

**FHA 1<sup>st</sup> Advantage Conforming:**

<b>Primary Residence – Owner Occupied</b>				
<b>Transaction</b>	<b>FICO</b>	<b>Number of Units</b>	<b>Maximum LTV</b>	<b>Maximum CLTV</b>
Purchase	580	1-4	96.50	96.50
No Cash Out / Simple Refinance	580	1-4	97.75 <sup>1</sup>	97.75 <sup>1</sup>
<b>Purchase</b>				
Purchase	550	1-4	90	90
No Cash Out / Simple Refinance	550	1-4	90	90
Cash Out	550	1-4	85	85

**Footnotes:**

1. 85% LTV for No Cash Out refinances where the borrower has occupied the subject property fewer than 12 months prior to case number assignment or if owned less than 12 months, has not occupied the property for that entire period of ownership.

**FHA 1<sup>st</sup> Advantage High Balance:**

<b>Primary Residence – Owner Occupied</b>				
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**Footnotes:**

1. 85% LTV for No Cash Out refinances where the borrower has occupied the subject property fewer than 12 months prior to case number assignment or if owned less than 12 months, has not occupied the property for that entire period of ownership.

<b>Conforming FHA 1<sup>st</sup> Advantage Program:</b>	
30 Year Fixed	8059-00
<b>High Balance FHA 1<sup>st</sup> Advantage Program:</b>	
30 Year Fixed High Balance	8052-00

**FHA 1<sup>st</sup> Advantage Program Highlights**

<b>FHA 1<sup>st</sup> Advantage Highlights Table</b>	
<b>Topic</b>	<b>Highlights</b>
<b>1031 Exchange</b>	Funds from 1031 Tax Deferred Exchanges are not eligible.
<b>4506 Transcripts</b>	Transcripts are required per income documentation type included in the loan file.
<b>ARMS</b>	Not Allowed
<b>AUS System</b>	DU, LPA, or Total Scorecard
<b>Buy Downs</b>	Not Allowed
<b>Borrower Eligibility</b>	<p>Maximum four loans per borrower.</p> <p>The following are eligible borrowers:</p> <ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• Permanent resident aliens with proof of lawful permanent residence</li> <li>• Non-permanent resident aliens with proof of lawful residency</li> </ul> <p>The following are ineligible borrowers:</p> <ul style="list-style-type: none"> <li>• Borrowers with Diplomatic Immunity</li> </ul>

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	<ul style="list-style-type: none"> <li>• Borrowers with Temporary Protected Status</li> <li>• Borrowers with Deferred Enforced Departure or Humanitarian Parole Status</li> <li>• Corporations</li> <li>• Foreign Nationals</li> <li>• Foreign Politically Exposed Persons</li> <li>• LLCs or Other Business Entities</li> <li>• Non-Resident Aliens</li> <li>• Partnerships or Other Business Entities</li> </ul>
<b>Community Property States</b>	<ul style="list-style-type: none"> <li>• Arizona</li> <li>• California</li> <li>• Idaho</li> <li>• Louisiana</li> <li>• Nevada</li> <li>• New Mexico</li> <li>• Texas</li> <li>• Washington</li> <li>• Wisconsin</li> </ul>
<b>Condominiums</b>	Must be FHA HRAP approved.
<b>Construction to Perm</b>	Not Allowed
<b>Credit Reports</b>	<ul style="list-style-type: none"> <li>• A new credit report may not be pulled once the file has been submitted for underwriting.</li> <li>• A new credit report is allowed only after the existing credit report has expired.</li> </ul>
<b>Deed Restricted Properties</b>	Not Allowed. Age restricted properties are allowed.
<b>Escrow Holdbacks/Repair Escrows</b>	Not Allowed
<b>DPA's/MCCs</b>	Not Allowed
<b>Homebuyer Education</b>	<p>Homebuyer education conducted by a HUD approved counseling agency is required for:</p> <ul style="list-style-type: none"> <li>• All first time homebuyer purchase transactions when;</li> <li>• The borrower's credit score is less than 580; <b>and</b></li> <li>• The borrower is using gift funds.</li> </ul>
<b>Identity of Interest</b>	<p>An Identity-of-Interest transaction is a sale between parties with an existing <b>business relationship</b> or between <b>family members</b>.</p> <ul style="list-style-type: none"> <li>• The maximum LTV percentage for Identity-of-Interest transactions on purchase transactions is limited to 85%.</li> <li>• The maximum LTV percentage for a transaction where a tenant-landlord relationship exists at the time of sales contract execution is restricted to 85%. The 85% LTV restriction may be exceeded if the borrower purchases as their principal residence:</li> </ul> <ul style="list-style-type: none"> <li>• The <b>principal residence of another family member</b>; or</li> <li>• A property owned by a family member where the borrower <b>has been a tenant for at least six months</b> immediately predating the sales contract.</li> <li>• An employee of a builder who is not a family member purchases one of the builder's new houses or models as a principal residence; or</li> </ul>

	<ul style="list-style-type: none"> <li>• The current tenant purchases the property where the <b>tenant has rented the property for at least six months</b> immediately predating the sales contract.</li> </ul>
<p><b>Ineligible Property Types</b></p>	<ul style="list-style-type: none"> <li>• Assisted Living Facilities</li> <li>• Bed and Breakfast Establishments</li> <li>• Boarding Houses</li> <li>• Commercial Properties</li> <li>• Condo/PUD Hotel</li> <li>• Co-ops</li> <li>• Dome Homes</li> <li>• Fraternity or Sorority Houses</li> <li>• Hawaiian Properties Located in Lava Flow Zones 1 and 2</li> <li>• Houseboats</li> <li>• Illinois Land Trusts</li> <li>• Life Estates</li> <li>• Log Homes</li> <li>• Manufactured Homes</li> <li>• Mixed Use Properties</li> <li>• Mobile Homes</li> <li>• Native American Land Trusts</li> <li>• New Construction Located in FEMA Flood Zones A or V</li> <li>• New Construction Located within a Military Airfield's Accident Prone Zone 1 (APZ-1)</li> <li>• Private Clubs</li> <li>• Properties Contaminated by Methamphetamine Production or Use</li> <li>• Properties Currently in Litigation</li> <li>• Properties located in Guam, Puerto Rico, or the U.S. Virgin Islands</li> <li>• Properties Located in U.S. Territories, Possessions, or Commonwealths</li> <li>• Properties Located within 75 Feet of an Operating/Proposed Gas or Oil Well</li> <li>• Properties Located within 10 Feet of a Pipeline Easement or High Pressure Gas Line</li> <li>• Properties Located within 300 Feet of an Above/Below Ground Stationary Storage Tanks Containing more than 1000 Gallons of Explosive/Flammable Fuel, Including Gas Stations.</li> <li>• Properties Located in Coastal Barrier Resources Systems (CBRS)</li> <li>• Properties not Meeting FHA Minimum Property Requirements/Minimum Property Standards</li> <li>• Properties with more than One Accessory Dwelling</li> <li>• Properties with Private Water Purification Systems</li> <li>• Property with Condition/Quality Ratings of C5, C6 and Q6</li> <li>• Timeshares</li> <li>• Unimproved Land</li> <li>• Vacation Homes</li> <li>• Working Farms and Ranches</li> </ul>
<p><b>Ineligible Transactions</b></p>	<ul style="list-style-type: none"> <li>• 203(h) Disaster Victims</li> <li>• 203k Rehabilitation Program</li> <li>• 235 Refinance of Borrowers in Negative Equity Position</li> <li>• 247 Hawaiian Homelands</li> <li>• 248 Indian Lands Loan</li> <li>• Building on Own Land Program</li> <li>• EEM, EEH Energy Efficient Program</li> <li>• FHA \$100 Down Payment Mortgages</li> </ul>

	<ul style="list-style-type: none"> <li>• Graduated Payment Mortgages</li> <li>• Growing Equity Mortgages</li> <li>• Housing Authority Subsidies</li> <li>• HUD REO Program</li> <li>• Loans to Non-Profit Organizations/Borrowers</li> <li>• Non-Occupant Co-Borrowers on 2-4 Unit Properties with &gt; 75% LTV/CLTV</li> <li>• Non-Occupant Co-Borrowers on Cash-Out Refinances</li> <li>• Repair Escrows</li> <li>• Section 8 Vouchers</li> <li>• Short Refinances</li> </ul>															
<b>Leaseholds</b>	Not Allowed															
<b>Manual Underwriting</b>	<p>Allowed. Must meet the following requirements:</p> <table border="1"> <thead> <tr> <th>Lowest Minimum Decision Credit Score</th> <th>Maximum Qualifying Ratio</th> <th>Acceptable Compensating Factors</th> </tr> </thead> <tbody> <tr> <td><b>580 and Above</b></td> <td><b>31/43</b></td> <td>Compensating factors are not required.</td> </tr> <tr> <td><b>580 and Above</b></td> <td><b>37/47</b></td> <td> <b>One</b> of the following:                             <ul style="list-style-type: none"> <li>• Verified and documented cash reserves;</li> <li>• Minimal increase in housing payment; or</li> <li>• Residual income</li> </ul> </td> </tr> <tr> <td><b>580 and Above</b></td> <td><b>40/40</b></td> <td>No discretionary debt</td> </tr> <tr> <td><b>580 and Above</b></td> <td><b>40/50</b></td> <td> <b>Two</b> of the following:                             <ul style="list-style-type: none"> <li>• Verified documented cash reserves;</li> <li>• Minimal increase in housing payment; or</li> <li>• Residual income</li> </ul> </td> </tr> </tbody> </table> <p>Refer to the First Advantage Guidelines below for further information regarding compensating factors and residual income.</p>	Lowest Minimum Decision Credit Score	Maximum Qualifying Ratio	Acceptable Compensating Factors	<b>580 and Above</b>	<b>31/43</b>	Compensating factors are not required.	<b>580 and Above</b>	<b>37/47</b>	<b>One</b> of the following: <ul style="list-style-type: none"> <li>• Verified and documented cash reserves;</li> <li>• Minimal increase in housing payment; or</li> <li>• Residual income</li> </ul>	<b>580 and Above</b>	<b>40/40</b>	No discretionary debt	<b>580 and Above</b>	<b>40/50</b>	<b>Two</b> of the following: <ul style="list-style-type: none"> <li>• Verified documented cash reserves;</li> <li>• Minimal increase in housing payment; or</li> <li>• Residual income</li> </ul>
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<b>Manufactured Homes</b>	Not Allowed															
<b>Marijuana Related Business/Employment</b>	Income from a Marijuana based business or employment is ineligible for qualifying purposes.															
<b>Non-Occupant Co-Borrower</b>	<ul style="list-style-type: none"> <li>• 75% Maximum LTV on 1-4 units unless the non-occupant co-borrower is a family member as defined by FHA.</li> <li>• Rental income may not be used to qualify.</li> <li>• Non-Occupant co-borrower income may not be used for qualifying purposes on cash-out refinance transactions.</li> <li>• The non-occupant co-borrower must take title to the property and sign the Note and deed of trust/mortgage.</li> <li>• The non-occupant co-borrower must have a principal residence in the United States or be a U.S. citizen.</li> </ul>															
<b>Non-Traditional Credit</b>	Not Allowed															
<b>PACE/HERO Obligation</b>	Not Allowed															
<b>Rental Income from a</b>	If rental income is being derived <b>from the property being vacated by the borrower</b> ,															

<p><b>Departure Residence</b></p>	<p><b>the borrower must be relocating to an area more than 100 miles from the borrower's current principal residence (departure residence).</b> Obtain the following documentation:</p> <ul style="list-style-type: none"> <li>• A lease agreement of at least one year's duration after the loan closing date.</li> <li>• Evidence of the tenant's payment to the borrower of the security deposit and/or the first month's rent; and</li> </ul> <p><b>An appraisal evidencing market rent and that the borrower has at least 25% equity in the departure property.</b></p>
<p><b>Termite Report</b></p>	<ul style="list-style-type: none"> <li>• Regardless of the location of the property, a termite inspection is always required if the appraisal report indicates evidence of wood-destroying insect damage or an active infestation.</li> <li>• Termite inspections are required on properties if the property is located in an area where the probability of termite infestation is "very heavy" or "moderate to heavy" as shown on the Termite Infestation Probability (TIP) Map published in The Council of American Building Officials (CABO) one and two family dwelling code.             <ul style="list-style-type: none"> <li>▪ If there is a question about the location of an infestation or probability boundary line in relation to the subject property, contact the VA Regional Loan Center of jurisdiction to determine if the requirement is applicable.</li> </ul> </li> <li>• The pest control operator must meet all requirements of the state where the subject property is located. In states which require the use of a state inspection form, the state form is acceptable for VA purposes.</li> <li>• Inspection reports are valid for VA purposes for 90 days from the date of inspection.</li> <li>• <b>Termite reports must be clear of all active infestation, dry rot, fungus infections and earth to wood contact.</b></li> </ul> <p>Termite reports and clearances are required in the following states:</p> <ul style="list-style-type: none"> <li>• Alabama, Arizona, Arkansas, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii*, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, Oklahoma, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, and West Virginia</li> </ul> <p>*Required on all existing residential properties including condo projects that are five stories or less in height.</p> <p>Termite reports and clearances are required in certain Counties of the following states:</p> <ul style="list-style-type: none"> <li>• Michigan: Allegan, Barry, Berrien, Branch, Calhoun, Cass, Hillsdale, Ionia, Jackson, Kalamazoo, Kent, Lenawee, Livingston, Macomb, Mason, Monroe, Muskegon, Oakland, Oceana, Ottawa, St. Clair, St. Joseph, Van Buren, Washtenaw, and Wayne.</li> <li>• New Hampshire: Termite reports are required in the following Counties: Belknap, Cheshire, Hillsborough, Merrimack, Rockingham, Strafford, and Sullivan.</li> <li>• New York:: Bronx, Broome, Columbia, Delaware, Dutchess, Greene, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Suffolk, Sullivan, Ulster, and Westchester.</li> <li>• Vermont: Bennington and Windham.</li> </ul> <p>Termite reports and clearances are not required in the following states:</p> <ul style="list-style-type: none"> <li>• Alaska, Colorado, Idaho, Maine, Minnesota, Montana, North Dakota, South</li> </ul>

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	Dakota, Washington, Wisconsin, and Wyoming. Oregon – Contact the Denver Regional Loan Center
<b>Sales Contract</b>	Assigned sales contracts are not allowed.
<b>Streamlined Refinance</b>	<ul style="list-style-type: none"> <li>• High Balance loan amounts – 30 year fixed only.</li> <li>• Funds needed to close in excess of the total mortgage payment (PITIA) of the new mortgage must be documented.</li> <li>• A tri-merged mortgage only credit report with credit scores is required for non-credit qualifying Streamline Refinance transactions.</li> <li>• A full tri-merged credit report is required for all credit qualifying Streamline Refinance transactions.</li> <li>• Conforming loan amounts: Minimum Credit Score 550 – Maximum Credit Score 579.</li> <li>• High Balance loan amounts: Minimum Credit Score 580 – Maximum Credit Score 639.</li> <li>• Manual underwriting is required.</li> <li>• For salaried borrowers a Verbal Verification of Employment must be completed within ten calendar days of the Note date for both credit qualifying and non-credit qualifying transactions.</li> <li>• For self-employed borrowers, a Verbal Verification of Employment must be completed within 120 days of the Note date and must be obtained from an acceptable third-party source. Applies to both credit qualifying and non-credit qualifying transactions.</li> </ul>
<b>Tax Returns</b>	<ul style="list-style-type: none"> <li>• Amended tax returns that increase the borrower’s income – Not Allowed</li> <li>• When the tax return reflects monies are owed to the IRS for the most recent tax year, evidence of payment to the IRS is required.</li> </ul>
<b>Texas 50(a)(6)</b>	Not Allowed
<b>Three &amp; Four Unit Properties</b>	<ul style="list-style-type: none"> <li>• Three months’ PITIA reserves required from borrower’s own funds. Reserves may not be from a gift.</li> <li>• Three and four unit properties must be self-sufficient. <ul style="list-style-type: none"> <li>▪ Net self-sufficient rental income is the rental income produced by the subject property over and above the PITIA.</li> <li>▪ Net self-sufficiency rental income is calculated by using the appraiser’s estimate of fair market rent from all units, including the unit the borrower chooses for occupancy, and subtracting the greater of the appraiser’s estimate for vacancies and maintenance, or 25% of the fair market value.</li> </ul> </li> </ul> <p><b>The PITIA divided by the monthly net self-sufficiency rental income may not exceed 100%.</b></p>
<b>Unpermitted Additions</b>	<p>Unpermitted property additions are acceptable if:</p> <ul style="list-style-type: none"> <li>• The subject addition complies with FHA guidelines;</li> <li>• The addition does not result in a change in the number of units;</li> <li>• The appraiser does not give the unpermitted addition value; and</li> <li>• The appraiser has no reason to believe the addition would not pass inspection for a permit.</li> </ul>
<b>Verification of Employment/Verification of Deposit</b>	The use of a Verification of Employment (VOE) and/or a Verification of Deposit (VOD) only is not allowed. At a minimum paystubs and bank statements are required.