

SECTION 1	MATRIX:																																																																						
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SECTION 2	Overlays:																																																																						
	<p>Standard:</p> <ul style="list-style-type: none"> Minimum Loan Amount \$60,000 Minimum Loan Amount \$75,000 for properties located in NY and TX <p>Ineligible Loan features:</p> <ul style="list-style-type: none"> Graduated Payment Mortgages Growing Equity Mortgages 																																																																						

- Loans to non-profit organizations
 - Reverse Mortgages
 - Loans with private water purification systems requiring an escrow for maintenance
 - Texas Section 50 (a)(6) Program
 - Construction to permanent loans with modifications
 - Non-Traditional Credit – Not Allowed
 - Non-occupant borrowers on multi-unit dwellings > 75% LTV/CLTV
 - Non-occupant co-borrowers not allowed for cash out refinances
 - All Expanded Documentation Process types
 - FHA \$100 Down Payment Program
 - 203k , 203k streamline or 203b with Repair Escrows
 - Deed Restricted Properties
 - Non-Traditional Credit
 - Temporary Buy downs
 - High Balance 3/1 and 5/1 ARMs
 - Loans to owners and employees and TPOs employee loans are not allowed
 - Manufactured Homes with accessory dwellings or guest houses - not allowed
 - Tax liens or judgements must be satisfied.
 - Late payment and delinquent accounts during the most recent 12 months consisting of more than one 30-day late must be explained.
 - Borrowers who recently have amended tax returns are ineligible. Minor amendments that do not affect the income (or loss) are acceptable.
 - W-2 IRS Transcripts required for borrowers with only W-2 income used to qualify
 - 1040 IRS Tax Return Transcripts are required for borrowers with Non-W-2 income used to qualify or a combination of both W-2 and Non-W-2 income.
 - Lease Holds
 - HUD REO
 - Properties with Solar Leases
 - Native American Indian Land Trusts
 - Property ratings of C5, C6 and Q6
 - Acreage > 15
 - Purchase of manufactured home to be placed on borrower's currently owned land is prohibited.
 - Condominium projects not on FHA's approved list.
 - Manufactured homes are ineligible
- FHA 1st Advantage:**
- All of the above, plus the following:
 - FHA Streamlines – Not Allowed
 - Manufactured Homes – Not Allowed
 - Verbal Verification of Employment (VVOE) – Required: Must be completed within 10 days of closing.
 - Homebuyer Education – Required
 - Required for all First Time Homebuyer (FTHB) purchase transactions when and
 - Representative credit score is less than 580, **and**
 - Borrower is utilizing a Down Payment Assistance Program (DPA) or Gift Funds

SECTION 3	Products:								
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SECTION 4	Parameters and Underwriting:								
ATR and QM:	<ul style="list-style-type: none"> All loans must meet the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd-Frank Act. 								
LOAN LIMITS	<p>FHA Mortgage Limits</p> <ul style="list-style-type: none"> https://entp.hud.gov/idapp/html/hicostlook.cfm 								
REFIANCE PARAMETERS	<p>Refinance Seasoning: “Simple Refinance” and “Cash Out” Seasoning Requirements to determine LTV: (applies to all refinance except streamlines)</p> <ul style="list-style-type: none"> For subject properties acquired by the borrower within 12 months of the case number assignment date the LTV is based on the lesser of: <ol style="list-style-type: none"> The borrower’s purchase price; or The property value. For subject properties acquired by the borrower greater than or equal to 12 months prior to the case number assignment date, the LTV is based on the appraised value <p>Note: For subject properties acquired by the borrower through inheritance or through a gift from a family member with 12 months of the case number assignment date, the LTV is based on the appraised value.</p>								
UNDERWRITING REQUIREMENTS	<p>Underwriting:</p> <ul style="list-style-type: none"> TOTAL Scorecard – “Approve Eligible” Desktop Underwriter, DU – “Approve/Eligible” OR “Refer/Eligible” ← Manual underwriting. Loan Prospector – “LP Accept” Manual Underwriting – Allowed <p>The AUS must be downgraded to manual underwrite for the reasons below. As such an exception by Credit Risk would be required to continue with the file.</p>								

	<p>The Mortgagee must downgrade and manually underwrite any Mortgage that received an Accept recommendation if:</p> <ul style="list-style-type: none"> • the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard; • additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage; • the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts; • the date of the Borrower’s bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment; • the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale); • the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale; • the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure; • the Mortgage Payment history, for any mortgage trade line reported on the credit report used to score the application, requires a downgrade as defined in Housing Obligations/Mortgage Payment History; • the Borrower has undisclosed mortgage debt that requires a downgrade; or • business income shows a greater than 20 percent decline over the analysis period 																
<p>RATIOS</p>	<p>Debt to Income Ratio – DTI:</p> <ul style="list-style-type: none"> ▪ Maximum DTI will follow the AUS recommendation or HUD Manual Underwriting requirements as applicable. ▪ Loans receiving a Refer/Eligible recommendation or an Approve or Accept/Eligible recommendation downgraded to a Refer must be manually underwritten in accordance with HUD handbook 4000.1. 																
<p>CREDIT EVENTS</p>	<table border="1"> <thead> <tr> <th colspan="2" data-bbox="556 852 2196 889"><i>Derogatory Seasoning</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="556 896 1209 987">Bankruptcy</td> <td data-bbox="1220 896 2196 987"> <ul style="list-style-type: none"> • 24 months from Discharge date • Note: There is no distinction between Ch7, Ch11 and Ch13 </td> </tr> <tr> <td data-bbox="556 993 1209 1031">Foreclosure</td> <td data-bbox="1220 993 2196 1031"> <ul style="list-style-type: none"> • 36 Months </td> </tr> <tr> <td data-bbox="556 1037 1209 1101">Deed-in-Lieu, Pre-Foreclosure, Charge-off of Mortgage account</td> <td data-bbox="1220 1037 2196 1101"> <ul style="list-style-type: none"> • 36 Months </td> </tr> <tr> <td data-bbox="556 1107 1209 1170">Short Sale</td> <td data-bbox="1220 1107 2196 1170"> <ul style="list-style-type: none"> • 36 months </td> </tr> <tr> <td data-bbox="556 1177 1209 1284">Mortgage Modification</td> <td data-bbox="1220 1177 2196 1284"> <ul style="list-style-type: none"> • Utilize the payment history in accordance with the modification agreement to determine acceptable mortgage history for the most recent 12 months </td> </tr> <tr> <td data-bbox="556 1291 1209 1377">Foreclosure and Bankruptcy on the same Mortgage (Mortgages not-reaffirmed)</td> <td data-bbox="1220 1291 2196 1377">24 months; Manual underwriting required and must demonstrate acceptable mortgage history from bankruptcy discharge</td> </tr> <tr> <td data-bbox="556 1383 1209 1481">Judgement / Liens</td> <td data-bbox="1220 1383 2196 1481">All non-federal judgments must be paid OR the borrower must have a validated payment arrangement and have made timely payments for three months prior to loan application (prepaying scheduled payments is not acceptable).</td> </tr> </tbody> </table>	<i>Derogatory Seasoning</i>		Bankruptcy	<ul style="list-style-type: none"> • 24 months from Discharge date • Note: There is no distinction between Ch7, Ch11 and Ch13 	Foreclosure	<ul style="list-style-type: none"> • 36 Months 	Deed-in-Lieu, Pre-Foreclosure, Charge-off of Mortgage account	<ul style="list-style-type: none"> • 36 Months 	Short Sale	<ul style="list-style-type: none"> • 36 months 	Mortgage Modification	<ul style="list-style-type: none"> • Utilize the payment history in accordance with the modification agreement to determine acceptable mortgage history for the most recent 12 months 	Foreclosure and Bankruptcy on the same Mortgage (Mortgages not-reaffirmed)	24 months; Manual underwriting required and must demonstrate acceptable mortgage history from bankruptcy discharge	Judgement / Liens	All non-federal judgments must be paid OR the borrower must have a validated payment arrangement and have made timely payments for three months prior to loan application (prepaying scheduled payments is not acceptable).
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	<p>Collections and Charge off</p>	<p>Outstanding Federal judgements (other than IRS) are ineligible</p> <p>Charge offs – do not need to be included in the borrower’s liabilities or debt for AUS approval.</p> <p>Collections – If the cumulative outstanding collection balance (excluding medical) is \$2,000 or greater:</p> <ul style="list-style-type: none"> • Verify debt is paid in full, prior to or at the time of settlement, using acceptable sources of funds. • Verify payment arrangements with creditor and include monthly payment in DTI: <p>If payment arrangement is not available, calculate monthly payment using 5 percent of the outstanding balance for each collection account.</p>
STUDENT LOAN PARAMETERS	<p>Student loan payment requirements: The greater of</p> <ul style="list-style-type: none"> • 1% of outstanding balance; or • Actual fully amortized payment – as per credit report; or • Calculated payment based on documented terms <p>IBR – Interest Based Repayment plan – not acceptable</p>	
Texas 50(a)(6)	<ul style="list-style-type: none"> • Not Allowed 	
RESERVES	<ul style="list-style-type: none"> • 1 & 2 units – The sum of the Borrower’s verified and documented liquid assets minus the total fund the borrower is required to pay at closing. • 3 & 4 units - 3 months PITI. The subject property must be “self-sufficient.” The PITI divided by the monthly Net Self-Sufficiency Rental Income may not exceed 100% • Calculation: <p>Net Self-Sufficiency Rental Income is calculated 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 rent.</p>	
NON-OCCUPANT CO-BORROWER	<ul style="list-style-type: none"> • Proposed rents cannot be used as income to qualify. • Maximum LTV is 75% on 2-4 units • > 75% LTV, borrowers must be family members. 	

	<ul style="list-style-type: none"> • May not be used to develop a portfolio of rental properties. Schedule of Real Estate Owned to be examined. • Not allowed, for qualifying purposes, on Cash Out refinance transactions. • Co-borrower must take title to the property and sign the note and the mortgage • The co-borrower cannot be the seller, builder, real estate agent, etc... • Non-occupant must have a principal residence in the U.S. 																
<p>Financed Properties</p>	<p>Number of financed properties permitted:</p> <ul style="list-style-type: none"> • To determine the number of dwelling units owned by the borrower, each dwelling unit in a two, three, and four family property must count. If the borrower owns six or more units in the same general area, a map must be provided disclosing the locations of the units, as evidence of compliance with FHA's seven unit limitation 																
<p>APPRAISALS</p>	<p><u>Appraisals</u></p> <p>Based on the property type, the following appraisal report form must be used:</p> <table border="1" data-bbox="551 730 2311 1323"> <thead> <tr> <th data-bbox="551 730 1392 800">Property Type</th> <th data-bbox="1392 730 2311 800">Form Name/No.</th> </tr> </thead> <tbody> <tr> <td data-bbox="551 800 1392 870">Single-Family Residence (SFR), Planned Unit Development (PUD)</td> <td data-bbox="1392 800 2311 870">Uniform Residential Appraisal Form (#1004/#70) And 1004MC</td> </tr> <tr> <td data-bbox="551 870 1392 940">Condominiums</td> <td data-bbox="1392 870 2311 940">FNMA Form 1073 and 1004MC</td> </tr> <tr> <td data-bbox="551 940 1392 1010">Site Condominiums</td> <td data-bbox="1392 940 2311 1010">FNMA Form 1073 and 1004MC</td> </tr> <tr> <td data-bbox="551 1010 1392 1117">2-4 unit Properties</td> <td data-bbox="1392 1010 2311 1117">Small Residential Income Property Appraisal Report (#1025/#72) and 1004MC</td> </tr> <tr> <td data-bbox="551 1117 1392 1187">Update of Appraisal (All Property Types)</td> <td data-bbox="1392 1117 2311 1187">FNMA Form 1004D</td> </tr> <tr> <td data-bbox="551 1187 1392 1256">Final inspection of New Construction</td> <td data-bbox="1392 1187 2311 1256">Form HUD-92051</td> </tr> <tr> <td data-bbox="551 1256 1392 1326">Final Inspection for Existing Property</td> <td data-bbox="1392 1256 2311 1326">FNMA Form 1004D</td> </tr> </tbody> </table>	Property Type	Form Name/No.	Single-Family Residence (SFR), Planned Unit Development (PUD)	Uniform Residential Appraisal Form (#1004/#70) And 1004MC	Condominiums	FNMA Form 1073 and 1004MC	Site Condominiums	FNMA Form 1073 and 1004MC	2-4 unit Properties	Small Residential Income Property Appraisal Report (#1025/#72) and 1004MC	Update of Appraisal (All Property Types)	FNMA Form 1004D	Final inspection of New Construction	Form HUD-92051	Final Inspection for Existing Property	FNMA Form 1004D
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<p>PROPERTY FLIPPING</p>	<p>Property Flipping</p> <p>If the seller acquired the property less than 6 months before the purchase agreement was executed, the following rules apply:</p> <p>Resale within 90 days or less:</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-insured Mortgage.</p> <p>Resale Occurs between 91 days to 180 days: If the resale price is greater than or equal to 100% over the property seller’s acquisition price, a second FHA appraisal (ordered through Rels) is required. The second appraisal must be ordered by WesLend/Lenox and may not be paid for by the borrower.</p> <p>Important Notes:</p> <ul style="list-style-type: none"> • The second full FHA appraisal must be ordered by WesLend/Lenox and may not be paid for by the borrower. • The second appraisal (ordered by WesLend/Lenox) must be completed by an FHA roster appraiser, who must perform the second appraisal in compliance with all FHA appraisal reporting requirements. • The lower of the two appraised values must be used to qualify. • Home inspection must be completed prior to Docs. Final inspection of these repairs will also be required. All health and safety items noted in Home inspection and by the appraisal are to be completed. “NO EXCEPTIONS” • All transactions must be Arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction. <p>The property seller’s acquisition cost is defined as what the seller paid to acquire the subject property. It does not include the cost of any repairs or improvements made to the property after purchase.</p>												
<p>RENTAL INCOME</p>	<p>Rental income received from owner occupied property being vacated by borrower.</p> <p>If rental income is being derived from the property being vacated by the borrower, the borrower must be relocating to an area more than 100 miles from the borrower’s current Principal Residence. The borrower must also provide a lease agreement of at least one year’s duration after the Mortgage is closed and evidence of the payment of the security deposit or first month’s rent and meet one of the documentation requirements listed below.</p> <p>Required Documentation:</p> <ul style="list-style-type: none"> • Limited or No History of Rental Income Where the borrower does not have a history of Rental Income for the property since the previous tax filing, including property being vacated by the borrower, an appraisal evidencing market rent and that the borrower has at least 25 percent equity in the property must be included in the file. OR • History or Rental Income Borrower to provide last two year’s tax returns with Schedule E, showing rental income. 												
<p>Other Income</p>	<table border="1"> <tr> <td>Alimony or Child Support</td> <td>Allowed</td> <td>Foster-Care Income</td> <td>Allowed</td> </tr> <tr> <td>Automobile Allowances</td> <td>Allowed</td> <td>Foreign Income</td> <td>Not-Allowed</td> </tr> <tr> <td>Boarder Income</td> <td>Allowed</td> <td>Interest/Dividend Income</td> <td>Allowed</td> </tr> </table>	Alimony or Child Support	Allowed	Foster-Care Income	Allowed	Automobile Allowances	Allowed	Foreign Income	Not-Allowed	Boarder Income	Allowed	Interest/Dividend Income	Allowed
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	Capital Gains Income	Allowed	Notes Receivable	Allowed
	Expected Income(Future Income)	Allowed	Royalty Payment Income	Allowed
	Housing or Parsonage Allowance	Allowed	Tip Income	Allowed
	Employment Related Assets (Asset Depletion) Some examples: 401(k), IRA, SEP, Keogh.	Allowed	Trust Income	Allowed
FHA 4000.1 Guidelines	For further information not covered here please proceed to FHA 4000.1 Guidelines <ul style="list-style-type: none"> • FHA 4000.1 HUD Handbook 			