FHA HANDBOOK 4000.1 FAQ’s

September 14, 2015 – October 22, 2015
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREDIT / LIABILITIES</td>
<td>3</td>
</tr>
<tr>
<td>Consumer Credit:</td>
<td>3</td>
</tr>
<tr>
<td>Derogatory Credit:</td>
<td>6</td>
</tr>
<tr>
<td>ASSETS</td>
<td>8</td>
</tr>
<tr>
<td>Gift Funds</td>
<td>8</td>
</tr>
<tr>
<td>EMD</td>
<td>9</td>
</tr>
<tr>
<td>Assets for Streamline Refinance</td>
<td>9</td>
</tr>
<tr>
<td>Miscellaneous - Assets</td>
<td>10</td>
</tr>
<tr>
<td>INCOME</td>
<td>10</td>
</tr>
<tr>
<td>Rental Income</td>
<td>10</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>11</td>
</tr>
<tr>
<td>Income Stability</td>
<td>11</td>
</tr>
<tr>
<td>Income Calculation</td>
<td>12</td>
</tr>
<tr>
<td>Overtime/Bonus</td>
<td>13</td>
</tr>
<tr>
<td>Self-Employed (S/E) / Commission Income</td>
<td>13</td>
</tr>
<tr>
<td>Miscellaneous - Income</td>
<td>14</td>
</tr>
<tr>
<td>PROPERTY</td>
<td>15</td>
</tr>
<tr>
<td>PRODUCTS &amp; PROGRAMS:</td>
<td>16</td>
</tr>
<tr>
<td>Simple Refinance</td>
<td>16</td>
</tr>
<tr>
<td>Streamline Refinance</td>
<td>17</td>
</tr>
<tr>
<td>Rate &amp; Term</td>
<td>18</td>
</tr>
<tr>
<td>Proof of Occupancy</td>
<td>18</td>
</tr>
<tr>
<td>HUD REO</td>
<td>19</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>19</td>
</tr>
<tr>
<td>Non-Borrowing Spouse-Community Property State</td>
<td>19</td>
</tr>
<tr>
<td>FHA Connection</td>
<td>20</td>
</tr>
<tr>
<td>Amendatory Clause</td>
<td>21</td>
</tr>
<tr>
<td>Inducements to Purchase</td>
<td>21</td>
</tr>
</tbody>
</table>
CREDIT / LIABILITIES

Consumer Credit:

1. **Student Loans:** Is there any need to document when the income based student loan repayment will be recalculated or can we use the payment on the credit report or repayment plan without further questions?
   A. Yes, you may use the current payment on the credit report or the repayment plan.

2. **Student Loans:** Do we have to count 2% of the payment for student loans that are deferred; regardless of the length of time the loans are deferred?
   A. Yes or obtain the actual payment information from the servicer.

3. **Student Loans:** Do we accept the payment on the credit report even though the payment is extremely low compared to the outstanding balance? (i.e. 75,000 and only $100 payment)
   A. Yes as long as verification from the servicer is obtained or the payment is on credit report and not reflected as deferred.

4. **Student Loans:** For Income based repayment plans, can we accept the payment if it is $0?
   A. Yes

5. **Student Loans-Deferred:** Is it acceptable to use the Interest Only (IO) when the deferred student loan repayment letter which are estimates using Interest Only to calculate? Are these estimates being accepted as actual or we to use 2%?
   A. Yes, if the anticipated monthly payment is an Interest Only (IO) payment. Use 2% of the outstanding balance when the anticipated payment cannot be obtained.

6. **30-Day Account:** For a 30 day account with less than 12 month history. Do we use the 5%?
   A. Yes

7. **30-Day Accounts:** If the Borrower qualifies using 5% of the outstanding balance do we still need reserves to cover the balance?
   A. Yes
8. **30-Day accounts:** Are 30 day accounts balances subtracted from assets or does DU factor it in?
   A. The total assets required to be verified includes the current balance(s) of the 30-day account(s) plus the borrower’s MRI and borrower paid closing cost and prepaids. DU should factor these balances. LP will not.

9. **30-Day Accounts:** Are 30 day account considered open accounts? Is the 0x30 for 12 months or life of the account?
   A. A 30-day account is considered an “Open Account.” To exclude the debt, the borrower must pay off the outstanding balance on the account every month and must reflect 0x30x12 (i.e. AMEX). If the liability reflects delinquency within the last 12-months or opened less than 12 months, 5% of outstanding balance must be included in the DTI.

10. **Contingent Liability:** How do we confirm that the current debt holder will not pursue co-borrower in the event of default? (Excluding contingent liability)
    A. That question is being forwarded to the HOC for examples of acceptable documentation; however, if the other legally obligated party has made 12 months of timely payments, then the liability may be excluded.

11. **Contingent Liability.** When a divorce decree states the ex-spouse is paying a liability, are 12 months cancelled checks required?
    A. No. 12 months cancelled checks are not required when the divorce decree reflects the liability as the responsibility of the ex-spouse.

12. **Disputed Accounts:** Must a small disputed account with no delinquencies be removed?
    A. No. The Handbook does not require disputes to be removed. The UW must analyze the effect on the borrower’s ability to repay. Non-Derogatory Disputed Accounts are excluded from the $1,000 cumulative balance limit.

13. **Authorized User Account:** Is a credit supplement removing the Borrower from an Authorized User Account acceptable?
    A. No, this is not permissible
14. Authorized User Account: If account has been open for 6 months and trailed to the primary account holder can we back out the payment?
   A. If account is not open for 12 months, must verify the payments for the number of months opened; however, the account must be open at least 3 months to exclude.

15. Child Support Liability: What if the separation agreement is not recorded, do we still include the child support payment?
   A. Yes, as the support has been agreed upon.

16. Mortgage History: Payment history requirements on Refinances for all mortgages. Do we need a supplement to bring history current for all mortgages?
   A. No. The guideline specifically states that the subject property must be paid current in the month prior to disbursement.

17. Business Debt in borrower’s name: How many months do we require?
   A. The UW must perform a cash flow analysis and the debt must be reflected in business tax returns or the debt must be included in the DTI. If the debt is reflected in the cash flow analysis, obtain one check showing paid from business funds and the liability may be omitted from the analysis.

18. Installment Loans: In reference to installment payments < 10, is the cumulative payments the payment left or the total of the remaining payments left? For instance, if we have $1500 balance with $200 payment if the $200 payment is less than 5% of the gross monthly income can we exclude? Or does the full balance remaining need to be less than 5%?
   A. DU will automatically exclude when appropriate. This question has also been escalated to HUD for clarification.

19. Undisclosed Mortgage Debt: What does undisclosed mortgage debt mean?
   A. If during the application process the borrower did not disclose a mortgage debt that we subsequently discover, the loan requires a downgrade to manual underwriting regardless of the mortgage debt’s pay history.

20. Undisclosed Mortgage Debt: Does this include private mortgage holders or is this if it is found later in the process after application?
A. It includes any mortgage debt (private or with a financial institution) that is discovered during the application process but was undisclosed on the loan application.

21. Undisclosed Mortgage Debt: Does the loan need to be downgraded if the mortgage is not reporting on the credit report but was disclosed by the borrower?
A. No. A loan will not have to be downgraded if the debt was disclosed on the application.

22. New Liability: What is the guidance regarding debt identified after the loan is clear to close?
A. This debt does not have to be added to credit report but must be added to liabilities and resubmitted to TOTAL.

Derogatory Credit:

23. Bankruptcy: Will FHA allow a borrower to currently be in Chapter 13 with a 12 month history of repayment?
A. TOTAL Approve / Accept requires both Chapter 7 & 13 to be discharged for > 2 years from the case assignment date. A borrower in Chapter 13 with a 12 month history may be considered ONLY as a manual underwrite. FHA compensating factors AND a formal exception are required because “extenuating circumstances” for a lesser seasoning is currently not allowed.

24. Bankruptcy: Any clarification on the mortgage included with a BK?
A. The Handbook was unclear, however, HUD confirmed on a training call (direct question) that both the Foreclosure and Bankruptcy must be seasoned.

25. Bankruptcy: When a loan receives an Approve/Eligible or LP Accept and borrower has a recent BK discharged > 2 years, is an LOX with supporting documentation required?
A. TOTAL: A BK discharged > 2 years does not require further documentation. Letter of explanation and supporting documentation is required for Manual Underwriting only.

26. Collection Accounts: Are old collection accounts with > $2000 required be paid off?
A. TOTAL: Collection accounts with an cumulative balance of $2,000 or greater requires the following:
   a. Must be paid in full at or prior to settlement and source of funds verified;
   b. Verify Borrower has entered into a payment arrangement with the creditor and include payment in DTI; or,
   c. Use 5% of balance and include in DTI.
   d. We are not required to obtain an explanation for derogatory accounts.

B. MANUAL: The collection account is not required to be paid off, however, the UW must determine if the collection accounts were due to the borrower’s disregard of financial obligations or an inability to manage debt and document reasons for approving the mortgage with the collection accounts. The Borrower must provide a LOX and supporting documentation for each outstanding collection account.

27. Collection Accounts: If the collection is older than 2yrs and the balance is less than $2,000. Can we omit it?
   A. TOTAL: Non-disputed collections with a cumulative outstanding balance < $2,000 may be omitted.
   B. MANUAL: We must document reasons for approving a Mortgage when the borrower has any collection accounts. The borrower must provide a letter of explanation which is supported by documentation for each outstanding collection account.

28. Collections Accounts: A loan has > $5k in all collection accounts. DU has the below finding on the AUS feedback. It appears that this only applies to Manual Underwriting. The DU findings lead us to believe ALL collections and medical are not excluded.
   A. The below document requirements are required for TOTAL approved mortgages. Medical accounts are excluded for both TOTAL and Manual. When the cumulative balance of collection accounts is greater than $2000 (excluding medical) then we must obtain the documentation DU listed below. We do not need an explanation from the borrower for TOTAL decisions but it is required for
29. Delinquent Tax Lien: Is it 3 months repayment for tax lien or 3 consecutive payments?
   A. Borrower must make timely payments for at least 3 months of scheduled payments (i.e. consecutive) and those payments cannot be prepaid.

30. Delinquent Non-Tax Debt: Handbook doesn’t designate # of months required if in payment plan. Do we have an established guideline?
   A. Debt must be resolved & a Clear CAIVRS received

31. Non-Delinquent Tax Debt: Are non-delinquent federal tax debts included in liabilities?
   A. No; however, we must verify assets to cover the amount that is due and payable.

**ASSETS**

**Gift Funds**

32. Gift Funds: Can we no longer accept the canceled donor check copy?
   A. HUD has eliminated the use of canceled donor checks and requires a donor’s bank statement reflecting the withdrawal.

33. Gift Funds: How do we verify gift funds wired from the donor is from an acceptable source?
   A. We will need to verify the wire came from the donors account. Therefore, the donor’s bank statement will be required prior to closing to confirm donor has the funds to gift. A prefunding condition will direct the closer to review the wire for the accurate bank account name and number and the amount. We advise to transfer prior to closing as frequently as possible because of the amount of defects caused by transfer at close.
34. Gift Funds: Can a donor mark-up or hide information on their bank statement? Do we question recent deposits made right before the withdrawal?
   A. The donor cannot mark-up or hide information on their bank statements. Yes a recent deposits made before the withdrawal may be questioned.

35. Gift Funds: How many months of the donor’s bank statement showing the withdrawal do we need? Also, do we need all pages? Is it subject to the same verification standards as our borrower’s bank statements?
   A. One month statement to include ALL pages of the donor’s bank statements to validate the donor had the assets to gift and the MRI is from an acceptable source is required. HUD requires any deposits similar to the amount of the gift be questioned to make certain the funds are from an acceptable source.

36. Gift Funds: Is an ex-spouse an acceptable gift donor under the “close friend” category?
   A. Yes. The ex-spouse gift letter must identify the donor as a close friend with a clearly defined and documented interest in the borrower.

EMD
37. EMD: Are there overlays to these updated guidelines? For example, on purchase transactions, EMDs less than 1% of the purchase price don’t need to be sourced, etc.
   A. We have not added any new overlays; however, we are maintaining current overlays. EMD must be sourced if required towards funds to close and/or MRI; regardless of the amount. This is not an overlay. If the EMD is < 1% and not needed for closing, the EMD does not have to be sourced.

Assets for Streamline Refinance
38. Streamline Refinance: Do we have to source funds to close above the total mortgage payment for NCQ, CQ or both?
   A. NCQ: Assets exceeding the total mortgage payment must be verified. CQ: Total assets required to close plus reserves must be verified.

39. Streamline Refinance: Does the guideline requiring verification of funds to close in excess of the total mortgage payment refer to the old payment or the new payment?
   A. New payment
40. Streamline Refinance: If there is $100 difference between the new payment and the old payment, do we verify only $100 in assets?  
A. Funds required to close in excess of the new total mortgage payment is required to be verified. For example, new payment is $1,500 and cash to close is $2,000. $500.00 will need to be verified.

Miscellaneous - Assets
41. Large Deposits: What does 1% of adjusted value mean? What does MRI mean?  
A. Refer to the glossary in the FHA Handbook, Adjusted Value and Minimum Required Investment (MRI).

42. Cash Out: Are the cash-out proceeds included in the reserve calculations?  
A. No, reserves cannot include cash-out proceeds.

INCOME

Rental Income
43. Rental Income: If borrower does not have prior rental history, can we use a lease as proof?  
A. A lease solely is not allowed. The following documentation is required when borrower has limited or no history of rental income:  
   a. Full Appraisal  
   b. Comparable Rent Schedule, and  
   c. Operating Income Statement  
B. The Mortgagee must use the lesser of:  
   a. The monthly operating income reported on Freddie Mac Form 998; or  
   b. 75 percent of the lesser of:  
      o Fair market rent  
      o Rent reflected in the lease agreement

44. Rental Income: Is lease agreement required to be effective one year after NRZ mortgage closes?  
A. Yes, the lease must be for 1 year duration AFTER the new NRZ mortgage closes for vacating current primary or other REO when history of rental income is limited.
Fixed Income

45. Social Security Income: Do we no longer require 3 months bank statements to verify receipt of SSI disability?
A. Correct. HUD now requires the award letter and one of the following:
   - Federal Tax returns
   - Bank statement showing receipt of income
   - Proof of Income Letter (Budget Letter/Benefits Letter); or
   - 1099

46. Disability Income: How do we prove 3 year continuance? What is an example of an equivalent document to the award letter?
A. If the award letter does not have an expiration date, we can assume income will continue.
B. An equivalent document is one that establishes the award benefits to the Borrower.

47. Alimony/Child Support: Do we no longer require 3 months bank statements to verify receipt of Alimony, Child Support & Maintenance Income?
A. 3-months verification of receipt is required if monthly amount is validated with a final divorce decree, separation agreement or court order. If monthly payment is verified with a voluntarily agreement, 12-months of receipt must be verified.

Income Stability

48. Income/Employment Stability: Borrower was stay at home dad with no tax returns or income from 2009-2013. He started working as a contractor in 8/2014, and has changed jobs 2 times in the same industry due to an increase in pay? Can we do this loan?
A. Borrower must be currently employed for 6 consecutive months with no gaps and must verify 2 year history prior to the gap.

49. Income/Employment Stability: If borrower has frequent job changes and no documentation of education or training, what income do we use to verify borrower has received pay increases?
A. A VOE for each job from each employer will be required.

50. Income-Miscellaneous: What determines "reasonably likely??"
A. Based on the borrower’s employment history and length of time the borrower has received the specific income. Typically, a 2 years history plus YTD of receipt supports “reasonably likely to continue.”

**Income Calculation**

51. **Income Calculation**: Can we use the most recent 12 month average?
   A. You may use current hourly wage as effective income if it is stable and consistent. Consistency is key.

52. **Income Calculation**: Can 24 months average plus YTD be used if the borrower’s income has steadily increased?
   A. It depends on the type of income.
   B. Consistent Salary or Hours worked: Current salary or hourly wage may be calculated as effective income.
   C. Variable Hours or Part-time Income: Must average income over the previous 2-years. YTD may be averaged with the previous 2-years if income is increasing and verification of pay increase since last tax filing.
   a. If YTD is declining, must resolve for the declining income and use the YTD as effective income.

53. **Income Calculation**: The 4000.1 does not address how Tip Income should be treated. Do we average most current 2 years and YTD?
   A. You will take the average over the previous 2 years. If the income has increased you may average the YTD with the previous 2 years

54. **Income Calculation**: What is the acceptable income calculations for Seasonal, Part-Time & Variable Hours:
   A. Seasonal Income:
      - Evaluate average income over the previous 2 full years. (i.e. 2013 & 2014 average).
      - Most recent year must be used as effective income if decreased over the prior year.
      - YTD may not be considered as effective income.
      - If borrower has worked his seasonal employment prior to the application date, YTD must be evaluated for stable income.
   A. Variable Hours & Part-Time:
      - Evaluate income over the previous 2 years and YTD.
• Increasing income YTD may be averaged with previous 2 full years as effective income with verification from employer of a pay increase.
• Decreasing income YTD requires an explanation from employer. YTD must be used as effective income unless explanation adequately supports the use of the average of previous 2 years and YTD.

Overtime/Bonus
55. Overtime & Bonus: How do we determine that the current year represents a decrease? What about bonuses that are paid at the end of the year or overtime that is seasonal?
A. Review the WVOE.
   a. YTD and previous 2 years of income must be separated by base, OT and/or bonus.
   b. The income calculator will reflect YTD income, 1-year average, 2-year average and YTD plus 2-year average.
   c. Employer should document the income as likely to continue.
   d. If YTD is less than previous year, employer must document reason for the decline (OT is seasonal and not yet worked in the current year, Bonus is not paid until end of year, etc.).
   e. If properly documented, averaging over the previous 2-years is acceptable.

Self-Employed (S/E) / Commission Income
56. S/E Income: What documentation is required if S/E for greater than 1 year but less than 2 years?
A. Tax return(s) to reflect one full year of S/E income to effectively evaluate stability of the income is required.

57. S/E Income: Will NRZ allow for S/E borrower to use transcripts in lieu of personal and business returns?
A. Yes. However, if 2106 expenses are present and business use of car is needed to be added back for qualification, the complete tax returns with schedules will be required as transcripts do not provide page 2 of the 2106 Schedule.

58. S/E Income: If self-employed income has declined more than 20%, must the manual downgrade guideline be applied even if the income or loss is minimal?
A. Yes. You will need to resolve for the loss in income even if it is minimal. However, the 20% is inclusive of any wage earner income.
59. Commission Income: Commission income allows a minimum of 1 year in same or similar line of work. What if borrower moves from NY to GA with a guarantee salary for 3 months and no history of commission at new job in different state?
   A. Tax return(s) to reflect one full year of S/E income to effectively evaluate stability of the income.

60. Commission Income: If commission income is declining, is the YTD income acceptable if lower than both the 2 year average and 1 year average, or must we average over the years of income being analyzed?
   A. The reason for decline needs to be evaluated to determine if income has stabilized. NRZ also requires at least one full year of commission income plus YTD. If YTD is lower than the previous full year, YTD income will be used for qualification purposes if we have resolved any concerns related to the declining commission income.

Miscellaneous - Income

61. Unreimbursed Expenses (URE): If 1040’s are received for wage earner and includes 2106 URE, must we deduct from income?
   A. Yes, Per Appendix 2.0 must be deducted from income when 1040’s are evaluated for effective income.

62. Capital Gain/Loss: If we see 2-years of material losses do we need to request a 3rd tax return?
   A. Carryover loss may be disregarded. Material losses over 2 years need to be analyzed and a 3rd year return obtained.
   B. If Capital Gains and income is not needed as effective income, a 3rd year is not required.

63. Temporary Reduction in Income: What is the calculation when using reserves as income?
   A. We will add to income worksheet. Future enhancement.

64. Part-Time Income. Borrower has been working at same employer for 15 years full-time and has been part-time since the beginning of the year. Can I use that income even though it hasn’t been received for 2 full years?
   A. Yes. Obtain a WVOE to show the number of hours they now work and the YTD history must support the average hours.
65. Handwritten Paystubs: Do handwritten paystubs require a manual downgrade?
   A. No, handwritten paystubs do not require a manual downgrade.

66. Foster Income/Adoption Subsidy: I know FHA doesn’t allow Foster Care income but would they allow an adoption subsidy or is that treated as foster care income?
   A. No, it cannot be included as it is similar to foster care income.

67. Boarder Income: Is the acceptability for boarder income for refinances only a NRZ overlay?
   A. Yes, NRZ will not allow Boarder income when the mortgage is a purchase.

PROPERTY

68. Public Utilities: The DE is required to determine if connecting to public utilities is feasible and available at a reasonable cost? What should be our best practice?
   A. Appraiser must provide estimated cost to connect. The DE UW must determine if feasible based on the overall borrower credit profile.

69. Adjusted Value: What accounts for the adjusted value?
   A. Depends – definition of adjusted value will be in our product profile and is also in the FHA glossary.

70. Appraisal: Does the appraiser have to use all 3 approaches on all appraisals?
   A. No, they appraiser must look at all 3 approaches and determine and explain which approach is valid for the subject.

71. Comparable Sales: Are pictures of the side of the comps required?
   A. The minimum photo requirements for comps are a front view or photos taken at an angle to depict both the front and side when possible.

72. Appliances: Does the appraiser always need to specifically address that the appliances are operational and that they have examined the foundation, or can we assume that if they made no comment on these items that they are ok?
   A. FHA was quite adamant that the appraiser should be making a comment on all appliances that will be conveyed with the property. They are to observe and
analyze its functionality and make a comment saying they tested the appliances or explain why testing of the appliances did not occur. A comment “Appliances are all operational” is acceptable.

73. Swimming Pool: Does the appraiser have to comment if the pool complies with local ordinances?
   A. Yes, the appraiser must make a comment stating that it complies or does not comply with local ordinances.

74. Swimming Pools: DE’s are required to confirm that any swimming pools comply with all local ordinances. How do we do this with ease?
   A. Appraiser must confirm in the appraisal report that the pool meets local ordinance. If missing, the DE must request the appraiser to add confirmation of compliance to the report.

75. Deed Restrictions: Are there any FHA restrictions as it pertains to 55 and up communities?
   A. NRZ originates mortgages that are subject to age limit resale restrictions. Please refer to Policies & Procedures (P&P), Deed Restrictions section, in the Lending Library.

PRODUCTS & PROGRAMS:

Simple Refinance

76. Simple Refinance: Can closing cost could be included in the loan amount?
   A. Yes, closing costs can be rolled into the max mortgage amount.

77. Simple Refinance: What are the credit score requirements for the Simple refinance? What is NewRez Policy?
   A. 580

78. Simple Refinance: Do we use the Streamline NTB test or the NRZ Generic NTB.
   A. You will use the generic form. The NRZ Generic is utilized if not product specific or state requirement specific.

79. Simple Refinance: Is a Simple Refinance considered credit qualifying and a manual underwrite? Can the loan amount exceed the national limits?
A. It is credit qualifying and scored through TOTAL. The National Limits do apply to Simple Refinances.

**Streamline Refinance**

80. Streamline Refinance: Can you now roll closing cost into the max mortgage amount?
A. No. Streamlines do not allow the costs to be included in the loan amount. Rate and Term and Simple Refinances allow the inclusion of closing costs and prepaids.

81. Streamline Refinance: In using the Reduction of Term for the NTB, are ALL 3 requirements required to be met?
A. Yes, ALL 3 must be met to validate the reduction in term NTB:
   - Remaining mortgage term is reduced;
   - New interest rate does not exceed the old interest rate; and
   - The combined principal, interest and MIP payment of the new Mortgage does not exceed the combined principal, interest and MIP of the refinanced Mortgage by more than $50.00.

82. Streamline Refinance: Does the new Streamline limit the loan amount so that closing costs cannot be rolled into the new loan?
A. Closing costs have not been allowed to be included in the loan amount since 2011. Closing costs still cannot be included in the loan amount.

83. Streamline Refinance: If a payoff is dated through 10/31 and includes 3 months MIP but funding 9/30, should we back out 1 month MIP from payoff?
A. Yes, because the payoff includes an additional month MIP.

84. Streamline Refinance: Are we adjusting our matrix to mirror the new streamline mortgage history requirement?
A. Yes for NCQ only.

85. Streamline Refinance: Why is underwriting implementing 0 x 30 for 12 months overlay if they are “underwriting to the guidelines”? They are integrating all the new FHA guides to the letter so why not this one as well?
A. NCQ: We will align with FHA; Credit Qualifying: no change in overlays.
86. Streamline Refinance: Does the guideline for borrower and co-borrower ownership and obligation apply to NCQ?
   A. No. Please refer to the Handbook which has a list of NCQ exemptions. However, NRZ requires a tri-merge credit report and a social security number for all borrowers.

Rate & Term
87. Rate & Term Refinance: Can a Jr. Lien (non-HELOC) seasoned less than 12 months be paid off?
   A. A purchase money junior mortgage may be paid off, otherwise, the junior lien must be seasoned for 12 months to be included.

Proof of Occupancy
88. Proof of Occupancy: Can we use employment documentation or are we only accepting utility bills when validating occupancy on a refinance?
   A. We will accept either; however, if NCQ Portfolio Streamline, income is not required so a utility bill (gas/water/cable/electric/landline) will be required.

89. Proof of Occupancy: If we obtain employment documentation does that change a NCQ to a CQ Streamline?
   A. Obtain a VOE without income to verify their record of address versus income documentation (i.e. W2’s, paystubs) until we get clarification from HUD.

90. Proof of Occupancy: If we have multiple borrowers do we need a utility bill for every borrower?
   A. If the additional borrower is a spouse, documentation is not required. If the additional borrower(s) is not a spouse, additional documentation is required. A utility bill is preferred but if it cannot be obtained, a VOE without income must be obtained from employer for each borrower and must verify the borrower(s) record of address. If you cannot obtain evidence (employment verification or utility bills) of the additional borrowers occupancy, the loan may not be treated as owner occupied and will not be eligible for financing with NRZ. This includes any borrower regardless if income is utilized for qualification.

91. Proof of Occupancy: Is a cell phone bill acceptable documentation when validating occupancy on a refinance?
   A. No.
92. Proof of Occupancy: Is a landline phone bill acceptable?
   A. Yes.

93. Proof of Occupancy: Borrower inherited a home in 2013 it was not habitable and took 2 years to rehab. The property was not rented and they were living with family. Do they qualify for a refinance or will an exception be needed since they don’t have 12 months seasoning?
   A. Exceptions cannot be obtained to FHA guidelines. If inherited and never rented, the 12 month seasoning doesn’t apply. We will need proof never rented or proof of rehab.

94. Proof of Occupancy: Do we need three types of utility bills (garbage/water/sewer) or just one of them is acceptable?
   A. You only need one type of utility bill to establish occupancy.

95. Proof of Occupancy: To verify borrower occupies and length of occupancy for subject property, is one paystub from 12 months ago required or do we need 12 months of paystubs?
   A. One paystub from 12 months ago and a current paystub will suffice.

HUD REO
96. HUD REO: If $100 down and financed repair escrow, can we still finance the UFMIP as long as we don’t exceed 100% of the ‘As Is’ appraised value?
   A. Yes. The requirement of financing of the UFMIP only when the LTV doesn’t exceed 100% of the As Is appraised value is no longer applicable.

MISCELLANEOUS

Non-Borrowing Spouse-Community Property State
97. Non-Borrowing Spouse: In a Community Property State, if the NBS is NOT on title, are we (NRZ) going to require the NBS to sign security docs on Purchase and NOO transactions?
   A. In community property state, spouse must sign. This is not an NRZ requirement but required in order for lender to perfect lien.
FHA Connection

98. Case Number Assignment: If files will not be underwritten without a case number, does that mean we cannot get a TOTAL approval when doing a PQ and no case-number?
   A. A TOTAL approval can still be achieved without a case number but the case number should be added ASAP.

99. FHA Connection & Denials: FHA requires us to enter all Denials in FHAC. What is NPF’s guideline?
   A. The mortgagee must complete the denial in FHAC unless declined for a NPF Overlay.

100. FHA Connection. While logging in an appraisal there is a new field called “Borrower Paid Appraiser Required Repairs” and new fields in the “Prior Sale Information Section.” I have not seen an FHA Bulletin regarding this.

A. Those fields are for determining the adjusted value for a refinance transaction. Based on date of acquisition to case assignment, documented improvements made after the purchase and if the property was obtained as an inheritance or a gift from...
a family member. You can refer to the Glossary to see the definitions for adjusted value.

101. Case Query: Where should the case query to support NTB be uploaded in Xdocs? Upload with the NTB, in Case Query or with Refi authorization.
A. With the NTB – any source documents that relate to the NTB should be put with NTB

Amendatory Clause

102. Amendatory Clause: Can the Amendatory Clause be moved to a Prior To Fund condition?
A. No, it must be a PTD condition as it is a sales contract disclosure and should be provided and executed at the time of the sales contract.

103. Amendatory Clause: What value do you include on the Amendatory Clause?
A. The actual dollar amount of the sales price stated in the contract must be listed. Increases to the sale price require a revised amendatory clause. “Purchase Price” written in the Amendatory Value is not acceptable.

Inducements to Purchase

104. Inducements to Purchase: Purchase transaction where the borrower has moved his possession into the garage of the subject property according to the purchase agreement amendment. Is this allowable?
A. This situation meets the guideline that the builder/developer failed to deliver on time and has allowed the buyer to take possession form the property. This is not considered an inducement purchase and appears to be acceptable since the purchase contract is allowing him to take possession.

105. Inducement to Purchase: Purchase price less inducements to purchase? Does that mean purchase price less seller concessions?
A. Seller concessions may be considered inducements to purchase. However, Interested Party Contributions up to 6% are not considered an inducement unless the 6% exceeds the actual closing costs and prepaids.

106. Manual Underwriting: (Wholesale ONLY) Are we now going to do manual underwrites / or consider manual downgrades on exception basis?

For NewRez, LLC (NRZ) Partners as a reference only. Interpretation is that of NRZ and not of FHA. Subject to change. NRZ does not represent or warrant the accuracy of the information contained herein. Information presented is for informational purposes only and should not be relied upon. Proprietary and Confidential.
A. FHA manual underwrites will continue to be considered as an exception only. Policy will be assessed in the future once implementation is seasoned and we determine the “behavior” of DU/LP (i.e. more refers).

107. DU: Will UW be using the DU presented by the broker or must the case # be assigned before close of business today to use the "old guidelines"?
   A. Only loans with a case assignment date of 9/14 and thereafter will be subject to the new guidelines; however, DU will render the new messaging for resubmissions. The UW must determine which guidelines are required and apply accordingly.

108. Credit Attestation: Do we require a credit attestation for NCQ?
   A. No, credit attestation is not required for NCQ.

109. Multiple FHA Loans: On a limited cash-out refinance, the mortgage being paid off on the subject is a conventional mortgage. One of the rental properties has an FHA mortgage. Is this allowed? Can you have 1 primary and 1 non-owner occupied FHA loan?
   A. Yes, that is allowable. FHA no longer allows investment properties but they still honor properties previously acquired as investments.