

FHA Underwriting Guideline Changes Effective for Case Numbers Assigned On or After September 14, 2015

September 1, 2015

Topic	Current FHA Guideline	New FHA Guideline
Assets		
Gift Funds – Documenting Transfer	Not clear about requiring donor’s bank statement in all instances.	Requires donor’s bank statement showing withdrawal of funds.
Earnest Money	Document source of funds if amount exceeds 2% of sales price or appears excessive based on borrower’s savings history.	Document source of funds if amount exceeds 1% of sales price or appears excessive based on borrower’s savings history.
Large Deposit Definition	<ul style="list-style-type: none"> Manual underwriting: No clear definition TOTAL Scorecard: Obtain an explanation and documentation for any recent large deposits in excess of 2% of the property’s sales price. The lender must verify that any recent debts were not incurred to obtain part or all of the required cash investment on the property being purchased. 	Manual underwriting and TOTAL Scorecard: For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value (lesser of purchase price minus inducements or the appraised value) the mortgagee must obtain documentation of the deposits. The mortgagee must also verify that no debts were incurred to obtain part, or all, of the minimum required investment.
Joint Funds Access	<ul style="list-style-type: none"> Manual underwriting: No guidance TOTAL Scorecard: If the Borrower does not hold the deposit account solely, all non-Borrower parties on the account must provide a written statement that the Borrower has full access and use of the funds. 	Manual underwriting and TOTAL Scorecard: If the Borrower does not hold the deposit account solely, all non-Borrower parties on the account must provide a written statement that the Borrower has full access and use of the funds.
Retirement Accounts	<ul style="list-style-type: none"> Most recent account statement. Evidence of liquidation is not required unless the lender is using more than 60%. 	<ul style="list-style-type: none"> Most recent monthly or quarterly account statement. Use 60% and deduct existing loans unless there is “conclusive” evidence that a higher percentage may be withdrawn. Evidence of liquidation is required if any portion is required for funds to close.
Interested Party Credits / Costs Paid Outside Closing / Minimum Required Investment (MRI)	No guidance.	On the HUD 1 settlement statement, the lender may apply interested party credits to the closing costs and prepaid items including any items paid outside closing (POC). The refund of the borrower’s POCs may be used toward the borrower’s (MRI) if the lender documents that the POCs were paid with the borrower’s own funds.

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Real Estate Tax Credits / Minimum Required Investment (MRI)	No guidance.	Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if the lender documents that the borrower had sufficient assets to meet the MRI and the borrower paid closing costs at the time of underwriting. 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.
Real Estate Commission – Proof of License	Not required.	When commission income is used as funds to close through earnings or gift, lender must document borrower or family member real estate license and entitlement to commission from purchase.
Collateralized Loan	Allowed as funds to close provided that the loan is fully secured by assets such as investment accounts or real property. These assets may include stocks, bonds, and real estate other than the property being purchased.	A collateralized loan is a loan that is fully secured by a financial asset of the borrower, such as deposit accounts, certificates of deposit, investment accounts, or real property. These assets may include stocks, bonds, and real estate other than the property being purchased. <i>Note: Loans against cars, boats, or any other non-financial asset are no longer an acceptable source of funds.</i>
Credit		
Satisfactory Credit	Borrower has acceptable credit if: <ul style="list-style-type: none"> no late housing or installment debt and no major derogatory credit on revolving accounts 	A lender may approve a borrower if: <ul style="list-style-type: none"> acceptable payment history and no major derogatory credit on revolving accounts in the last 12 months. <p>“Acceptable payment history” means:</p> <ul style="list-style-type: none"> the borrower made all housing and installment debt payments on time for the previous 12 months, and there are no more than two 30-day late mortgage or installment payments in the last 24 months. <p>“Major derogatory credit” means:</p> <ul style="list-style-type: none"> payments made more than 90 days after the due date, or 3 or more payments made more than 60 days after the due date.

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Derogatory Event Wait Period Definition	No definition. <i>(Some HOCs had verbally defined as 'from event date to the new DE loan approval date'.)</i>	Defines as 'from event date (typically BK discharge or transfer of title) to the new loan case number assignment date'.
Non-Traditional Mortgage Credit Report (NTMCR)	Required when using alternative credit unless NTMCR is not available.	NTMCR is not required. For borrowers without a credit score, either: <ul style="list-style-type: none"> • obtain an NTMCR, or • develop a credit history using alternative references subject to documentation and verification guidelines, including: <ul style="list-style-type: none"> ○ review of public records to verify the provider's existence, ○ verification of credit information using published addresses and telephone numbers, and ○ retention of the most recent 12 months of canceled checks or equivalent proof of payment.
Non-Traditional Mortgage Credit – Authorized User Account as Credit Reference	No guidance.	A documented 12 month history of payments on an account where the borrower is an authorized user is an acceptable credit reference.
Medical Collections	Can be disregarded.	Specifically designated as obligation not considered debt and can be disregarded.
Charge Offs	No detailed guidance.	Defined as loans or debts written off by the creditor that do not have to be included in DTI. TOTAL Scorecard: If 'Accept' then no explanation needed. Manual Underwriting: <ul style="list-style-type: none"> • The lender must: <ul style="list-style-type: none"> ○ determine why they exist; ○ document reasons for approving the loan; and ○ obtain a letter of explanation from the borrower and supporting documentation.

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Documents/Processing		
Age of Documents	Existing construction: 120 days New construction: 180 days	Existing and new construction: 120 days
Handling of Documents	Documents can't be transmitted from or through equipment of interested third parties.	Documents can't be transmitted from or through equipment of interested third parties or unknown parties.
Application Signatures	All borrowers must sign either the initial or final 1003.	All borrowers must sign both the initial and final 1003.
Borrower's Authorization Form	May obtain.	Must obtain.
Disclosures	No consolidated list of required disclosures.	Single list of required disclosures.
CAIVRS	Delinquent federal debt makes borrower ineligible.	VERIFIED delinquent federal debt makes the borrower ineligible.
Federal Tax Liens	Tax liens may remain unpaid if the lien holder subordinates the tax lien to the FHA-insured mortgage. Note: If any regular payments are to be made, they must be included in the qualifying ratios.	Tax liens may remain unpaid if the borrower has entered into a valid repayment agreement and has made at least 3 months of timely payments. Payments may not be prepaid.
Excluded Parties List	Check all parties to the transaction.	Check all parties to the transaction including processor, underwriter, appraiser and 203(k) consultant.
Re-verification of Employment	No re-verification requirement.	Required within 10 days of loan note date.
Case Number Transfer Timeline	No guidance	Immediately upon borrower request.
Appraisal Transfer Timeline	No guidance	Within 5 business days of borrower's request.
Fees		
Tax Service Fee	Prohibited	Not mentioned
Prepays	Prepaid items include "other similar fees and charges" and the lender must use at least 15 days of per diem interest when estimating prepaids on the GFE.	Prepaid items include flood and hazard insurance premiums, MIPs, real estate taxes, and per diem interest. There is no longer a 15-day interest requirement when estimating GFE.

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Per Diem Interest and Interest Credits	<p>Per Diem Interest - May collect from disbursement date to the date amortization begins.</p> <p>Interest Credit – Lender may begin amortization up to 7 days prior to the disbursement date and provide an interest credit. Per diem interest credit may not be result in cash back to the borrower.</p> <p>Calculation – Per diem must be computed using 1/365th of annual rate.</p>		<p>Per Diem Interest - May collect from disbursement date to the date amortization begins.</p> <p>Interest Credit – Lender may begin amortization up to 7 days prior to the disbursement date and provide an interest credit. Per diem interest credit may not be used to meet the borrower’s MRI.</p> <p>Calculation – Per diem must be computed using 1/365th of annual rate.</p>
Glossary - Definitions			
Family Member	Identity of Interest Transactions	All Other Transactions	All Transactions
	<p>The definition of family member includes:</p> <ul style="list-style-type: none"> •child, parent, or grandparent •spouse •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, and •aunt <p>Note: A child is defined as a son, stepson, daughter, or stepdaughter. A parent or grandparent includes a stepparent / grandparent or foster parent/grandparent</p>	<p>Defined as a borrower’s</p> <ul style="list-style-type: none"> •child, parent, or grandparent •spouse •legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption, and •foster child. <p>Note: A child is defined as a son, stepson, daughter, or stepdaughter.</p>	<p>Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> • child, parent, or grandparent <ul style="list-style-type: none"> o a child is defined as a son, stepson, daughter, or stepdaughter o a parent or grandparent includes a stepparent / grandparent or a 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

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Income/Employment		
Part-Time Employment Income	Underwriter discretion allowed when received less than 2 years and likely to continue.	Two years of uninterrupted part-time income is required. <ul style="list-style-type: none"> • Average the income over the prior 2 years, or • Use a 12-month average of hours at the current pay rate if the lender documents an increase in pay rate.
Self-Employed – Declining Income	<ul style="list-style-type: none"> • The lender must establish the borrower’s earnings trend from the prior two years using tax returns. • Stable or increasing annual earnings are acceptable. • Businesses showing a significant decline in income are not acceptable, even if the current income and ratios meet FHA guidelines. • If the borrower’s earnings trend for the previous two years is downward and the most recent tax return or P&L is less than the prior year’s tax return, the borrower’s most recent year’s tax return or P&L must be used to calculate income. 	<ul style="list-style-type: none"> • Income from a business with a greater than 20% decline in income over the analysis period is not acceptable. <ul style="list-style-type: none"> ○ If using an AUS, the lender must downgrade to manual underwriting. • If there has been a 20% or greater decline, the income is still deemed stable if: <ul style="list-style-type: none"> ○ the reduction was the result of documented extenuating circumstances, ○ the income has been stable or increasing for at least 12 months, and ○ the borrower qualifies using the reduced income.
Frequent Job Changes	Okay if borrower continues to advance in income or benefits.	If the borrower has changed jobs more than 3 times in the prior 12 months, or has changed lines of work, the lender must obtain: <ul style="list-style-type: none"> • transcripts of training and education demonstrating qualification for the new position, or • employment documentation evidencing continual increases in income and/or benefits.
Hourly Earnings Calculation	No guidance.	<ul style="list-style-type: none"> • If the hours do not vary, use the hourly rate. • If the hours vary, use a two-year average. • If the hours vary and there is a documented increase in pay rate, use a 12-month average of hours at the current pay rate.
Overtime and Bonus Income Calculation	<ul style="list-style-type: none"> • General Rule – Overtime or bonus income must have been received for the past 2 years. • Exception – Periods of less than 2 years may be 	<ul style="list-style-type: none"> • General Rule - Overtime or bonus income must have been received for the past 2 years. • Exception – Periods between 1 and 2 years may be

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Overtime and Bonus Income Calculation (<i>cont'd</i>)	<p>acceptable if the lender can justify and document in writing why its use is acceptable.</p> <ul style="list-style-type: none"> • How to calculate the income: <ul style="list-style-type: none"> ○ Average over 2 years. ○ Average over more than 2 years if the income varies significantly from year to year. 	<p>acceptable if consistently earned for at least 1 year and likely to continue.</p> <ul style="list-style-type: none"> • How to calculate the income: <ul style="list-style-type: none"> ○ Average over 2 years. ○ If the income from the current year decreases by 20% or more from the prior year, use the current year's income.
Commission Income	<ul style="list-style-type: none"> • Earned for 1-2 years okay if likely to continue. • Earned less than 1 year okay if: <ul style="list-style-type: none"> ○ pay change from salary to commission for similar position with same employer or ○ borrower would qualify if commission income was not used. • Calculate using two year average. <ul style="list-style-type: none"> ○ If income has decreased compensating factors are required. 	<ul style="list-style-type: none"> • Earned for at least 1 year in same or similar line of work and likely to continue. • Calculate by subtracting unreimbursed business expenses from the lesser of: <ul style="list-style-type: none"> ○ the average net commission earned over the past 2 years (or however long it's been earned) and ○ the average income earned over the prior 1 year. <p><i>Note: 1 year history is now minimum allowed.</i></p>
Voluntary Alimony or Child Support Payments	No guidance.	<p>Allowed</p> <p>If using a voluntary payment agreement, the lender:</p> <ul style="list-style-type: none"> • obtains 12 months canceled checks, deposit slips, or tax returns, • if there is evidence of receipt for the most recent 6 months, may use the current payment to calculate income, & • if there are not 6 months of consistent payments, may average the income received over the prior 2 years, or less if the income has not been received that long.
Rental Income on Retained Primary Residence	Rental income may be counted when relocating outside or reasonable commute distance for job OR borrower has 25% equity.	<ul style="list-style-type: none"> • Rental income may be counted when relocating and new residence is located at least 100 miles from previous residence AND • If no history of rental income since the last tax filing, borrower must have 25% equity.

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Non-taxable Income	Gross up using tax rate evidenced on last return. If borrower did not file a return use tax rate of 25%.	Gross up is using greater of 15% or actual tax rate. If borrower did not file a return use tax rate of 15%.
Pension Income Calculation	No guidance.	<ul style="list-style-type: none"> • Use current amount if consistent. • Fluctuating amounts require use of 2 year (or time of receipt, if less) average
401K Income Calculation	No guidance.	<ul style="list-style-type: none"> • Use current amount if consistent. • Fluctuating amounts require use of 2 year (or time of receipt, if less) average
Gaps in Employment	<ul style="list-style-type: none"> • Manual underwriting: Gaps of more than 1 month must be explained. • TOTAL Scorecard: Gaps of less than 6 months require no explanation. 	Manual underwriting and TOTAL Scorecard: Gaps of less than 6 months require no explanation.
Temporary Income Reduction	No guidance.	<p>For borrowers with a temporary reduction of income due to a short-term disability or similar temporary leave, lenders may consider the Borrower's current income as Effective Income, if it can verify and document that:</p> <ul style="list-style-type: none"> • the Borrower intends to return to work; • the Borrower has the right to return to work; and • the Borrower qualifies for the mortgage taking into account any reduction of income due to the circumstance. <p>For Borrowers returning to work before or at the time of the first Mortgage Payment due date, the mortgagee may use the Borrower's pre-leave income.</p> <p>For Borrowers returning to work after the first Mortgage Payment due date, the mortgagee may use the Borrower's current income plus available surplus liquid asset Reserves, above and beyond any required Reserves, as an income supplement up to the amount of the Borrower's pre-leave income. The amount of the monthly income supplement is the total amount of surplus Reserves divided by the number of months between the first payment due date and the Borrower's intended date of return to work.</p>

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Projected/Expected Income	Projected income allowed when borrower will start a new job within 60 days of closing and assets or other income are verified to cover all debts until receipt of the new income.	Expected income (replaces Projected Income guideline) refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that will be received within 60 days of closing.
Boarder Income	Rental income from boarders, however, is acceptable, if the boarders are related by blood, marriage or law. The rental income may be considered effective if shown on the borrower's tax return. If not on the tax return, rental income paid by the boarder <ul style="list-style-type: none"> • may be considered as a compensating factor, and • must be adequately documented by the lender. 	Boarder refers to an individual renting space inside the borrower's dwelling unit. Rental income from boarders is only acceptable if the borrower has a two-year history of receiving income from boarders that is shown on the tax return and the borrower is currently receiving boarder income. <i>Note: Boarder no longer has to be related to borrower.</i>
Insurance		
Flood Insurance	No calculation details for coverage requirements.	Amount at least equal to the lesser of either: <ul style="list-style-type: none"> • The outstanding balance of the mortgage, less estimated land costs; or • The maximum amount of the NFIP insurance available with response to the property improvements.
Liabilities		
Deferred Loans	Loans deferred more than 12 months from closing do not have to be counted in ratios. (no mention of loans in forbearance)	All deferred obligations (including loans in forbearance), regardless of when they will commence, must be included in the qualifying ratios. The lender must obtain evidence of: <ul style="list-style-type: none"> • the deferral; • the outstanding balance; • the terms of liability; and • the anticipated monthly payment. For installment debt, the lender must use <ul style="list-style-type: none"> • the actual monthly payment, or • if the actual payment is unknown <ul style="list-style-type: none"> ○ the terms of the debt or ○ 5% of the outstanding balance.

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Deferred Loans (<i>cont'd</i>)		For a student loan, the lender must use <ul style="list-style-type: none"> • the actual monthly payment or • if the actual monthly payment is zero or is not available then use 2% of the outstanding balance.
Installment Debt <10 Mos Pymts	<ul style="list-style-type: none"> • TOTAL Scorecard: May be excluded from ratios. • Manual UW: May be excluded from ratios if debt will not affect ability to pay mortgage. 	TOTAL Scorecard and Manual UW: May be excluded from ratios only if: <ul style="list-style-type: none"> • they have remaining cumulative payments of less than or equal to 5% of the borrower's gross monthly income, and • the borrower may not pay the debts down to achieve this percentage.
Alimony and Child Support	May be treated as reduction from gross income or as a monthly obligation.	<ul style="list-style-type: none"> • May be treated either as reduction from gross income or as a monthly obligation. • Obtain pay stubs covering at least 28 consecutive days to verify whether the borrower is subject to any order of garnishment. • Calculate the monthly obligation from the greater of: <ul style="list-style-type: none"> ○ the amount shown on the most recent decree or agreement establishing the obligation, or ○ the monthly amount of the garnishment.
Revolving Accounts – Monthly Pymt Calculation	<ul style="list-style-type: none"> • Greater of 5% of the balance or \$10 or • the actual monthly payment 	<ul style="list-style-type: none"> • 5% of the outstanding balance or • payment shown on credit report or statement
30 Day Account (<i>Accounts requiring payment in full each month.</i>)	No guidance	<ul style="list-style-type: none"> • Not included in ratios if borrower has paid in full every month for past 12 months. • If there were late payments in the last 12 months include 5% of the balance in the ratios. • Lender must document sufficient funds to pay off the balance and close the loan.

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Authorized User Accounts	No guidance	If the primary account holder has made all required payments on the account for the previous 12 months debt does not have to be included in borrower's ratios. If less than 3 payments have been required on the account in the previous 12 months, the payment must be included in ratios.
Maximum Loan Amount		
HUD REO	Based on lesser of <ul style="list-style-type: none"> • appraised value or • sales price or • original REO list price 	Based on Adjusted Value (lesser of purchase price minus inducements or the appraised value). Note: This effective date is for ENDORSEMENTS issued on or after September 14, 2015 so could include loans currently in your pipeline.
Occupancy		
Multiple FHA Loans	Borrower may obtain second FHA loan for new principal residence when relocating for employment and current residence is more than reasonable commute to new residence.	Borrower may obtain second FHA loan for new principal residence when relocating for employment and current residence is more than 100 miles from new residence area.
Property		
Acceptable Mixed Use	No more than 25% of the total floor space can be devoted to nonresidential use.	A minimum of 51% of the entire building square footage is for residential use.
Inducement to Purchase – Builder-Provided Below Market Rent	No guidance.	Below market rent provided by builders who fail to meet construction completion deadlines and provide buyers with temporary housing in other units owned is not considered an inducement to purchase.
Prior Ownership Review When Property Sold Within 12 Months	No guidance.	Prior ownership must be reviewed for undisclosed identity-of-interest transactions.
Shared Well - Feasibility	Not required.	Shared wells allowed only when lender evidences <ul style="list-style-type: none"> • Connection to public or community water system is not feasible and • property is not located in an area where local officials have determined public connection to be feasible.

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Well and Septic Inspections	<p>A <u>water test or inspection</u> is required</p> <ul style="list-style-type: none"> • if it is mandated by the State or local jurisdiction; • if there is knowledge that well water may be contaminated; • when the water supply relies upon a water purification system due to the presence of contaminants; or • when there is evidence of corrosion of pipes (plumbing) or certain conditions that could present environmental hazards. <p><u>Septic system inspections</u> are required only if:</p> <ul style="list-style-type: none"> • The appraiser observes evidence of system failure or suspects a problem with the system, or • It is customary to obtain inspections in the area, or • Inspections are mandated by the State or local jurisdiction or • the underwriter deems necessary. <p>Note: Well and septic inspections are only required in certain instances.</p>	<p><u>Individual Water Supply Systems (Wells)</u>: Lender must ensure that the water quality meets the requirements of the health authority with jurisdiction. If there are no local (or state) water quality standards, then water quality must meet the standards set by the EPA..</p> <p><u>Sewage System (Septic)</u>: Lender must confirm that a connection is made to a public or community sewage disposal system whenever feasible and available at a reasonable cost. If not reasonable, the existing sewage system is acceptable provided it is functioning properly and meets the requirements of the local health department.</p> <p>Note: A lender will have to require well and septic inspections in order to comply.</p>
Refinances		
Rate and Term Refinance Types	<ul style="list-style-type: none"> • Rate and Term (<i>refinance any mortgage – requires appraisal</i>) • Streamline Refinance with appraisal • Streamline Refinance with appraisal – Credit Qualifying • Streamline Refinance without appraisal • Streamline Refinance without appraisal – Credit Qualifying 	<ul style="list-style-type: none"> • Rate and Term (<i>refinance any mortgage-requires appraisal</i>) • Simple Refinance (<i>refinance FHA-insured mortgage – requires appraisal</i>) • Streamline Refinance (<i>no appraisal</i>) • Streamline Refinance – Credit Qualifying (<i>no appraisal</i>)

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Rate and Term Maximum LTV	97.75%	<ul style="list-style-type: none"> 97.75% if owner-occupied for previous 12 months or owner-occupied since acquisition if acquired within the last 12 months, at case number date. 85% if borrower has not occupied as principal residence for <12 months prior to case number date or if owned less than 12 months, has not occupied the property for the entire period of ownership. 85% for all HUD-approved secondary residences.
Rate and Term – Short Payoffs	Permits new subordinate lien in short payoff scenario.	Existing note holder must write off remaining debt in short payoff scenario.
Cash-Out – Non-Occupant Co-Borrowers	Non-occupant co-borrower may not be used to help qualify. All borrowers on note must be occupants.	Non-occupant co-borrower may not be used to help qualify. <i>(Omission of second sentence is addressed in FAQs and states that a non-occupant co-borrower may be added to note but may not be used to qualify.)</i>
Cash-Out LTV/CLTV	<ul style="list-style-type: none"> Owned 12 months or more: 85% of appraised value Owned less than 12 months: lesser of 85% of appraised value or original sales price 	Owned and occupied as principal residence for 12 months* prior to case number assignment date: 85% of appraised value <i>*exceptions allowed for inheritance</i>
Skipped Payments	Borrower must be current on the loan being refinanced for the month due prior to the month in which he/she closes the refinancing, and for the month in which he/she closes. <i>(Did not allow for a skipped payment.)</i>	Payments for all mortgages secured by the subject property must have been paid within the month due for the month prior to mortgage disbursement. <i>(This would allow for a skipped payment.)</i>
Secondary Financing		
Family Member Secondary Financing – Additional Requirements	Not required.	<ul style="list-style-type: none"> Secondary financing must be disclosed at application. No costs from secondary financing may be financed into the new first mortgage. No balloon payment within 10 yrs. Any payments must be level and monthly.

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Streamline Refinances		
Streamline Refinance Net Tangible Benefit-Term Reduction	Reduction in term alone does not constitute net tangible benefit.	Reduction in term alone constitutes net tangible benefit if the new rate does not exceed the current rate and payment (Principal + Interest + Monthly-Paid Annual MI) does not increase by more than \$50.
Streamline Refinance Net Tangible Benefit - Definition	5% reduction to the monthly principal, interest and mortgage insurance payment (PI & MIP); or refinancing from an adjustable rate to a fixed rate (in accordance with the conditions in the Net Tangible Benefit matrix).	A reduced Combined Rate, a reduced term, and/or a change from an ARM to a fixed rate Mortgage that results in a financial benefit to the Borrower. Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate. (Amount of required reduction to Combined Rate varies. Example: Fixed to Fixed requires .5% lower Combined Rate) <i>NOTE: It is expected that FHA will be revising the Refinance Authorization screen in FHA Connection to include a field containing the current MIP rate for Combined Rate calculation and comparison.</i>
Proof of Occupancy	No requirement.	<ul style="list-style-type: none"> • Lender must verify owner occupancy through utility bills or employment documentation. • Lender must verify second home status by obtaining proof of HOC approval. • All properties that cannot prove owner occupancy or second home status must be processed as investment properties.
CLTV	Streamline refinance without an appraisal has maximum CLTV of 125%	All streamline refinances – No max CLTV
Underwriting		
TOTAL Scorecard Manual Downgrade Requirements	Manual downgrades are required when: <ul style="list-style-type: none"> • Delinquent federal debt is present • CAIVRS claim is present unless erroneous or qualifies for exception listed below: <ul style="list-style-type: none"> ○ Assumption-loan was current prior to the assumption ○ Divorce-home and debt assigned to ex-spouse and mortgage was not in default at the time 	Manual downgrades are required when: <ul style="list-style-type: none"> • Delinquent federal debt is present • CAIVRS claim is present unless erroneous or qualifies for exception listed below: <ul style="list-style-type: none"> ○ Assumption-loan was current prior to the assumption ○ Divorce-home and debt assigned to ex-spouse and mortgage was not in default at the time

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<p>TOTAL Scorecard Manual Downgrade Requirements <i>(cont'd)</i></p>	<ul style="list-style-type: none"> ○ Bankruptcy-mortgage was included in a bankruptcy due to extenuating circumstances ● Borrower is named on excluded party list ● Foreclosure or DIL within 3 years ● BK discharged within 2 years ● Late mortgage payments on purchase or r/t refi <ul style="list-style-type: none"> ○ 3 or more > 30 days or ○ 1 or more 60 days plus 1 or more 30 day ○ or 1 >90 days ● Any mortgage tradeline (incl 2nd liens) has less than 6 months history ● >\$1000 in disputed derogatory accounts ● Cash-out refinance reflects <ul style="list-style-type: none"> ○ delinquent payment in last 12 months or ○ currently delinquent or ○ non-occupant co-borrower is present ● AUS conditions cannot be met ● Derogatory or any other credit information has not been considered by TOTAL (includes multiple NSF checks on bank statement) ● A borrower or co-borrower has no credit score ● Decision score is <620 and DTI is >43% 	<ul style="list-style-type: none"> ○ Bankruptcy-mortgage was included in a bankruptcy due to extenuating circumstances ● Borrower is named on excluded party list ● Foreclosure, short sale, or DIL within 3 years ● BK discharged within 2 years ● Late mortgage payments on purchase or r/t refi <ul style="list-style-type: none"> ○ 3 or more > 30 days or ○ 1 or more 60 days plus 1 or more 30 day ○ or 1 >90 days ● Any mortgage tradeline (incl 2nd liens) has less than 6 months history ● >\$1000 in disputed derogatory accounts ● Cash-out refinance reflects <ul style="list-style-type: none"> ○ delinquent payment in last 12 months or ○ currently delinquent or ○ non-occupant co-borrower is present ● AUS conditions cannot be met ● Derogatory or any other credit information has not been considered by TOTAL (includes multiple NSF checks on bank statement) ● A borrower or co-borrower has no credit score ● Undisclosed mortgage debt is discovered ● Business Income shows a >20% decline over the analysis period