This matrix is intended as an aid to help determine whether a property/loan qualifies for certain financing. It is not intended as a replacement for FHA guidelines. Users are expected to know and comply with FHA requirements. ***FHA requirements are found in FHA Handbook 4000.1.*** *These guidelines may include overlays, which may be more restrictive than FHA requirements. A thorough reading of this matrix is recommended.*

Eligibility Matrix & LTV Limitations

Primary Residence			
Purchase Transactions			
Minimum Credit Score	**Units**	**Maximum Base LTV/CLTV[1]**	**Total LTV**
600	1-4	96.5%	Maximum LTV plus the amount of the financed UFMIP
No Cash-Out Refinance			
600	1-4	97.75%	Maximum LTV plus the amount of the financed UFMIP
Cash-Out Refinance[2]			
600	1-4	80%	Maximum LTV plus the amount of the financed UFMIP

Footnotes:

1. Maximum LTV/CLTV: 1) LTV/CLTV is calculated using the base loan amount without financed UFMIP, 2) Maximum LTV/CLTV for Identity of Interest purchase transactions is 85% if no FHA exception is met, 3) Maximum LTV/CLTV for transactions with Non-Occupying Co-Borrowers is 75% if no FHA exception is met, 4) Maximum LTV/CLTV 85% for no cash-out for a borrower who has occupied the subject property as their primary residence for fewer than 12 months prior to the case number assignment date; or if owned less than 12 months, has not occupied the property for that entire period of ownership
2. 12 month seasoning as a primary residence from case number assignment date required. Exception for inheritance allowed provided certain guidelines are met.

Maximum Loan Amount

Continental US	Conforming		High Balance	
Units	Lowest Maximum (floor)	Highest Maximum (ceiling)	Lowest Maximum (floor)	Highest Maximum (ceiling)
1	$420,680	$647,200	$647,201	$970,800
2	$538,650	$828,700	$828,701	$1,243,050
3	$651,050	$1,001,650	$1,001,651	$1,502,475
4	$809,150	$1,244,850	$1,244,851	$1,867,275

Maximum loan amounts above are effective for case numbers assigned on or after January 1, 2022. Unless otherwise stated, restrictions to mortgage amounts and LTVs are based upon the amount prior to the financing of the Upfront Mortgage Insurance Premium (UFMIP) (i.e. Base Loan Amount). The total mortgage amount may be increased by the financed UFMIP amount.

Maximum Base Loan Amount cannot exceed the FHA Statutory Mortgage Limits for each county and under no circumstances will a county's mortgage limit be less than the floor or greater than the ceiling as outlined in the matrix above. See this link for FHA County Mortgage Limits: https://entp.hud.gov/idapp/html/hicostlook.cfm. The lowest minimum "floor" loan amounts for the FHA High Balance products are based on the Base Loan Amount and not the Total Loan Amount that includes financed Up-Front Mortgage Insurance (UFMIP).

Product Description

- Fixed Rate 30-year term; fully amortized, including High Balance

Product Codes

Product Code	Fixed Description
FF30	FHA FRM 30 year
FF30HB	FHA FRM 30 year High Balance

Eligibility Requirements

Appraisal Requirements	Appraisal Validity:
	• The initial appraisal is valid for 120 days as measured from the effective date of the appraisal to the disbursement date. For purposes of counting days, day one is the day after the effective or issue date of the document, whichever is later.
	• The 120-day validity period of an appraisal may be extended for 30 days at the option of the Mortgagee if:
	    o The mortgagee approved the borrower or HUD issued the Firm Commitment before the expiration of the original appraisal; or
	    o The borrower signed a valid sales contract prior to the expiration date of the appraisal
	
	Appraisal Update:
	• An appraisal update must be performed before the initial appraisal (with no extension) has expired.
	• Where the initial appraisal is subsequently updated, the updated appraisal is valid for a period of 240 days after the effective date of the initial appraisal report that is being updated.
	
	Appraisal Integrity:
	• The appraisal report must be completed by a FHA roster appraiser and list FHA as an intended user of the appraisal.
	• Appraisal must comply with the FHA Appraisal Independence Policy.
	
	Case Numbers
	▪ FHA case number is assigned to the property, not to the borrower.
	▪ The effective date of the appraisal cannot be before the FHA case number assignment date unless the mortgagee certifies, via the certification field in the Appraisal Logging Screen in FHA Connection, that the appraisal was ordered for conventional lending or government-guaranteed loan purposes and was performed by a FHA Roster Appraiser.
	
	Transferring Existing Appraisals
	▪ In cases where a borrower has switched mortgagees, the first mortgagee must, at the borrower's request, transfer the appraisal to the second mortgagee within 5 business days.
	▪ The appraiser is not required to provide the appraisal to the new mortgagee. The client name on the appraisal does not need to reflect the new mortgagee.
	▪ If the original mortgagee has not been reimbursed for the cost of the appraisal, the mortgagee is not required to transfer the appraisal until it is reimbursed.
	▪ The second mortgagee may not request the appraiser to readdress the appraisal.
	▪ Where a mortgagee uses an existing appraisal for a different borrower, the mortgagee must enter the new borrower's information in FHA Connection. The mortgagee must collect an appraisal fee from the new borrower and refund the fee to the original borrower. If a Case Transfer is involved, the new mortgagee must enter the borrower's information in FHA Connection. The new mortgagee must collect an appraisal fee from the borrower, and send the fee to the original mortgagee, who, in turn, must refund the fee to the original borrower.
	
	Communications with Third Parties
	▪ Mortgagees may not discuss the contents of the appraisal with anyone other than the borrower. This includes real estate agents.
	
	Mixed Use
	Mixed Use refers to a property suitable for a combination of uses including any of the following: commercial, residential, retail, office or parking space. Mixed Use 1-4 unit Single Family Properties are eligible for FHA insurance, provided:
	• A minimum of 51% of the entire building square footage is for residential use; and
	• The commercial use will not affect the health and safety of the occupants of the residential property
	
	All properties must meet HUD's Minimum Property Requirements and Minimum Property Standards. See FHA Handbook 4000.1, Section II.A.3(a)(ii) for additional details.
	
	Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.

Appraiser Requirements	Appraisers must be on FHA's approved list on the FHA Connection with State Certification designation of Certified General or Certified Residential The assigned appraiser must perform the physical inspection of the property. He/she may not sign the appraisal performed by another appraiser Information Required before Commencement of Appraisal The Appraiser must obtain all of the following from the mortgagee before beginning an appraisal: • A complete copy of the executed sales contract for the subject, if a purchase transaction; • The land lease, if applicable;

	• Surveys or legal descriptions, if available; • Any other legal documents contained in the loan file; and • A point of contact and contact information for the mortgagee so that the appraiser can communicate any noncompliance issues. Appraiser must comply with the FHA Appraisal Independence Policy

Assets	Refer to FHA Handbook 4000.1 II.A.4.d for asset requirements on loans underwritten and approved by TOTAL Scorecard or FHA Handbook 4000.1 II.A.5.c for manual underwriting asset requirements (i.e. Refer recommendations from TOTAL Scorecard or Approve/Accept recommendations from TOTAL whereby a manual downgrade is required).
	
	Minimum Required Investment (MRI):
	The borrower must make a MRI of at least 3.5% of the sales price or appraised value (whichever is less)
	• The mortgagee may only consider assets derived from acceptable sources in accordance with FHA guidelines.
	• Closing costs, prepaid items and other fees (e.g. commitment fees, discount points, premium pricing, etc.) may not be applied toward the borrower's MRI
	
	Reserves:
	• TOTAL Scorecard with Approve/Accept recommendation:
	  o 1-2 unit properties: Per TOTAL
	  o 3-4 unit properties: 3 months PITIA in reserves
	• TOTAL Scorecard with Refer recommendation or with Approve/Accept recommendation that requires a manual downgrade:
	  o 1-2 unit properties: 1 month PITIA in reserves
	  o 3-4 unit properties: 3 months PITIA in reserves
	
	New Accounts / Large Deposits**:**
	For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value (i.e. lesser of sales price or 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 MRI.

Borrower Eligibility	U.S. citizenship is not required. The mortgagee must determine the U.S. residency status of the borrower based on information provided on the mortgage application and other application documentation. In no case is a Social Security card sufficient to prove immigration or work status. All Borrowers, including permanent resident aliens must have a valid social security number. Validate the social security number using any one of the following. • Social Security Card • Pay stub • W-2 • Tax Transcripts • Validation from SSA Permanent Resident Aliens • Same eligibility requirements as US Citizens • The mortgage file must include evidence of lawful permanent residence and indicate that the Borrower is a lawful permanent resident on the URLA. • The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful permanent resident status. Valid resident alien card (aka "green card") is required. Non-Permanent Resident Aliens • Property will be borrower's principal residence • Borrower has a valid SSN • Borrower is eligible to work in the United States, as evidenced by An Employment Authorization Document (USCIS Form I-766) showing that work authorization is status is current. o If the Employment Authorization Document (USCIS Form I-766) will expire within one year and a prior history of residency status renewals exists, the mortgagee may assume that continuation will be granted. If there are no prior renewals, the mortgagee must determine the likelihood of renewal based on information from the employer or the USCIS. • Borrower satisfies the same requirements, terms and conditions as those for U.S. citizens Inter Vivos Revocable Trust The mortgagee may originate a mortgage for a living trust for a property held by the living trust, provided: ▪ The beneficiary of the living trust is a cosigner ▪ The beneficiary will occupy the property as their principal residence ▪ The trust provides reasonable means to assure that the mortgagee will be notified of any changes to the trust, including transfer of beneficial interest and any changes in occupancy status of the property ▪ The mortgagee must obtain a copy of the trust documentation

	▪ Power of Attorney (POA) is not allowed on inter vivos trusts
	
	Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:
	• Chile, parent, or grandparent
	  ○ A child is defined as a son, stepson, daughter, or stepdaughter
	  ○ A parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
	• Spouse or domestic partner
	• Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption
	• Foster child
	• Brother, stepbrother
	• Sister, stepsister
	• Uncle
	• Aunt
	• Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower
	
	*Note: “Cousins” are not considered family members for this definition.
	
	Ineligible:
	• Foreign Nationals
	• Land Trusts
	• Governmental entities and FHA-approved nonprofit corporations

Co-Borrowers, Co-Signers and Non-Occupants	Co-Borrower:
	• Must take title to the property in their own name or a Living Trust
	• Must sign all documents including the Loan Application, Note and all security instruments
	• Income, assets and debts from all borrowers (including co-borrowers) are used in qualifying
	• Co-borrower must have a principal residence in the U.S.
	
	Non-Occupant Co-Borrower:
	• Must take title to the property in their own name or a Living Trust
	• Must sign all documents including the Loan Application, Note and all security instruments
	• Must always have a qualifying credit score.
	• Are not eligible if the occupying borrower or co-borrower has no credit score.
	• Must either:
	  ○ Be a U.S. citizen; or
	  ○ Have a principal residence in the U.S.
	
	Non-Occupying Borrower Transaction:
	A Non-Occupying Borrower Transaction refers to a transaction involving two or more borrowers in which one or more of the borrower(s) will not occupy the property as their primary residence. For Non-Occupying Borrower Transactions, the maximum LTV is 75%. The LTV can be increased to a maximum of 96.5% if the borrowers are Family Members, provided the transaction does not involve:
	• A Family Member selling to a Family Member who will be a non-occupying co-borrower; or
	• A transaction on a 2-4 unit property.
	
	A party who has a financial interest in the transaction, such as the seller, builder or real estate agent, may not be a co-borrower or co-signer. Exceptions may be granted when the party with the financial interest is a Family Member.
	
	Co-Signers: Ineligible

Credit	Refer to FHA Handbook 4000.1 II.A.4.b for credit guidelines on loans underwritten and approved by TOTAL Scorecard or FHA Handbook 4000.1 II.A.5.a for manual underwriting credit guidelines (i.e. Refer recommendations from TOTAL Scorecard or Approve/Accept recommendations from TOTAL whereby a manual downgrade is required). A traditional credit report is required. All borrowers must have a SSN. Alternative/non-traditional credit is not allowed. Further, the mortgagee must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the subject property is located in a community property state. Debts for a non-borrowing spouse must be included in the DTI. Community property states are as follows: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin Housing Obligations/Mortgage Payment History (TOTAL): Refers to the monthly payment due for all real estate owned. A borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the Forbearance Plan is terminated at or prior to closing.

	• Purchase and No Cash-Out Refinance: The mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, during the 12 months prior to case number assignment reflects: o Three or more late payments of greater than 30 days; o One or more late payments of 60 days plus one or more 30-day late payments; or o One payment greater than 90 days late; or o That the borrower has made less than three consecutive payments since completion of a mortgage Forbearance Plan. For both purchase and no cash-out refinance transactions, a mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. In addition, where a mortgage has been modified, the borrower must have made at least six payments under the modification agreement to be eligible for a no-cash out refinance. A mortgage that has been granted forbearance must utilize the payment history in accordance with the Forbearance Plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA-insured mortgage, the Forbearance Plan must be terminated at or prior to closing. Any borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting. • Cash-Out Refinance: The mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, reflects: o A current delinquency; o Any delinquency within 12 months of the case number assignment date; or o The borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan. A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. Where a borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original Note, the mortgage is not required to be downgraded to a Refer provided the Forbearance Plan is terminated at or prior to closing. • Required Documentation: Where a mortgage reflects payments under a modification or Forbearance Plan within the 12 months prior to case number assignment, the mortgagee must obtain: o A copy of the modification of Forbearance Plan; and o Evidence of the payment amount and date of payments during the agreement term. A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency. • Manual Underwriting/Downgrade: See FHA Handbook 4000.1 II.A.5.a as noted above for additional guideline requirements.
Documentation	Maximum Age of Documents: Documents used in origination and underwriting a mortgage may not be more than 120 days old at the Disbursement Date (i.e. the date the proceeds of the mortgage are made available to the borrower). Documents whose validity for underwriting purposes is not affected by the passage of time, such as divorce decrees or tax returns, may be more than 120 Days old at the Disbursement Date. For purposes of counting Days, Day one is the Day after the effective or issue date of the document, whichever is later. Signature Requirements for all Application Forms: All Borrowers must sign and date the initial and final Uniform Residential Loan Application (URLA). All Borrowers must sign and date page two of the initial form HUD-92900-A, HUD/VA Addendum to Uniform Residential Loan Application, and sign and date the complete final form HUD-92900-A. The application may not be signed by any party who will not be on the Note. A Power of Attorney (POA) may not be used unless the Mortgagee verifies and documents that all of the following requirements have been satisfied: • For military personnel, a POA may only be used: o When the service member is on overseas duty or on an unaccompanied tour; o When the mortgagee is unable to obtain the absent borrower's signature on the application by mail or via fax; and o Where the attorney-in-fact has specific authority to encumber the property and to obligate the borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings. • For incapacitated borrowers, a POA may only be used where: o A borrower is incapacitated and unable to sign the mortgage application; o The incapacitated individual will occupy the property to be insured; and

- The attorney-in-fact has specific authority to encumber the property and to obligate the borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.

Mortgage Application:

- The mortgagee must obtain the borrower's initial complete, signed URLA and page two of form HUD-92900-A before underwriting the mortgage application.
- The mortgagee must also include the debt of a non-borrowing spouse on the URLA if the borrower resides in or the property to be purchased is located in a community property state.
- The loan originator identified on the URLA must be the actual licensed loan originator regardless of whether the loan originator is employed by a sponsored Third-Party Originator (TPO) or the mortgagee. The URLA must contain the loan originator's name, Nationwide Mortgage Licensing System and Registry (NMLS) identification number, telephone number, and signature.
- Mortgage loan applications must be executed in the legal names of all parties,
- Mortgage applications must be executed in the name of one or more individuals.
- The mortgagee must include a statement that they have verified the borrower's identity using a valid government-issued photo identification prior to endorsement of the mortgage or the mortgagee may choose to include a copy of such photo identification as documentation.

Sales Contract:

The Mortgagee must ensure that (1) all purchasers listed on the sales contract are borrowers, and (2) only borrowers sign the sales contract. An addendum or modification may be used to remove or correct any provisions of the sales contract that do not conform to these requirements. The Family Member of a purchaser, who is not a borrower, may be listed on the sales contract without modification or removal. Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status: 1) Child, parent or grandparent (including stepchildren, stepparents/grandparents, foster parents/grandparents), 2) Spouse or domestic partner, legally adopted child, foster child, brother/stepbrother, sister/stepsister, uncle, aunt or in-law (son, daughter, father, mother, brother, or sister in-law).

Amendatory Clause:

If the Borrower does not receive form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value, before signing the sales contract, the sales contract must be amended before closing to include an amendatory clause. Mortgagees must ensure the actual dollar amount of the sales price stated in the contract has been inserted in the amendatory clause. Increases to the sale price require a revised amendatory clause. An amendatory clause is not required in connection with:

- HUD REO sales;
- FHA's 203(k) mortgage program;
- Sales in which the seller is:
  - Fannie Mae;
  - Freddie Mac;
  - U.S. Department of Veterans Affairs (VA);
  - United States Department of Agriculture (USDA) Rural Housing Services;
  - Other federal, state, and local government agencies;
  - A mortgagee disposing of REO assets; or
  - A seller at a foreclosure sale

Real Estate Certification:

The borrower, seller, and the real estate agent or broker involved in the sales transaction must certify, to the best of their knowledge and belief, that (1) the terms and conditions of the sales contract are true and (2) any other agreement entered into by any parties in connection with the real estate transaction is part of, or attached to, the sales agreement. A separate certification is not needed if the sales contract contains a statement that (1) there are no other agreements between parties and the terms constitute the entire agreement between the parties, and (2) all parties are signatories to the sales contract submitted at the time of underwriting.

Statement of Appraised Value:

The borrower must receive a copy of form HUD-92800.5B. A statement of appraised value is not required in connection with transactions as listed above under the Amendatory Clause section.

Consent of Non-Borrowing Spouse

- If necessary to perfect a valid first lien under state law, the mortgagee must require a non-borrowing spouse to execute either the security instrument or documentation indicating that they are relinquishing all rights to the property.

Living Trusts and Security Instruments

- The name of the living trust must appear on the security instrument, such as the mortgage, deed of trust, or security deed.

	▪ The name of the individual borrower must appear on the security instrument when required to create a valid lien under state law. The names of the owner-occupant and other borrowers, if any, must also appear on the Note with the trust. ▪ The name of the individual borrower is not required to appear on the property deed or title. ▪ A power of attorney may not be used for a loan with Inter Vivos (revocable) trust. Electronic signatures are allowed per FHA guidelines <u>except</u> for closing documents. Impac does not allow electronic signatures on any closing documents. All documents provided at closing for signature <u>must</u> have original signatures. Electronic signatures on sales contracts are not acceptable when: • A Power of Attorney (POA) is involved, or • A sales contract requires a notary.
Escrow Holdbacks	Not allowed
Escrow Waivers	Ineligible, escrow account may not be waived. Escrow accounts for water purification systems are not allowed (Impac overlay)
Excluded Parties	A borrower is not eligible to participate in FHA-insured mortgage transactions if they are suspended, debarred, or otherwise excluded from participating in HUD programs. Furthermore, the mortgagee must establish that no participants are Excluded Parties and document the determination on form HUD-92900-LT (FHA Loan Underwriting and Transmittal Summary). Below are requirements: • The mortgagee must check the HUD LDP list to confirm all participants' eligibility to participate in an FHA-insured mortgage transaction • The mortgagee must check SAM (www.sam.gov) and follow appropriate procedures defined by that system to confirm eligibility for participation. • The mortgagee must check the "Yes" box on form HUD-92900-LT if the borrower appears on either the LDP or SAM list. <u>Participants include but are not limited to the following:</u> • Seller (except where selling the principal residence) • Listing and selling real estate agent • Loan originator • Loan processor • Underwriter • Appraiser • Closing agent • Title company
Geographic Locations/ Restrictions, as applicable	<u>Ineligible States</u>: DE, MA, ME, MO, WY <u>Additional restrictions as follows:</u> Hawaiian Lava-Flow Hazard Zones – The U.S. Geological Survey (USGS) categorizes the <u>island of Hawaii</u> into nine "lava zones" based on each zone's probability of exposure to lava flows caused by volcanic eruption. Properties in lava zones 1 and 2 are not eligible for loans funded or purchased by Impac Mortgage Corp. due to increased risk of property destruction from lava flows within these areas. The Hawaii Lava-Flow Hazard Zone Map can be accessed at: http://hvo.wr.usgs.gov/hazards/FAQ_LavaFlowHazardZone/ and http://pubs.usgs.gov/mf/1992/2193/ <u>Texas Cash-Out 50(a)(6)</u>: Ineligible State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.
High-Cost Mortgage Loans	Impac does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)

Identity of Interest Transactions	An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members. Business Relationship refers to an association between individuals or companies entered into for commercial purposes. The maximum LTV for Identity-of-Interest transactions or for a transaction where a tenant-landlord relationship exists at the time of contract execution is restricted to 85% unless one of the following exceptions is met:
	• <u>Family Member Transactions</u>: The 85% LTV restriction may be exceeded if a borrower purchases as their primary residence:
	  o The primary residence of another Family Member, OR
	  o A property owned by another Family Member in which the borrower has been a tenant for at least 6 months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required.
	• <u>Builder's Employee Purchase</u>: The 85 % LTV restriction may be exceeded if an employee of a builder, who is not a Family Member, purchases one of the builder's new houses or models as a primary residence.
	• <u>Corporate Transfer</u>: The 85% LTV restriction may be exceeded if a corporation transfers an employee to another location, purchases the employee's house, and sells the house to another employee.

- Tenant Purchase: The 85% LTV restriction may be exceeded if the current tenant purchases the property where the tenant has rented the property for at least 6 months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required.

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; or
- Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.

Income

Refer to FHA Handbook 4000.1 II.A.4.c for income requirements on loans underwritten and approved by TOTAL Scorecard or FHA Handbook 4000.1 II.A.5.b for manual underwriting income documentation requirements (i.e. Refer recommendations from TOTAL Scorecard or Approve/Accept recommendations from TOTAL whereby a manual downgrade is required).

Verbal Verification of Employment (VVOE):

- Employed/Wage Earner: Must be dated within 10 calendar days prior to the Note date.
- Self-Employed: Must be dated within 20 calendar days prior to funding.

Qualifying Rate: Qualify at the note rate.

Maximum DTI:

- TOTAL Scorecard with Approve/Accept recommendation: Determined by TOTAL
- TOTAL Scorecard with Refer recommendation or with Approve/Accept recommendation that requires a manual downgrade – see grid below and description of acceptable compensating factors further below:

Manual Underwriting Matrix		
Lowest Minimum Decision Credit Score	**Maximum Qualifying Ratios (%)**	**Acceptable Compensating Factors**
600	31/43	No compensating factors required
600	37/47	**One** of the following: • Verified and documented cash reserves; • Minimal increase in housing payment; or • Residual income.
600	40/40	No discretionary debt.
600	40/50	**Two** of the following: • Verified and documented cash reserves; • Minimal increase in housing payment; • Significant additional income not reflected in Effective Income; and/or • Residual income.

See FHA Handbook 4000.1 II.A.5.d for additional guideline requirements and definitions of compensating factors.

Note: The mortgagee must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the subject property is located in a community property state. The debts of the non-borrowing spouse must be included in the DTI.

Interested Party Contributions / Inducement to Purchase

Interested parties may contribute up to 6% of the sales price toward the borrower's origination fees, other closing costs, prepaid items and discount points. The 6% limit also includes:

- Interested party payment for permanent and temporary interest rate buydowns, and other payment supplements;
- Payments of mortgage interest for fixed rate mortgages;
- Mortgage payment protection insurance; and

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- Payment of the UFMIP

The following items are not considered interested party contributions:

- Premium pricing credits from the mortgagee or TPO are excluded from the 6% limit, provided the mortgagee or TPO is not the seller, real estate agent, builder, or developer.
- Payment of real estate agent commissions or fees, typically paid by the seller under local or state law, or local custom, is not considered an interested party contribution.
- The satisfaction of a PACE lien or obligation against the property by the property owner is not considered an interest party contribution.

Interested party contributions that exceed actual origination fees, other closing costs, prepaid items and discount points are considered an inducement to purchase. Interested party contributions exceeding 6% are considered an inducement to purchase. Interested party contributions may not be used for the borrower's MRI.

Inducements to purchase refer to certain expenses paid by the seller and/or other Interested Party on behalf of the borrower and result in a dollar-for-dollar reduction to the Adjusted Value of the property before applying the appropriate LTV percentage. Examples of inducements to purchase include, but are not limited to:

- Contributions exceeding 6% of the Adjusted Value (i.e. the lesser of the sales price or appraised value)
- Contributions exceeding the origination fees, other closing costs, and discount points
- Decorating allowances
- Repair allowances
- Excess rent credit
- Moving costs
- Paying off consumer debt
- Personal property
- Sales commission on the borrower's present residence
- Below-market rent, except for borrowers who meet the Identity-of-Interest exception for Family Members

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<tr><td>Liabilities</td><td>Refer to FHA Handbook 4000.1 II.A.4.b.iv for liability/debt guidelines on loans underwritten and approved by TOTAL Scorecard or FHA Handbook 4000.1 II.A.5.a.iv for manual underwriting liability/debt guidelines (i.e. Refer recommendations from TOTAL Scorecard or Approve/Accept recommendations from TOTAL whereby a manual downgrade is required).</td></tr>
<tr><td>Limitations on Other Real Estate Owned</td><td>

FHA will not insure more than one mortgage for any borrower (transactions in which an existing FHA mortgage is paid off and another FHA mortgage is acquired are acceptable). Any person individually or jointly owning a home covered by a mortgage insured by FHA in which ownership is maintained may not purchase another principal residence with FHA mortgage insurance except under the situations described below. Properties previously acquired as investment properties are not subject to these restrictions. FHA will not insure a mortgage if FHA concludes that the transaction was designed to use FHA mortgage insurance as a vehicle for obtaining investment properties, even if the property to be encumbered will be the only one owned using FHA mortgage insurance.

Exceptions to the FHA Policy Limiting the Number of Mortgages per Borrower:
The table below describes the only circumstances in which a Borrower with an existing FHA-insured mortgage for a principal residence may obtain an additional FHA-insured mortgage on a new principal residence.

<table>
<tr><th>Policy Exceptions</th><th>Eligibility Requirements</th></tr>
<tr><td>Relocation</td><td>A borrower may be eligible to obtain another FHA-insured mortgage without being required to sell an existing property covered by an FHA-insured mortgage if the borrower is:
• Relocating or has relocated for an employment-related reason; <u>and</u>
• Establishing or has established a new principal residence in an area more than 100 miles from the borrower's current principal residence.
If the Borrower moves back to the original area, the borrower is not required to live in the original house and may obtain a new FHA-insured mortgage on a new principal residence, provided the relocation meets the two requirements above.</td></tr>
<tr><td>Increase in Family Size</td><td>A borrower may be eligible for another house with an FHA-insured mortgage if the borrower provides satisfactory evidence that:
• The borrower has had an increase in legal dependents and the property now fails to meet family needs; <u>and</u>
• The LTV on the current principal residence is equal to or less than 75% or is paid down to that amount, based on the outstanding mortgage balance and a current residential appraisal.</td></tr>
</table>

</td></tr>
</table>

	Vacating a Jointly-Owned Property	A borrower may be eligible for another FHA-insured mortgage if the borrower is vacating (with no intent to return) the principal residence which will remain occupied by an existing co-borrower.
	Non-Occupying Co-Borrower	A non-occupying co-borrower on an existing FHA-insured mortgage may qualify for an FHA-insured mortgage on a new property to be their own principal residence. A borrower with an existing FHA-insured mortgage on their own principal residence may qualify as a non-occupying co-borrower on other FHA-insured mortgages.

Under no circumstances may investors use the exceptions described above to circumvent FHA's ban on loans to private investors and acquire rental properties through purportedly purchasing "principal residences".

Considerations in determining the eligibility of a borrower for one of these exceptions are the length of time the previous property was owned by the borrower and the circumstances that compel the borrower to purchase another residence with an FHA-insured mortgage. In all other cases, the purchasing borrower either **must** pay off the FHA-insured mortgage on the previous residence or terminate ownership of that property before acquiring another FHA-insured mortgage.

Loan Amount

Minimum loan amount is $100,000

Loan Purpose

Purchase Mortgage:

- The maximum LTV is 96.5% of the Adjusted Value
- The Adjusted Value is the determined value of the property used for making an FHA Insured Mortgage Loan
- For purchase transactions, the Adjusted Value is the lesser of the:
  - Purchase price less any Inducements to Purchase; **or**
  - Property Value
    - Property Value refers to the value as determined by the FHA Roster Appraiser

The seller of the property must be on title as the owner of record:

- To be eligible for a mortgage insured by FHA
  - Property must be purchased from the owner of record,
  - The transaction may not involve any sale or assignment of the sales contract, and
  - The lender must obtain documentation verifying the seller is the owner of record.

Property Flipping:

The eligibility of a property for a mortgage insured by FHA is determined by the time that has elapsed between the date the seller has acquired title to the property and the resale date. The seller's Date of Acquisition refers to the date the seller acquired legal ownership of that property. The Resale Date refers to the date all parties have executed the sales contract that will result in the FHA-insured mortgage for the resale of the property.

- Resales occurring 90 days or fewer after acquisition:
  - 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.
- Resales occurring between 91 days and 180 days after acquisition:
  - A mortgagee must obtain a second appraisal by another appraiser if:
    - The resale date of a property is between 91 and 180 Days following the acquisition of the property by the seller; and
    - 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 as the property value in determining the Adjusted Value.
  - The cost of the second appraisal may not be charged to the Borrower.
- Exceptions to Time Restriction on Resale:
  - Properties acquired by an employer or relocation agency in connection with the relocation of an employee;
  - Resales by HUD under its REO program;
  - Sales by other U.S. government agencies of single family properties pursuant to programs operated by these agencies;
  - Sales of properties by nonprofits approved to purchase HUD owned single family properties at a discount with resale restrictions;
  - Sales of properties that are acquired by the seller by inheritance;
  - Sales of properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE);
  - Sales of properties by local and state government agencies; and
  - Sales of properties within PDMDAs, only upon issuance of a notice of an exception from HUD.

  The restrictions listed above do not apply to a builder selling a newly built house or building a house for a borrower planning to use FHA-insured financing.

Construction to Permanent (one-time-close, OTC) mortgages are not allowed.

All Refinances:

- For properties acquired by the borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of:
  - The borrower's purchase price, plus any documented improvements made subsequent to the purchase; or
  - The Property Value.
- 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.
- 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.

Rate and Term Refinance:

- Refers to a no cash-out refinance of any mortgage in which all proceeds are used to pay existing mortgage liens on the subject property and costs associated with the transaction.
- At least one borrower on the refinancing mortgage must hold title to the property being refinanced prior to case number assignment.
- The following is the sum of existing debt and costs associated with the transaction that may be paid through the loan transaction:
  - Existing debt includes:
    - The unpaid principal balance of the first mortgage as of the month prior to mortgage disbursement;
    - The unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage disbursement;
    - The unpaid principal balance of any junior liens over 12 months old as of the date of mortgage disbursement. If the balance or any portion of an equity line of credit in excess of $1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new mortgage;
    - Ex-spouse or co-borrower equity, as described in "Refinancing to Buy Out Title-Holder Equity" below;
    - Interest due on the existing mortgage(s);
    - The unpaid principal balance of any unpaid PACE obligation;
    - Mortgage Insurance Premium (MIP) due on existing mortgage;
    - Any prepayment penalties assessed;
    - Late charges; and
    - Escrow shortages;
  - Allowed costs include all borrower paid costs associated with the new mortgage; and
  - Any borrower-paid repairs required by the appraisal
  - Less any refund of UFMIP
- Short Payoffs: The mortgagee may approve a rate and term refinance where the maximum mortgage amount is insufficient to extinguish the existing mortgage debt, provided the existing Note holder writes off the amount of the indebtedness that cannot be refinanced into the new FHA-insured Mortgage.
- Refinancing to Pay off Recorded Land Contracts: When the purpose of the new mortgage is to pay off an outstanding recorded land contract, the unpaid principal balance will be deemed to be the outstanding balance on the recorded land contract.
- Use of Estimates in Calculating Maximum Mortgage Amount: The mortgagee may utilize estimates of existing debts and costs in calculating the maximum mortgage amount to the extent that the actual debts and costs do not result in the borrower receiving greater than $500 cash back at mortgage disbursement. Cash to the borrower resulting from the refund of borrower's unused escrow balance from the previous mortgage must not be considered in the $500 cash back limit whether received at or subsequent to mortgage disbursement.
  - For transactions on properties in the state of Texas, the borrower can receive no cash back.
- Excess Cash Back: When the estimated costs utilized in calculating the maximum mortgage amount result in greater than $500 cash back to the borrower at mortgage disbursement, mortgagees may reduce the borrower's outstanding principal balance to satisfy the $500 cash back requirement. The Mortgagee must submit the mortgage for endorsement at the reduced principal amount.
- Texas Loans: When FHA insured financing is permitted in the state of Texas, no cash back to the borrower is permitted (not even one dollar is permitted).

Simple Refinance:

- Refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject property and costs associated with the transaction.
- At least one borrower on the refinancing mortgage must hold title to the property being refinanced prior to case number assignment.

	• The mortgagee must review the borrower's employment documentation or obtain utility bills to evidence the borrower currently occupies the property as their principal residence.
	• The following is the sum of existing debt and costs associated with the transaction that may be paid through the loan transaction:
	  ○ Existing debt includes:
	    ▪ Unpaid principal balance of the FHA-insured first mortgage as of the month prior to mortgage disbursement;
	    ▪ Interest due on the existing mortgage(s);
	    ▪ The unpaid principal balance of any unpaid PACE obligation;
	    ▪ Mortgage Insurance Premium (MIP) due on existing mortgage;
	    ▪ Late charges; and
	    ▪ Escrow shortages;
	  ○ Allowed costs include all borrower paid costs associated with the new mortgage; and
	  ○ Any borrower-paid repairs required by the appraisal
	  ○ Less any refund of UFMIP
	• Use of Estimates and Excess Cash Back follow the same requirements as listed above for Rate and Term Refinance.
	• Texas Loans: When FHA insured financing is permitted in the state of Texas, no cash back to the borrower is permitted (not even one dollar is permitted).
	
	Cash-Out Refinance:
	• A refinance of any mortgage or a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes.
	• At least one borrower on the refinancing mortgage must hold title to the property being refinanced prior to case number assignment.
	• Income from a non-occupant co-borrower may not be used to qualify for a cash-out refinance.
	• The subject property must have been owned and occupied by the borrower as their primary residence for the 12 months prior to the date of case number assignment. The mortgagee must review the borrower's employment documentation or obtain utility bills to evidence the borrower has occupied the subject property as their primary residence for the 12 months prior to case number assignment.
	  ○ Exception: In the case of inheritance, a borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the borrower has not treated the subject property as an investment property at any point since inheritance of the property. If the borrower rents the property following inheritance, the borrower is not eligible for a cash-out refinance until the borrower has occupied the property as a primary residence for at least 12 months.
	
	• Additional GNMA Seasoning Requirements (for cash-out refinances):
	  ○ The borrower must have made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and
	  ○ The first payment due date of the new refinance loan occurs no earlier than 210 days after the first payment due date of the initial loan.
	
	FHA-Insured to FHA-Insured Refinances (FHA to FHA):
	• FHA-to-FHA refinances may be used with any refinance type. At least one borrower on the refinancing mortgage must hold title to the property being refinanced prior to case number assignment. The mortgagee must obtain a Refinance Authorization Number from FHA Connection (FHAC) for all FHA-to-FHA refinances. FHA will not issue a new case number for any FHA to FHA Refinance where the existing mortgage to be paid off has a repair or rehabilitation escrow account that the Escrow Closeout Certification has not been completed in FHAC. If the borrower is refinancing their current FHA-insured mortgage to another FHA-insured mortgage within 3 years, a refund credit is applied to reduce the amount of the Upfront Mortgage Insurance Premium (UFMIP) paid on the refinanced mortgage as reflected on the Refinance Authorization.

Mortgage Insurance

Upfront Mortgage Insurance Premium (UFMIP)
<u>All Mortgages (except Simple Refinance – see further below)</u>: 175 basis points (bps) (1.75% of the Base Loan Amount)

Annual Mortgage Insurance Premium (MIP)

Applies to all Mortgages except:

- Simple Refinance Mortgages used to refinance a previous FHA endorsed Mortgage on or before May 31, 2009

Mortgage Term of More Than 15 Years			
Base Loan Amount	**LTV**	**MIP (bps)**	**Duration**
Less than or equal to $625,500	≤ 90.00%	80	11 years
	> 90.00% but ≤ 95.00%	80	Mortgage term
	> 95.00%	85	Mortgage term
Greater than $625,500	≤ 90.00%	100	11 years
	> 90.00% but ≤ 95.00%	100	Mortgage term
	> 95.00%	105	Mortgage term

Mortgage Term of Less than or Equal to 15 Years			
Base Loan Amount	**LTV**	**MIP (bps)**	**Duration**
Less than or equal to $625,500	≤ 90.00%	45	11 years
	> 90.00%	70	Mortgage term
Greater than $625,500	≤ 78,.00%	45	11 years
	> 78.00% but ≤ 90.00%	70	11 years
	> 90.00%	95	Mortgage term

Simple Refinance Only

For refinance of previous Mortgage endorsed on or before May 31, 2009 UFMIP: 1 (bps) (.01%) All Mortgages			
All Mortgage Terms			
Base Loan Amount	**LTV**	**Annual MIP (bps)**	**Duration**
All	≤ 90.00%	55	11 years
	> 90.00%	55	Mortgage term
For Mortgages where FHA does not require an appraisal, the value from the previous Mortgage is used to calculate the LTV.			

Occupancy

Primary Residence only

<u>Military Personnel Eligibility</u>

Borrowers who are military personnel, who cannot physically reside in a property because they are on active duty, are still considered owner occupants and are eligible for maximum financing if a Family Member of the borrower will occupy the subject property as their principal residence, or the borrower intends to occupy the subject property upon discharge from military service.

- The mortgagee must obtain a copy of the borrower's military orders evidencing the borrower's active duty status and that the duty station is more than 100 miles from the subject property.
- The mortgagee must obtain the borrower's intent to occupy the subject property upon discharge from military service, if a Family Member will not occupy the subject property as their principal residence.

Prepayment Penalty

Not permitted

Program Exclusions

HUD Section 184 Indian Home Loan Guarantee Program
HUD Section 203(h) Disaster Victims
HUD Section 203(k) Rehabilitation Mortgages
HUD Section 247 Hawaiian Home Lands
HUD Section 248 Mortgages on Indian Land
Assumptions of existing FHA loans
Energy Efficient Mortgage Program
Mortgage Credit Certificates – may not be used for qualifying income
Back to Work – Extenuating Circumstances Policy – not allowed
Construction Take-out Single Close (i.e., one-time-close, OTC) loans

Property Types

<u>Eligible:</u>

- 1 - 2 units
- 3 – 4 units
    - <u>Self-Sufficiency Rental Income Eligibility</u>

Net Self-Sufficiency Rental Income refers to the rental income produced by the subject property over and above the PITIA.

- 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 rent.
- The PITIA divided by the monthly Net Self-Sufficiency Rental Income may not exceed 100% for 3-4 unit properties.

- Modular Pre-Cut/panelized Housing
- PUDs
- Condos
  - Must be on FHA approved list and Form HUD-9991 must be completed, signed and dated whereby the following is required to meet eligibility requirements:
    - Owner occupancy percentage of the project must be ≥ 35%.
    - No more than 15% of the total units are in arrears. Units in arrears refer to each unit with HOA dues or any special assessments than are more than 60 days past due. Arrears does not include late fees or administrative expenses.
    - Individual Owner Concentration refers to the percentage of units owned by a single owner or Related Party. Related Party includes, but is not limited to:
      - An individual serving as the Unit owners' officer, director, or employee; or
      - A unit owner's direct parent company, subsidiary, or any related entity with which the unit owner shares a common officer or director.

      For condo projects with 20 or more units, the Individual Owner Concentration is ≤ 10%. For condo projects with fewer than 20 units, the unit owner may not own more than 1 unit. No Related Party may own a unit.
    - The condo association has a master or blanket hazard insurance policy in place for the entire approved condominium project in an amount equal to at least 100% of the insurable replacement cost of the approved condominium project, including the individual units in the approved condominium project. The mortgagee must verify that any policy with a coinsurance clause includes an agreed amount endorsement, selection of the agreed value option, or an amount of coverage equal to at least 100% of the insurable replacement cost. The mortgagee must verify that any pooled insurance policy satisfies the insurance coverage standard for each condominium project insured under the policy. Flood insurance requirements must also be met when any units in the project are located in a Special Flood Hazard Area (SFHA).
    - The insurance policies must list the condominium association as the named insured, or, in the case of an affiliated Approved Condominium Project or Condominium Association, the name of the affiliated Approved Condominium Project or Condominium Association may be listed as a named insured.
    - HO-6 insurance is required is the master/blanket policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the borrower may have made to the unit.
    - Leaseholds, manufactured housing, new construction and gut rehab not allowed.
  - Single-Unit Approval not allowed.
  - Site Condos and HUD REO do not require condominium project approval.
  - FHA Insurance Concentration: FHA may suspend the issuance of new FHA case numbers for a mortgage on a unit in a condominium project where the FHA insurance concentration is > 50% of the total number of units in the condominium project.
  - In cases where the HOA or management company will not complete Form HUD-9991 and rather provides their own form, the form must answer all questions as asked on Form HUD-9991 and the form must be included along with Form HUD-9991. Otherwise, the condo project is ineligible.

Ineligible:

- Bed and breakfast establishments
- Boarding houses
- Co-ops
- Fraternity and sorority houses
- Hotels, motels and condotels
- Leasehold
- Manufactured homes
- Other transient housing
- Private clubs
- Properties located within designated Coastal Barrier Resource system (CBRS) areas
- Properties that require water purification systems
- Properties with greater than 25 acres
- Tourist houses

	• Vacation homes • Uniquely designed properties such as dome homes, log cabins, earth berms, and underground homes Property Assessed Clean Energy (PACE): Properties which will remain encumbered with a PACE obligation are not eligible for FHA mortgage insurance. Where the subject property is encumbered with a Property Assessed Clean Energy (PACE) obligation, the sales contract must include a clause specifying that the PACE obligation will be satisfied by the seller at, or prior to, closing.
Secondary Financing	Allowed per FHA guidelines

Underwriting	Loans must be underwritten by a Direct Endorsement (DE) Underwriter.
	• All loans must be submitted thru FHA TOTAL Scorecard (i.e. AUS for FHA)
	• AUS Approve/Accept – All loan data submitted to AUS for Approve/Accept Finding must be accurate and validated. If a manual downgrade is required, the loan must be underwritten based on manual underwriting guidelines.
	• AUS Refer – Loan must meet manual underwriting guidelines.
	
	Accept Risk Classifications Requiring a Downgrade to Manual Underwriting:
	The mortgagee must downgrade and manually underwrite any mortgage that received an Accept recommendation if:
	• 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
	  o Disputed derogatory accounts of a non-borrowing spouse in a community property state are not included in the cumulative balance for determining if the mortgage application is downgraded to a REFER.
	• 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 borrower has undisclosed mortgage debt that does not reflect an acceptable mortgage payment history. Undisclosed mortgage debt is defined as when an existing debt or obligation that is secured by a mortgage but is not listed on the credit report and not considered by the AUS is revealed during the application process. The mortgage must be downgraded to a Refer and manually underwritten if the mortgage payment history reflects:
	  o A current delinquency;
	  o Any delinquency within 12 months of the case number assignment date; or
	  o More than two 30 day late payments within 24 months of the case number assignment date.
	A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late mortgage payments.
	• Business income shows a greater than 20 percent decline over the analysis period
	• Any mortgage tradeline, including mortgage line-of-credit payments, during the 12 months prior to case number assignment reflects:
	  o Purchase and No Cash-Out Refinance:
	    ▪ Three or more late payments of greater than 30 days;
	    ▪ One or more late payments of 60 days plus one or more 30-day late payments; or
	    ▪ One payment greater than 90 days late
	  A mortgage that has been modified **must** utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. In addition, where a Mortgage has been modified, the Borrower must have made at least six payments under the modification agreement to be eligible for a no-cash out refinance.
	
	  A mortgage that has been granted forbearance must utilize the payment history in accordance with the Forbearance Plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA-insured Mortgage, the Forbearance Plan must be terminated at or prior to closing. Any borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.

	- Cash-Out Refinance Transactions:
	  - A current delinquency;
	  - Any delinquency within 12 months of the case number assignment date; or
	  - The borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan.
	A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. Where a borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original Note, the mortgage is not required to be downgraded to a Refer provided the Forbearance Plan is terminated at or prior to closing.
	- All Transactions: Where Mortgage reflects payments under a modification or Forbearance Plan within the 12 months prior to case number assignment, the Mortgagee must obtain:
	  - A copy of the modification of Forbearance Plan; and
	  - Evidence of the payment amount and date of payments during the agreement term.
	A Forbearance Plan is not required if the forbearance was due to the impacts of the COVID-19 National Emergency.
	
	While all loans must be submitted through TOTAL Scorecard, the underwriting method is either via TOTAL Scorecard or Manual Underwriting. These methods are mutually exclusive. Files are underwritten 100% with the selected/required method. There is no “mixing and matching” portions of a TOTAL Scorecard approval with Manual Underwriting flexibilities and vice-versa. If the mortgage application must be manually downgraded, the lender must cease its use of the AUS and comply with all requirements for manual underwriting when underwriting a downgraded mortgage.