and manufactured housing.	March 30, 2020
1.2 Underwriting	Clarified manual underwriting only permitted for streamline refinances	March 30, 2020
1.3 Manual Underwriting	Removed	March 30, 2020
1.4 Manual Downgrade	Removed	March 30, 2020

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2.9 Cash-Out Refinance	Removed references to subordinate financing and manufactured homes	March 30, 2020
2.10 Simple Refinances	Removed reference to manual underwrite	March 30, 2020
2.11 Streamline Refinances	Updated to remove allowance for a mortgage only credit report for non-credit qualifying streamline refinances	March 30, 2020
2.13 Down Payment Assistance	Updated to clarify not permitted	March 30, 2020
2.14 Subordinate Financing	Updated to clarify not permitted	March 30, 2020
6.1 Credit	Removed reference to non-traditional credit	March 30, 2020
6.2 Compensating Factors	Removed	March 30, 2020
6.2 Derogatory Credit	Updated to 6.2, and updated references to Refer and manual underwriting not permitted	March 30, 2020
6.3 Prior Mortgage Credit Rejects (MCRs)	Updated to clarify not permitted	March 30, 2020
8.1 Age of Documents	Updated income, and asset documentation to 60 days	March 30, 2020
Eligibility Matrix	Cash-Out refi to 660 credit score Purchase and Simple and Rate & Term Refinance to 55% DTI Cash-Out refi to 50% DTI	May 28, 2020
Eligibility Matrices	Revised minimum credit score and maximum DTI requirements for several product types	July 13, 2020
2.2 Eligible Terms and Product Codes	Revised listing of Eligible Terms and Product Codes	July 13, 2020
2.13 Down Payment Assistance	Not permitted for non-delegated clients	July 13, 2020
2.14 Subordinate Financing	Not permitted for non-delegated clients	July 13, 2020
4.9 Geographic Restrictions	Restricted AK and HI for NewRez Underwriting (Non-delegated clients)	July 13, 2020
6.3 Prior Mortgage Rejects (MCR)	Not Permitted for Non-Delegated Correspondents	July 13, 2020
8.1 Age of Documentation	For non-delegated correspondents, income and asset documentation may not be more than 60 days old as of the Note date	July 13, 2020
8.4 Repair Escrow Holdbacks	Revised guidance to refer to Chapter 16 of Client Guidance	July 13, 2020
Eligibility Matrices	Added West Virginia State Restriction for maximum 50% DTI	August 11, 2020
2.11 Streamline Refinances	Added WV state lending restriction for Streamline Refinance (must be credit qualified)	August 11, 2020
4.9 Geographic Restrictions	Added the WV lending restrictions for 50% maximum DTI for Purchase and Refinance transactions and that FHA Streamline Refinances must be credit qualified	August 11, 2020

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