FHA Product Profile: Wholesale

Matrices

Purchase Eligibility Matrix

Units	Credit Score[1]	LTV[2]	CLTV[2]	DTI
Approve/Eligible or Accept				
1-4	680	96.5%	96.5%	55%[3]
	640	96.5%	96.5%	50%

[1] Refer and Manual Underwrite/Downgrades not permitted

[2] See Borrower Eligibility for non-occupant co-borrower requirements.

[3] West Virginia: Maximum DTI 50%

Refinance Eligibility Matrix

Purpose	Units	Credit Score [1]		LTV [2]	CLTV [2]	DTI
		Approve/Accept	Refer & Manual Underwrite			
Rate & Term Refi	1-4	680	Not Permitted	97.75%	97.75%	55%[3]
Rate & Term Refi		640		97.75%	97.75%	50%
Simple Refi		680		97.75%	97.75%	55%[3]
Simple Refi		640		97.75%	97.75%	50%
Cash-Out Refi		660		80%	80%	45%

[1] Refer and Manual Underwrite/Downgrades not permitted

[2] See Borrower Eligibility for non-occupant co-borrower requirements.

[3] West Virginia: Maximum DTI 50%

FHA Streamline Refinance Eligibility

Purpose	Value Determination[2]	Units	Credit Score[1]	LTV[3]	CLTV[3]	DTI
Credit Qualifying-Portfolio	Refi Authorization	1-4	620	97.75%	97.75%	50%
Credit Qualifying-Non-Portfolio	Refi Authorization	1-4	660	97.75%	97.75%	43%
Non-Credit Qualifying Portfolio	Refi Authorization	1-4	620	97.75%	97.75%	NA
Non-Credit Qualifying Non-Portfolio	Refi Authorization	1-4	640	97.75%	97.75%	NA

[1] Refer and Manual Underwrite/Downgrades not permitted

[2] Principal balance may not exceed original loan amount of loan being refinanced.

[3] LTV based on original property value indicated on Refinance Authorization

FHA Manufactured Housing Eligibility

Occupancy	Transaction Type	Units	Credit Score	LTV[1]	CLTV[1]	DTI
Primary Residence	Purchase Rate & Term Refi Portfolio Streamline Simple Refi	1	660	96.5%	96.5%	45%
	Cash-Out Refi Non-Portfolio Streamline Refi	Not Permitted				

[1] See Borrower Eligibility for non-occupant co-borrower requirements

- Fixed Rate only
- DU Approve or Accept required
- Must have 3.5% own funds into the transaction
- 0x30x12 housing history

Quick Links

Section 1: Program Summary

1.1 Program Summary

Program Summary	All NewRez guidelines will follow the FHA Single Family Housing Policy Handbook (Handbook 4000.1) with the exception of NewRez Overlays. A loan must have an FHA case number to be eligible for underwriting. All borrowers must sign and date page two of the initial form HUD-92900-A. The underwriter must obtain the borrower's initial complete, signed *URLA* (Fannie Mae Form 1003/Freddie Mac Form 65) and page two of form HUD-92900-A before underwriting the mortgage application.

1.2 Underwriting

Underwriting	• All loans, except for Streamline Refinances, must be run through FHA TOTAL Mortgage Scorecard. • Total Mortgage Scorecard may be run through DU or LPA. • Refer/Eligible loans or loans requiring a manual downgrade are not permitted.

1.3 Ineligible Programs

Ineligible Programs	• 203(K) Rehab Mortgage • Building on Own Land • Construction to Permanent (CTP) financing where the original note is modified • Energy Efficient Mortgages (EEM) • Escrow Holdbacks for HUD REO • For cases endorsed on or before September 30, 2015, refinance of property that has been subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state. • Graduated Payment Mortgages (GPM) • Growing Equity Mortgages (GEM) • HOPE for Homeowners • Housing Choice Voucher Homeownership Program (Section 8) • HUD $100 Down REO Program • HUD approved secondary residences • Indian Reservations (Section 184 loans) • Investment properties • Loans to non-profit organizations • Mortgage Credit Certificates (MCCs) • Negative Equity Program • Refinance transaction that is subject to Texas Home Equity Section 50(a)(6) • Solar and Wind Technologies • Temporary Buydowns • Transactions where properties will remain encumbered with a PACE obligation • Transactions where the loan originator is acting in another real estate related role for Loan Officers who are appropriately licensed in the state of CA or FL who are acting as the buyer's agent. A copy of the FL Disclosure of Conflict of Interest or CA Dual Capacity Disclosure is required to be provided by the broker.

Section 2: Transaction Details

2.1 Loan Limits

Loan Limits	• Maximum loan limits vary by State and County determined by HUD: https://entp.hud.gov/idapp/html/hicostlook.cfm • The base loan amount (loan amount prior to UFMIP) may not exceed the limits published by HUD. • High Balance loan amounts are available on 15- and 30-year fixed terms only.

Back to Top

2.2 Eligible Terms and Programs

	Fixed Rate		ARM	
	Term	**Product Name**	**Term**	**Product Name**
Eligible Terms & Programs	10 Year Fixed	FHA Fixed 10 Yr	5/1 ARM	FHA 5/1 ARM yr Trsy
	15 Year Fixed	FHA Fixed 15 Yr		
	20 Year Fixed	FHA Fixed 20 Yr		
	25 Year Fixed	FHA Fixed 25 Yr		
	30 Year Fixed	FHA Fixed 30 Yr		

Custom Loan Terms

- Available for all refinance transaction types.
- Refer to the Refer to the NTB Worksheet and Custom Loan Terms form in the Guidelines & Forms section of the Lending Library
- Available for loans with terms greater than 15 years.

ARMs are not permitted for manufactured Housing.

2.3 ARM Adjustments

ARM Adjustments	Index	1 Yr T-Bill (per WSJ)			
	Margin	2.00%			
	Life Floor	5% below the start rate			
	Interest Rate Caps	**Product**	**First Adjustment**	**Subsequent Adjustments**	**Lifetime**
		5/1	1%	1%	5%
	Change Date	5/1	The first Change Date is the 61st payment due date. Subsequent Change Dates are every twelve months thereafter		
	Conversion Option	Not available			

2.4 Eligible Transactions

Eligible Transactions

- Purchase
- Rate & Term Refinance
- Cash-Out Refinance
- Credit Qualifying Streamline
- Non-Credit Qualifying Streamline Refinance
- Simple Refinance

2.5 Principal Curtailments/Reductions

Principal Curtailments/ Reductions

- The amount of the curtailment cannot exceed $500 unless due to an excess Premium Pricing Credit.
- If premium pricing credit exceeds the closing costs on the subject loan the excess credit may be applied as a principal reduction. This is limited to the lesser of $2500 or 2% of the original loan amount for the subject loan. Exceptions over this amount must be approved by Legal or Compliance. See your Account Executive for details.

2.6 Purchase

Purchases

- The borrower(s) name(s) must match FHA Connection, the Sales Contract, and the Mortgage Note
- A family member, who is not a borrower, may be listed on the sales contract. Information regarding relationship to borrower is required if family member is other than spouse.
- Maximum Mortgage
  - Multiply the appropriate LTV percentage by the Adjusted Value.
  - The borrower must make a Minimum Required Investment (MRI) of at least 3.5% of the Adjusted Value.

Back to Top

	• Real Estate Tax Credits - Where real estate taxes are paid in arrears; the seller's real estate tax credit may be used to meet the MRI. Documentation evidencing the borrower has sufficient assets to meet the MRI and the borrower paid closing costs at the time of underwriting is required. This permits the borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total MRI. • Where the subject property is encumbered with a Property Assessed Clean Energy (PACE) obligation, the sales contract must specify that the PACE obligation will be satisfied by the seller at, or prior to closing.
2.7 Refinances (General)	
Refinances (General)	• A NewRez FHA Net Tangible Benefit (NTB) Streamline or Non-Streamline Worksheet must be completed on ALL refinance transactions. ○ Streamline transactions must meet Handbook 4000.1 NTB requirements. All other refinances must meet NewRez guidelines per NewRez NTB Worksheet. • LTV/CLTV for FHA Refinances that require appraisals, including FHA-to-FHA are based on the Adjusted Value as defined below. For properties acquired by the borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of: ○ the 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. • Evaluating Forbearances in mortgage payment histories: • A borrower who was granted a forbearance and continues to make payments as agreed under the terms of original note is not considered delinquent or late and will be treated as if not in forbearance status, provided that the forbearance plan is terminated prior to closing. • Payments not made during a forbearance granted by a servicer that do not require payments to be made during the forbearance period (such as the CARES Act) are not considered delinquent for the purpose of credit underwriting. Forbearance plans that require partial payments are not considered delinquent as long as payments are made in accordance with the terms of the forbearance plan. • Borrowers cannot remain in active mortgage payment forbearance plans for mortgages secured by their other real estate owned after the closing of the FHA refinance mortgage. Evidence of forbearance terminations are required. ○ Always apply due diligence when reviewing the borrower's credit report, servicer payment histories, CAIVRS and payoff statements for evidence of prior forbearance or modification events. • When a mortgage payment history indicates missed payments under a forbearance or modification plan within 12 months of case number assignment, the following documentation is required: ○ a copy of the forbearance or modification agreement; and ○ evidence of the payment amount and date of payments during the agreement term, if applicable. ○ A copy of the forbearance plan is not required if the forbearance was

Back to Top

	due to a COVID-19 impact. It is also important to identify between a forbearance and modification event since each event has a different “wait-time” after occurrence for refinance eligibility.
2.8 Rate and Term Refinance	
Rate and Term Refinance	• Refers to a no cash-out refinance in which all proceeds are used to pay existing mortgage liens on the subject property and costs associated with the transaction. • Mortgage Payment history is evaluated by TOTAL Mortgage Scorecard • A borrower who was granted a forbearance plan must have: ○ exited from the forbearance plan on the subject property; and ○ made at least three (3) consecutive mortgage payments within the month due on the mortgage since exiting from the forbearance plan. • TOTAL Mortgage Scorecard Accept/Approve findings for Rate and Term Refinances must be downgraded to a manual underwrite, **and are ineligible per NewRez policy,** if during the 12 months prior to case number assignment, any mortgage lien secured by subject property or other real estate owned by borrower reflects: ○ 3x30, or 1x60 plus 1x30, or 1x90 late payments, or ○ the borrower has made less than three (3) consecutive payments since exiting from a forbearance plan. • For a mortgage that has been modified, the payment history since the modification agreement must be used in determining payment history requirements. When a mortgage has been modified, the borrower must have made at least six (6) payments under the modification agreement to be eligible for a Rate and Term Refinance • Borrower’s employment documentation or utility bill MUST evidence borrower currently occupies the property. In addition, MUST validate the length of time the borrower has occupied the subject property as primary residence. • Maximum LTV: ○ 97.75% of Adjusted Value for primary residences that have been owner-occupied for previous 12 months or owner occupied since acquisition if acquired within 12 months ○ 85% of Adjusted Value for borrower who has: ▪ occupied subject property as primary residence for fewer than 12 months; or ▪ if owned less than 12 months has not occupied the property for that entire period of ownership; or ▪ owned > 12 months but not occupied for the previous 12 months • Existing Debt Calculation: ○ Outstanding balance of the existing first mortgage; ○ Purchase money second mortgage and/or any junior liens over 12 months old; ▪ If any portion of an equity line of credit in excess of $1,000 was advanced in the past 12 months and was for purposes other than repairs and rehabilitation of the property, the portion in excess of $1,000 is not eligible to be included in the existing debt calculation. ○ Unpaid PACE obligation, in full; ○ Interest, late charges, escrow shortages, and prepayment penalties; ○ MIP due on existing mortgage; and ○ Buy-out of co-borrower’s or ex-spouse’s equity.

Back to Top

	▪ If buying out an ex-spouse or co-mortgagor the divorce decree, settlement agreement or other bona fide equity agreement must be provided to document the equity awarded to the other party. • Maximum mortgage amount is lesser of: o Nationwide Mortgage Limit; o Maximum LTV from above; or o Sum of ▪ existing debt (see above); and ▪ costs associated with the transaction including: • All borrower paid costs associated with the new mortgage; and • Any borrower paid repairs required by the appraisal; ▪ Less any refund of the UFMIP if financed in the original mortgage. o Cash back may not exceed $500. If estimated costs are used in calculating the maximum mortgage amount resulting in greater than $500 cash back at mortgage disbursement, the outstanding principal balance may be reduced to satisfy the $500 cash back requirement.
2.9 Cash-Out Refinance	
Cash-Out Refinance	• There is no limit to the maximum cash-out permitted. • The mortgage amount of the first mortgage cannot exceed the nationwide mortgage limit. • Properties owned free and clear may be refinanced as cash-out transactions. • Borrower's employment documentation or utility bills MUST evidence the borrower has occupied the subject property as their primary residence for the 12 months prior to case number assignment. • Property must be owned and occupied by the borrower as their primary residence for 12 months preceding date of case number assignment date, except in the case of inheritance of subject property. If the borrower rents the property following the inheritance, the borrower must occupy the property as a primary residence for at least 12 months to be eligible for a cash-out refinance • The borrower must have made all payments for all their mortgages within the month due for the previous 12 months or since the borrower obtained the mortgages, whichever is less. Additionally, the payments for all mortgages secured by the subject property must have been paid within the month due for the month prior to mortgage disbursement. • A borrower who was granted a forbearance plan must have: o exited from the forbearance plan on the subject property; and o made at least 12 consecutive mortgage payments within the month due on the mortgage since exiting the forbearance. • For a mortgage that has been modified, the payment history since the modification agreement must be used in determining compliance with the 12-month paid as agreed payment history requirement • In cases where borrower obtained new mortgages within the previous 12 months, the borrower must have made at least six (6) consecutive monthly payments on the existing first mortgage and any junior liens included in the refinance, beginning with the payment made on the first payment due date. • The first payment due date of the new loan must be at least 210 Days from the first payment due date of the mortgage that is being refinanced; and • If the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption • Any outstanding PACE obligations must be paid in full at or prior to closing • Land contracts, recorded or unrecorded are not eligible for cash-out refinancing • Income from a non-occupant borrower is not permitted •

Back to Top

2.10 Simple Refinance	

Simple Refinance	• Refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay existing mortgage liens on subject property and costs associated with the transaction.
	• Mortgage Payment history is evaluated by TOTAL Mortgage Scorecard
	• A borrower who was granted a forbearance plan must have:
	  ○ exited from the forbearance plan on the subject property; and
	  ○ made at least three (3) consecutive mortgage payments within the month due on the mortgage since exiting from the forbearance plan.
	• TOTAL Mortgage Scorecard Accept/Approve findings for FHA Simple Refinances must be downgraded to a manual underwrite, **and are ineligible per NewRez policy,** if during the 12 months prior to case number assignment, any mortgage lien secured by subject property or other real estate owned by borrower reflects:
	  ○ 3x30, or 1x60 plus 1x30, or 1x90 late payments, or
	  ○ the borrower has made less than three (3) consecutive payments since exiting from a forbearance plan.
	• For a mortgage that has been modified, the payment history since the modification agreement must be used in determining payment history requirements. When a mortgage has been modified, the borrower must have made at least six (6) payments under the modification agreement to be eligible for a FHA Simple Refinance
	• Owner-occupied
	• Primary residence
	• Borrower's employment documentation or utility bills MUST evidence the borrower currently occupies the property as their primary residence.
	• Cash back may not exceed $500. If estimated costs are used in calculating the maximum mortgage amount resulting in greater than $500 cash back at mortgage disbursement, the outstanding principal balance may be reduced to satisfy the $500 cash back requirement.
	• Existing debt calculation:
	  ○ Outstanding balance of the existing FHA-insured first mortgage as of month prior to mortgage disbursement, plus
	  ○ Interest and MIP due on existing mortgage, plus
	  ○ Late charges or escrow shortages.
	• Maximum mortgage amount is lesser of:
	  ○ Nationwide Mortgage Limit;
	  ○ Maximum LTV from above; or
	  ○ Sum of
	    • existing debt (see above); and
	    • costs associated with the transaction including:
	      ○ All borrower paid costs associated with the new mortgage; and
	      ○ Any borrower paid repairs required by the appraisal;
	    • Less any refund of the UFMIP if financed in the original mortgage.

2.11 Streamline Refinances	
Streamline Refinances	• Refers to the refinance of an existing FHA-insured mortgage with limited credit documentation and underwriting.

Back to Top

	• Streamline Refinances must be manually underwritten. • Owner-occupied • Primary residence • Borrower's employment documentation or utility bills MUST evidence the borrower currently occupies the property as their primary residence. • **Mortgage Payment History** ○ **Non-Credit Qualifying Streamline** ▪ 0x30x6 for ALL mortgages secured by subject property prior to case number assignment date; and ▪ 1x30 for six months previous (months 7-12) for ALL mortgages secured by subject property • A borrower who was granted a forbearance must have: ○ exited from the forbearance plan; and ○ made at least three (3) consecutive mortgage payments within the month due since exiting the forbearance plan as of the case assignment date. • Deferred mortgage payments (P&I, escrow shortages, late charges) reported on the payoff statement may be included in the new base loan amount for owner-occupied properties, provided that the maximum base loan amount does not exceed the original principal balance(including financed UFMIP) of the existing mortgage. The maximum base loan amount for investment or non-owner-occupied properties remains at the lesser of outstanding principal balance only or original principal balance minus any refund of UFMIP. • On the date of Case Number assignment: ○ the borrower must have made at least six (6) payments on the mortgage that is being refinanced; ○ Deferred or skipped mortgage payments due to forbearance are not counted toward the above requirements for seasoning and minimum number of payments to be made. ○ For FHA mortgages that have been modified the borrower must have made at least six (6) payments under the modification agreement and at least six (6) full months must have passed since the first payment due date of the mortgage that is being refinanced; ○ at least 210 days must have elapsed since the closing date of the mortgage that is being refinanced: and ○ if the borrower assumed the mortgage that is being refinanced, six (6) payments must have been made since the time of assumption. • The standard Streamline mortgage payment history requirements for months 7-to-12, if applicable, prior to case number assignment still apply. ○ **Credit Qualifying Streamline** ▪ 0x30x6 for ALL mortgages on all properties prior to case number assignment date; and ▪ 1x30 for six months previous (months 7-12) for ALL mortgages on all properties • A borrower who is still in forbearance at the time of case number assignment or has made less than three (3) consecutive monthly mortgage payments within the month due since exiting from the forbearance is eligible for a Credit Qualifying Streamline

Back to Top

Refinance provided that the borrower:

  - made all mortgage payments within the month due for the six (6) months prior to forbearance; and
  - had no more than one 30-day late payment within the 7-12 months prior to forbearance.
- Deferred mortgage payments (P&I, escrow shortages, late charges) reported on the payoff statement may be included in the new base loan amount for owner-occupied properties, provided that the maximum base loan amount does not exceed the original principal balance(including financed UFMIP) of the existing mortgage. The maximum base loan amount for investment or non-owner-occupied properties remains at the lesser of outstanding principal balance only or original principal balance minus any refund of UFMIP.
- On the date of Case Number assignment:
  - the borrower must have made at least six (6) payments on the mortgage that is being refinanced;
  - Deferred or skipped mortgage payments due to forbearance are not counted toward the above requirements for seasoning and minimum number of payments to be made.
- For FHA mortgages that have been modified, the borrower must have made at least six (6) payments under the modification agreement at least six (6) full months must have passed since the first payment due date of the mortgage that is being refinanced;
  - at least 210 days must have elapsed since the closing date of the mortgage that is being refinanced: and
  - if the borrower assumed the mortgage that is being refinanced, six (6) payments must have been made since the time of assumption.

- Credit
  - A tri-merge credit report is required for Credit Qualifying and Non-Credit Qualifying Streamline Refinances for every borrower who executes the Note.
  - Each borrower must have a valid and usable score from at least two of the following three agencies regardless of whether a Tri-Merge or if a Mortgage Only credit report is used: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon).
    - Portfolio Non-Credit Qualifying Streamline Refinances permit a Mortgage Only credit report from one of the following Credit Vendors:
      - Universal Credit Services*
      - Credit Plus*
      - Consolidated Information Services*
      - Credit Link*
      - Credit Technologies*
      - CBCInnovis
      - CoreLogic CREDCO

  *Broker must call his/her CRA to be activated for a special option called "PUBLISH". This must be completed before a report can be reissued from the Broker to NewRez.

Back to Top

- Assets needed to close that are in excess of the total mortgage payment of the new mortgage must be verified (e.g. Cash to close = $800, PITI for new mortgage = $750., then $ 50 in assets need to be verified)
- Mortgage Seasoning Requirements
    - On the date of the FHA case number assignment date, the borrower must have made at least six consecutive monthly payments on the FHA-insured mortgage that is being refinanced;
    - If the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption;
    - On the case number assignment date, at least six full months must have passed since the first payment due date of the mortgage that is being refinanced;
    - On the case number assignment date, at least 210 days must have passed from the Note date of the mortgage that is being refinanced; and
    - 210 days must elapse from the first payment due date of the mortgage being refinanced and the first payment due date of the new loan.
- Cash back may not exceed $500. If estimated costs are used in calculating the maximum mortgage amount resulting in greater than $500 cash back at mortgage disbursement, the outstanding principal balance may be reduced to satisfy the $500 cash back requirement.
- The maximum mortgage base loan amount is the lesser of:
- Outstanding principal balance of existing mortgage as of the month prior to disbursement plus:
    - Interest due on the existing mortgage; and
    - MIP due on the existing mortgage or
- Original principal balance of the existing mortgage including financed UFMIP;
- Less any refund of UFMIP (if financed in original mortgage)
- Non-Credit Qualifying (NCQ) Streamline Refinance
    - Verification of employment or income is not required. Employment documentation may be needed to verify occupancy per FHA requirements if a utility bill is not provided.
    - If non-mortgage debts on the credit report reflect multiple 60+ days derogatory credit in the most recent 6 months, the loan must follow Credit Qualifying Streamline Refinance guidelines.
- WV State Restriction – West Virginia requires FHA Streamline Refinances to be credit qualified. NCQ Streamline Refinance not permitted
- Credit Qualifying Streamline Refinances
- Wage earners require:
    - Most recent YTD paystub. Must be the most recent consecutive 30-day paystub if paid weekly or 28-days if paid bi-weekly that show the year-to-date earnings.
    - Most recent two (2) years' W-2s
    - Verbal VOE
- Retired borrower's using only income from a source such as a pension or social security may provide the award letter or pension statement with evidence of direct deposit into a bank statement in lieu of obtaining tax transcripts.
- Self-employed borrowers and borrowers using other income must provide two (2) years' tax returns or standard FHA documentation for other income.
- 4506-T and processed tax transcript requirements apply as outlined in the Income Section of this product profile.
- Reserves
    - 1-2 units: 1-month PITI
    - 3-4 units: 3 months PITI

2.12 Texas 50(f)(2) Loans

Back to Top

2.12 Texas 50(f)(2) Loans

Texas 50(f)(2) loans allow the refinance of a home equity loan into a non-home equity loan.

- Maximum 80% LTV/CLTV;
- Subordinate financing not permitted;
- No additional funds may be rolled into the loan (except closing costs and prepaids).
  - UFMIP must be treated as a fee and must not be added on top of the base LTV/CLTV. The maximum 80% LTV/CLTV includes all costs included in the loan amount.
- Loan may not close until:
  - Twelve days after the borrower submits the loan application or all borrowers sign the 12-day notice, whichever is later.
  - One day after the borrowers receive a copy of the Settlement Statement and Closing Disclosure.
  - After the one-year anniversary of the closing of an existing Texas (a)(6) loan.

(f)(2) Determination

New Loan Amount pays off existing lien and….	If existing lien is a non-50(a)(6); then the new lien is….	If existing lien is a 50(a)(6); then the new lien is….
Provides even $1 cash to the borrower	Texas (a)(6)	Texas (a)(6)
Pays off/down an existing TX (a)(6) lien with no cash to borrower	Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing TX (a)(6) lien with cash to borrower	Texas (a)(6)	Texas (a)(6)
The new lien is < existing UPB (no new funds)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Funds, prepaids and/or closing costs	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down a purchase money 2nd	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing Secured Home Improvement Loan (mechanic's lien)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Provides funds to satisfy a court ordered Divorce Equity Buyout	Non-Texas (a)(6)	Texas (a)(6)

*Borrower may elect to have loan remain a Texas (a)(6). Refer to Texas 50 (a)(6) product profile.

Attorney Review

All Texas 50 (f)(2) loans must be reviewed and certified by a NewRez approved Texas attorney prior to loan closing. NewRez's approved firms include:

- Black, Mann and Graham
- PeirsonPatterson

2.13 Down payment Assistance

Down payment Assistance	Not permitted

2.14 Subordinate Financing

Subordinate Financing	Not permitted

Section 3: Borrower Eligibility

3.1 Borrower Eligibility

Borrower Eligibility

Borrowers with delinquent federal non-tax debt, including deficiencies and other debt associated with past FHA-insured Mortgages are not eligible for FHA mortgage. Information on delinquent Federal Debts can be obtained from public records, credit reports or equivalent, and the Credit Alert Verification Reporting System (CAIVRS)

Suspended and Debarred Individuals - A borrower suspended, debarred, or otherwise excluded from participation in the Agency's programs is not eligible for an FHA-insured mortgage. GSA and LDP must be reviewed to verify borrower(s) are not included on the lists.

Back to Top

	All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver's license, state-issued ID, or passport. Other forms of taxpayer identification are not allowed. Borrowers must be either U.S. Citizens or be lawful permanent or non-permanent residents of the United States. A non-U.S. citizen, who is lawfully residing in the U.S. as a permanent or a nonpermanent resident alien, is eligible for a mortgage on the same terms as a U.S. citizen. A Borrower who is a non-permanent resident alien may be eligible provided: • the Property will be the Borrower's Principal Residence; • the Borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD; • the Borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document issued by the USCIS The following Visa types for non-permanent resident aliens are eligible to document lawful residency status: E-1, E-2, E-3, E-3D, G-1, G-2, G-3, G-4, G-5, H-1B, H-1B1, H-1B2, H-1B3, H-1C, H-4,L-1A, L-1B, L-2, O-1A, O-1B, TN The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal based on information from the USCIS. A Borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained. A party who has a financial interest in the mortgage transaction, such as the seller, builder, or real estate agent, may not be a co-borrower. Exceptions may be granted when the party with the financial interest is a family member. Non-Occupying Borrowers • Non-occupant co-borrowers must be a U.S. citizen or have a primary residence in the U.S. and may not be an interested party to the sales transactions, such as property seller, builder, or real estate broker. • Maximum LTV 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 two- to four-unit property. ○ Not permitted on cash-out transactions 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 borrower must provide a copy of military orders evidencing the borrower's active duty status and that the duty station is more than 100 miles from the subject property. Note: loans made to HUD employees must be sent to the HOC for prior Underwriting approval.

Back to Top

	There can be no more than four (4) borrowers per loan.
3.2 Occupancy	
Occupancy	Eligible Occupancy Types: • Primary residences for 1-4-unit properties
3.3 Power of Attorney	
Power of Attorney (POA)	POA documents must be approved by NewRez Underwriting and Legal. Generally, a POA may be used for closing in the following scenarios: • Incapacitated Borrower - the borrower is incapacitated and therefore unable to sign documents due to disability, legal incapability, or he/she lacks the physical ability; Incapacitated borrowers must occupy the property as their primary residence; the underwriter must validate occupancy and review for red flags within the loan file; • Military Personnel - the borrower is currently deployed or stationed overseas and is unable to sign documents or attend closing. A POA may only be used for one of the applications (initial or final), but not both. There are two (2) acceptable types of power of attorney. The following persons may sign security instruments on a borrower's behalf: • Specific - this type of POA is specific to the mortgage transaction; therefore, the POA must specify the legal description, property address, and transaction type within the body of the document. It must be recorded at closing; • General Military - this type of POA is generally used in situations where a borrower or his/her spouse may be deployed or is on active duty. All loan files using a POA require the following: • A letter of explanation from the borrower advising why the loan is closing with a POA • Completed and signed POA Form
3.4 Living Trust (Inter-Vivos Revocable Trust)	
Living Trust (Inter-Vivos Revocable Trust)	• A living trust is an eligible borrower if it meets all investor and state requirements. • A copy of the trust document must be included in the loan file • All trusts must be approved by NewRez Legal prior to loan closing.
3.5 Non-Arm's Length Transactions / Identity of Interest	
Non-Arm's Length Transactions / Identity of Interest	Not permitted in the following instances: • Flip transactions • Transactions where the Loan Originator is acting in another real estate related role An identity of interest transaction is a sale between parties with an existing business or a family relationship. Identity of Interest transactions are limited to 85% LTV. The 85% LTV may be exceeded in the following circumstances: • Borrower purchases as their primary residence the primary residence of another family member; or • Tenant Purchase - Borrower purchases as their primary residence a property in which the borrower has been a tenant for at least six (6) months immediately prior to the sales contract. A lease or other written evidence to verify occupancy is required. The property may be owned by a family member. • Borrower, who is an employee of a builder, who is not a family member, purchases one of the builder's new houses or models • Corporate Transfer – A corporation transfers an employee to another location, purchases the employee's home, and sells the home to another employee.

Back to Top

3.6 Ineligible Borrowers

Ineligible Borrowers	• Borrowers with Deferred Action for Childhood (DACA) approval (EAD Category C33) • Borrowers with Diplomatic Immunity • Foreign Nationals • Principal/Owners of NewRez Third Party Originators • Individuals on the LPD/GSA exclusionary lists • Life Estate • Limited Partnerships, Corporations and LLCs • Non-Revocable Trusts or Guardianships

3.7 Maximum # of Financed Properties per Loan

Maximum # of Financed Properties	Follow Handbook 4000.1

3.8 Maximum # of Outstanding FHA Loans

Maximum # of Outstanding FHA Loans	FHA will not insure more than one loan per borrower except for the situations below. Review and approval must be completed by a NewRez VP of Underwriting for any of the following: • Relocations: The borrower must be relocating or has relocated for an employment related reason and establishing or has established a new principal residence in an area more than 100 miles from the borrower's current primary residence. • Increase in Family Size: If the number of legal dependents increases to a size where the home no longer meets the family's needs. The borrower must pay down the outstanding mortgage balance on the present property to 75% or less, using a current appraisal to determine market value. • Vacating a Jointly Owned Property: If the borrower is vacating a jointly owned property, they may purchase a new FHA mortgage. An example of this would be a divorce situation. • Non-Occupying Co-Borrower ○ A non-occupying co-borrower on an existing FHA-insured mortgage may qualify for another FHA-insured mortgage on a new property to be their own primary residence. ○ A borrower with an existing FHA-insured mortgage on their own primary residence may qualify as a non-occupying co-borrower on other FHA-insured mortgages.

3.9 Multiple Mortgages to the Same Borrower

Multiple Mortgages to Same Borrower	Follow Handbook 4000.1. Refer to section 3.8 for requirements when a borrower has more than one FHA loan.

Section 4: Collateral

4.1 Eligible Properties

Eligible Properties	• Attached/Detached SFRs • Attached/Detached PUDs • Low/Mid/High-Rise Condos and site Condos • 2-Unit Properties • 3-4 Unit Properties, provided the maximum mortgage amount is limited so the ratio of PITIA divided by the Net Self-Sufficiency Rental Income does not exceed 100% • Manufactured Home • Modular Homes

4.2 Condos

Condos	• All loans secured by condos must be reviewed by the NewRez Condo Review Project Review team (PRD) prior to approval. All requests for condominium review should be emailed to projectreview@newrez.com. • Except for FHA Streamlines, condos must be HUD approved and not expired at time of case number issuance: https://entp.hud.gov/idapp/html/condlook.cfm.

Back to Top

	• Single Unit Approval may be used for projects that are not HUD approved, or for expired HUD approved projects. • NewRez will not issue a DELRAP approval; however, existing, unexpired DELRAP approvals are permitted.
4.3 Manufactured Housing	
Manufactured Housing	Manufactured housing is a structure that is transportable in one or more section. To be eligible for FHA insurance all Manufactured Housing must: • be a one-family dwelling; • have a floor area of not less than 600 square feet; • must be doublewide • must be an existing dwelling permanently erected on the current site for a minimum of 12 months prior to the case number assignment date • must be served by permanent water and sewer facilities and other utilities in accordance with local and state requirements • have the HUD Certification Label affixed or have obtained a letter of label verification issued on behalf of HUD, evidencing the house was constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards; • be taxed and titled as real estate (on the land and dwelling) with manufacturers title surrendered as per applicable state requirements • be built and remain on a permanent chassis with the towing hitch or running gear removed and is permanently affixed to the foundation in accordance with the manufacturer's requirements for anchoring, support, stability, and maintenance and with HUD Permanent Foundations Guide for Manufactured Housing (PFGMH); • must not have been previously installed or occupied at any other site or location • if the manufactured home was structurally modified (additions or alterations), additional requirements apply, including a structural engineer's report. Refer to the Handbook 4000.1. • space beneath the manufactured home must be properly enclosed. The perimeter enclosure must be a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation; and • must have been directly transported from the manufacturer or dealership to the site.
Manufactured Housing – Required Documentation	
Manufactured Housing	• HUD Certification Label o If the appraisal indicates the HUD Certification Label is missing from the Manufactured Housing unit, the Mortgagee must obtain label verification from the Institute for Building Technology and Safety (IBTS). • PFGMH Certification o The Mortgagee must obtain a certification by an engineer or architect, who is licensed/registered in the state where the Manufactured Home is located, attesting to compliance with the PFGMH. The Mortgagee may obtain a copy of the foundation certification from a previous FHA-insured Mortgage, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.
Manufactured Housing – Ineligible	
Ineligible Manufactured Housing	• Condo • Leasehold • Located in mobile home parks • Manufactured Home with MH ADU or Storage Unit • Manufactured homes with subordinate financing • Singlewide
Manufactured Housing – Located in Special Flood Hazard Area	

Back to Top

Manufactured Housing	The finished grade level beneath the manufactured home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling, related structures, or equipment essential to the property value and subject to flood damage for both new and existing manufactured homes are located within an SFHA, the property is not eligible for FHA mortgage insurance unless the Mortgagee obtains: • a FEMA issued LOMA or LOMR that removes the property from the SFHA; or • a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 81-31) prepared by a licensed engineer or surveyor stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation, and insurance under the NFIP is obtained. For properties located within an SFHA, flood insurance must be maintained for the life of the mortgage in an amount at least equal to the lesser of: • the outstanding balance of the Mortgage, less estimated land costs; or • the maximum amount of the NFIP insurance available with respect to the property improvements.
Manufactured Housing – Appraisal	
Manufactured Housing	• Measurement for GLA is based on the overall length, including living areas and other projections that are at least seven feet in height. Length and width must not include bay windows, roof overhangs, drawbars, couplings, or hitches • A minimum of two (2) manufactured home comparable sales is required • Transferred appraisals are not permitted • The value conclusion cannot include any non-realty items including, but not limited to, insurance, warranties, and furniture. • If the appraiser determines that a manufactured home is in Flood Zones A or V, the appraiser must stop work and contact the mortgagee. The mortgagee may ask the appraiser to continue work on the assignment based on a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) or flood elevation certification. If the appraiser is provided with a LOMA or LOMR, the appraiser does not need to indicate that the property is in a flood zone. If provided with an elevation certificate, the appraiser will indicate the property is in a flood hazard area on the appraisal report • The appraiser must address the adequacy of the perimeter enclosure and call for repairs or further inspection, if warranted.
4.4 Ineligible Properties	
Ineligible Properties	• Bed and Breakfast • Coastal Barrier Resources System areas • Condotels • Co-ops • Hobby Farms • Live-Work Units • Manufactured home condo or leasehold • Non-warrantable condo • Properties encumbered with private transfer fee covenants • 2-4 Unit Properties with Accessory Dwelling Unit (ADU) • Properties not meeting FHA MPRs • Properties subject to a right of redemption • Properties where farm or agricultural income from the subject property is claimed on borrower's tax returns • Properties with manufactured on site being used as storage • Unique properties (geodesic domes, berms, and earth homes)
4.5 Time Restrictions on Resale	

Back to Top

Property Flips/Rapid Appreciation	A property that is being resold 90 days or fewer following the seller's date of acquisition is not eligible for an FHA loan. Resales Occurring Between 91 Days and 180 Days After Acquisition: • A second appraisal by another appraiser must be obtained if 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 to determine the Adjusted Value. • The cost of the second appraisal may not be charged to the borrower. Some exceptions to time restrictions on resale are: • Properties acquired by an employer or relocation agency • Resales by HUD under its REO program • Sales of properties acquired by the seller by inheritance
4.6 Properties Previously Listed for Sale	
Properties Previously Listed for Sale	• Listing must have been cancelled or expired prior to the application date, and the borrower must confirm their intent to occupy the subject property. • Careful consideration should be given to the listing price and appraised value to be sure the value is supported.
4.7 Appraisals	
Appraisals	All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). Appraisal must be completed by a Certified FHA appraiser from a NewRez approved AMC. A copy of the appraiser's license must be included in all funded loan files • The transfer of an FHA appraisal from another lender is permitted; as a standard, an appraisal is only good for one closed and funded loan. • Re-use of an appraisal from a previously closed transaction is not permitted. Refer to Section 4.3 Manufactured Housing Appraisal Section for Manufactured Home appraisal requirements
4.8 Disaster Areas	
Disaster Areas	Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters NewRez will require recertification from the appraiser on all loans located in the affected counties prior to closing. If the county is indicated as being in a declared disaster area, the policy must be adhered to • The disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 90 days from the incident END date; • If a full appraisal was obtained on the property prior to the declared disaster, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. Any of the following options are acceptable to satisfy this requirement: ○ Final Inspection or Appraisal Update signed by the original appraiser (Form 1004D/442) ○ Disaster Area Inspection Report (DAIR) • The inspection report must be dated after the Incident Period (as defined by FEMA) or 14 days from the Incident Period start date, whichever is earlier. If the effective date of the appraisal is on or after the date required above for an inspection, a separate damage inspection report is not necessary

Back to Top

	• Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster; • The NewRez branches will request the appropriate appraisal or inspection through the normal channels.

4.9 Geographic Restrictions

Geographic Restrictions	Ineligible States • Alaska • Hawaii West Virginia Lending Restrictions: • Maximum DTI for Purchase, Cash-out, Simple and Rate Term Refinances are limited to 50% • FHA Streamline Refinances must be credit qualified. NCQ Streamlines are not permitted. See Section 2.12 Streamline Refinances

Section 5: Income

5.1 Income

Income	NewRez income requirements follow 4000.1 except for NewRez Overlays as outlined below. **4506T & Tax Transcript Requirements** • A fully complete 4506T form must be **signed and dated** for the number of years of income required for each borrower and for all loans • The 4506T form must be **processed** and transcripts obtained in the following circumstances. ○ Wage Earners: • Handwritten paystubs are used as verification of income (W-2 transcripts acceptable unless other sources of income utilized) • There is a relationship between the parties (W-2 transcripts acceptable unless other sources of income utilized): ○ Borrower and Seller are related ○ Borrower/Seller/Loan Originator are related ○ Borrower is employed by the Third-Party Originator Company • Any of the following are present (1040 transcripts required): ○ Additional income for qualifying is derived from sources such as rental properties, dividend/interest or other income where tax returns is required; or ○ Tax returns are used to document income; or ○ At the underwriter's discretion ○ **Self-Employed** ▪ Personal tax transcripts are required. Business tax transcripts must be obtained if income from the business does not flow through to the borrower's personal tax returns or business income appearing on personal transcripts is not consistent with the income on the business tax returns **Borrower Provided Transcripts** In certain cases, such as identification theft, transcripts will not be available directly from the IRS, and the borrower will need to obtain. Additional documentation will be required along with the transcripts:

Back to Top

	• When the IRS rejects an IRS Form 4506-T request as unable to process: ○ Evidence the IRS rejected the IRS Form 4506-T request; ○ A borrower-obtained Record of Account Transcript, in pdf format, for all applicable years missing from the www.irs.gov website; and ○ A signed IRS Form 4506-T for the year(s) impacted by the IRS rejection. • When the IRS rejects an IRS Form 4506-T request for identity theft: ○ Proof identification theft was reported to and received by the IRS (IRS Form 14039) or ○ A copy of the notification from the IRS alerting the taxpayer to possible identification theft, and ○ Borrower obtained transcript, in pdf format, for all applicable years missing • In addition to the above, borrower provided transcripts may also be permitted with approval from an underwriting team lead or higher. Comments must be noted in Destiny for the reason borrower provided transcripts required. Income Requirements • Effective Income refers to income that may be used to qualify a borrower for a mortgage. Effective income must be reasonably likely to continue through at least the first three years and meet the following: ○ Document the borrower's income and employment history. ○ Verify the accuracy of the amounts of income being reported. ○ Determine if the income can be considered as Effective Income in accordance with the requirements in the FHA Handbook 4000.1. ○ Only consider income if it is legally derived and, when required, properly reported as income on the borrower's tax returns; ○ Negative income must be subtracted from the borrower's gross monthly income and not treated as a recurring monthly liability unless otherwise noted. ○ If FHA requires tax returns as required documentation for any type of Effective Income, the underwriter must also analyze the tax returns in accordance with Appendix 2.0 – Analyzing IRS Forms. ○ For borrowers with gaps in employment of six months or more (an extended absence), the underwriter may consider the borrower's current income as Effective Income if it can verify and document that: ○ The borrower has been employed in the current job for at least six (6) months at the time of case number assignment; and ○ A two-year work history prior to the absence from employment using standard or alternative employment verification. • For all Employment related Income, the Borrower's most recent two years of employment and income must be verified and documented using one of the following methods: ○ Traditional method - copy of most recent pay stub and a written Verification of Employment (VOE) covering two years or direct electronic verification of employment by a TPV vendor covering two years ○ Alternative method - obtain copies of the most recent pay stub that shows the Borrower's year-to-date earnings, obtain copies of the original W-2 forms from the previous two years and document current employment by verbal VOE • Boarder Income: Boarder refers to an individual renting space. NewRez allows boarder income to be included as part of effective income for refinance transactions only. • Commission Income: May be included as effective income if the borrower has earned the income for at least one year in the same or similar line of work and it is reasonably likely

Back to Top

to continue. The borrower's employment documentation (must reflect one full year of commission income for the income to be included as effective income.

- Rental Income from other Real Estate Owned: Calculate the net rental income by averaging the amount shown on the Schedule E of the IRS 1040 Tax Forms. Depreciation shown on Schedule E may be added back to the net income. Refer to 4000.1 for documentation and calculation of income from properties owned less than one year.
    - The use of rental income from other real estate owned requires evidence of the most recent two (2) months' receipt of rental income for each rental property owned (only applies to properties that utilize rental income for qualification)
    - Three (3) months' reserves required for each rental property owned in addition to standard reserve requirements per product if rental income is used to qualify
- Rental Income Eligibility Test for 3-4 Unit Property - Net Self-Sufficiency Rental Income refers to the Rental Income produced by the subject Property over and above the subject's PITI payment amount. The Test consists of:
    - The PITI divided by the monthly Net Self-Sufficiency Rental Income may not exceed 100 percent for 3-4-unit properties.
    - The 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 percent of the fair market rent.
- Public Assistance: Verify and document the income from the government agency. If the income is due to expire within three years from the date of application, it is not acceptable. If the documentation does not have a defined expiration date, the income may be considered effective and likely to continue.
- Part-Time and Variable
    - Evaluate income over the previous two (2) years and YTD.
    - Increasing income YTD may be averaged with previous two (2) full years as effective income with verification from employer of a pay increase. If borrower is employed by a family member, three months of bank statements evidencing pay increase is required.
    - 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 two (2) years and YTD.
- 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.
- Self-Employment Income: The borrower must be self-employed for at least two years. If the borrower has been self-employed between one and two years, the borrower must have been previously employed in the same line of work in which the borrower is self-employed or in a related occupation for at least two years in order to include the self-employment income in the borrower's effective income. The borrower's tax returns must reflect one full year of self-employment income for the income to be included in the borrower's self-employment income. The following must be provided:
    - Most recent two years' tax returns
    - A year-to-date, audited, or unaudited, profit and loss statement and balance sheet dated within 60 days of the note date
    - Most recent two years' business tax returns are required unless the borrower's:

Back to Top

	■ Individual federal income tax returns show increasing self-employment income over the past two years; ■ Funds to close are not coming from business accounts; and ■ The loan is not a cash-out refinance.
5.2 Verification of Employment	
Verification of Employment	**Verbal Re-verification of Employment** Verbal or electronic re-verification of employment through a third-party verification vendor is acceptable. If verbal, NewRez Verification of Employment form must be completed on all loan files. Wage Earners and Non-Self-Employed Borrowers • A Verbal Verification of Employment (VVOE) dated within 10 calendar days of the Note date is required. The verification of employment must: ○ Include the phone number contacted to complete the verbal, which must be documented as associated with the business; ○ Be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses. • If the VVOE is obtained from The Work Number, the 10-day timeframe is measured from the date of the request to the vendor, not the date the information was updated in the vendor's database. The date shown in the "Information Current as of" field must be within 30 days of the closing date. Self Employed Borrowers • The existence of the borrower's business must be validated within 30 calendar days of the Note date. This can be accomplished through a third party, such as ○ a CPA; ○ regulatory agency; or ○ the applicable licensing bureau. • AND by verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance. If the borrower is employed by a relative or participant to our loan transaction the following documentation must be obtained (in addition to standard program guides): • YTD paystub documenting at least 30 days of income; • Most recent two years' W-2s; • Most recent two years' federal income tax returns; and • Evidence that the borrower is not an owner of the business. Current income reported on the paystub may be used if it is consistent with W-2 earnings report on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current paystub, further investigation is needed to determine whether income is stable.
5.3 Conversion of Primary Residence (Rental Income)	
Conversion of Primary Residence	The underwriter may not consider rental income from the borrower's current primary residence that is being vacated in favor of the new primary residence unless the following requirements are met: • The borrower must be relocating to an area more than 100 miles from the borrower's current primary residence. • A properly executed lease agreement of at least one year's duration after the loan is closed is required and evidence of receipt of the first month's rent and security deposit as indicated by the terms of the lease.

Back to Top

<table>
<tr><td></td><td>• Three (3) months of PITI reserves
• An appraisal evidencing current market rent and that the borrower has at least 25% equity in the property. The appraisal is not required to be completed by an FHA Roster Appraiser. The appraisal reports and supporting documentations must contain the following:
○ Two-Four Units: Must verify and document proposed rental income by obtaining an appraisal showing fair market rent (Fannie Mae Form 1025/Freddie Mac Form 72) and, if available, the prospective leases and evidence of the most recent two (2) months receipt of rental income for each rental unit owned that was not occupied by the borrower (only applies to properties that utilize rental income for qualification)
○ One Unit: Must verify and document the proposed rental income by obtaining Fannie Mae Form 1004/Freddie Mac Form 70, Fannie Mae Form 1007/Freddie Mac Form 1000, and Fannie Mae Form 216/Freddie Mac Form 998 showing fair market rent and, if available, the prospective lease.
• If the borrower has a history of rental income: Must obtain the borrower's last two years' tax returns with Schedule E.</td></tr>
<tr><td colspan="2">Section 6: Credit</td></tr>
<tr><td colspan="2">6.1 Credit</td></tr>
<tr><td>Credit</td><td>• See matrix for LTV/FICO requirements, and Handbook 4000.1 for mortgage history requirements.
• A Tri-Merge credit report is required for every borrower who executes the Note. Non-Traditional/Alt Credit is not permitted. The credit report should generally include verification of all credit references provided on the loan application and must certify the results of public record searches for each city where the borrower has resided in the past two years.
• Each borrower must have a valid and usable credit score from at least two of the following three agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon).
• If the property or the borrower is in a community property state, a credit report for a non-borrowing spouse is required.
• Regardless of AUS score a manual downgrade is required, and the loan would be ineligible, if any mortgage trade line, including mortgage line of credit payments during the most recent 12 months reflects:
○ Three (3) or more late payments of greater than 30 days;
○ One (1) or more late payment of 60 days plus one or more 30-day late payments; or
○ One (1) payment greater than 90 days late
• Deferred student loans and Authorized User accounts are ineligible as valid trade-lines.
• All credit inquiries within 90 days of the credit report are required to be addressed by the customer – see Credit Attestation Policy

Non-Credit Qualifying Streamline Refinances (non-Portfolio): NewRez requires if the borrower's non-mortgage debt shows multiple 60+ day derogatory payments in most the recent six (6) months, the loan must be originated as a Credit Qualifying Streamline Refinance</td></tr>
<tr><td colspan="2">6.2 Derogatory Credit</td></tr>
<tr><td>Derogatory Credit</td><td>Loans scored through the TOTAL Mortgage Scorecard that receive an Approve or Accept score must follow the Handbook 4000.1 requirements for evaluating credit history.

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

Back to Top

Collection Accounts, Charge Off Accounts, Accounts with Late Payments in the Previous 24 months and Judgment: An explanation of collection accounts, Charge-Off Accounts, accounts with late payments, Judgments or other derogatory Information is not required.

Disputed Derogatory Credit Accounts: If the credit report used by TOTAL indicates that the borrower has $1000 or more collectively in Disputed Derogatory Credit Accounts, the loan is not eligible. Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included to the $1000 cumulative balance.

Disputed Non-Derogatory Accounts: A downgrade to Refer is not required due to disputed non-derogatory accounts or disputed accounts not indicated on the credit report. The effect of the disputed accounts on the borrower's ability to repay must be analyzed. In addition, if the dispute results in DTI ratio being less than the amount indicated on the credit report, the borrower must provide documentation of the lower payments. Non-derogatory disputed accounts are excluded from the $1000 cumulative balance limit.

Judgments: Court-ordered judgments must be resolved or paid-off prior to or at closing. Judgments of non-borrowing spouse in a community property state must be resolved or paid in full, except for obligations excluded by state law. A judgment is considered resolved if borrower has entered into a valid agreement to make regular payments on the debt, the borrower has made timely payments for at least three months and the judgment will not supersede the FHA-insured mortgage lien. Payment amount must be included in the DTI calculation.

Inaccuracy in Debt: When an inaccuracy in the amount or type of debt or obligation is revealed during the application process and the correct information was not considered by the AUS, must:

- verify the actual monthly payment amount;
- re-submit the Mortgage for evaluation by TOTAL if the cumulative change in the amount of the liabilities that must be included in the borrower's debt increases by more than $100 per month; and
- determine that the additional debt was not/will not be used for the borrower's Minimum Required Investment (MRI).

Bankruptcy: When two years since discharge date of any bankruptcy is required. If discharged within two years of case assignment number, the loan is ineligible

Pre-Foreclosure Short Sale: Three years since date of short sale is required. If short sale occurred within three years of case assignment number, the loan is ineligible. Exception may be granted where a borrower's mortgage was current at the time of the divorce, the ex-spouse received the property, and there was a subsequent short sale. The three-year period begins on date of transfer of title.

Foreclosures and Deed in Lieu (DIL): Foreclosures and Deed in Lieu (DIL) within three years of are ineligible.

Credit Counseling/Payment Plan: Participating in consumer credit counseling program does not require a downgrade to manual underwriting.

Housing Obligations/Mortgage Payment History:

Purchase or No Cash-Out Refinance meeting any of the following are ineligible:

- ≥ 3x30

Back to Top

- 1x60 plus 1X30 or
- 1x90

Cash-Out Refinance is ineligible if any of the following are met:

- A current delinquency or
- Any delinquency within 12 months of case number assignment date

Manual Underwriting

Loans where TOTAL Scorecard issues a Refer, or where a downgrade to manual underwrite is required, are not permitted.

Credit Alert Interactive Voice Response System (CAIVRS)

CAIVRS is maintained by the federal government that lists persons who have defaulted or had a loan foreclosed in the last three years on a debt owed to the federal government or are currently delinquent on a debt owed to the federal government. Examples of federal debts include previous FHA or VA home loans, federal student loans, small business administration loans and similar types of debts.

Federal Non-Tax Debt

If a borrower is presently delinquent on a federal non-tax debt, then the borrower is ineligible for an FHA-insured Mortgage until the borrower resolves the debt with the creditor agency. Documentation must be obtained to verify resolution of such debt. For purposes of this section, a person's delinquent debt is resolved only if the person:

- Pays or otherwise satisfies the delinquent debt in full;
- Pays the delinquent debt in part if the creditor agency accepts such part payment as a compromise in lieu of payment in full;
- Cures the delinquency under terms acceptable to the creditor agency in that the person pays any overdue payments, plus all interest, penalties, late charges, and administrative charges assessed by the creditor agency as a result of the delinquency; or
- Enters into a written repayment agreement with the creditor agency to pay the debt, in whole or in part, under terms and conditions acceptable to the creditor agency.

Clear CAIVRS must be obtained evidencing resolution of the delinquent federal non-tax debt.

Federal Tax Debt

Borrowers with delinquent Federal Tax Debt are ineligible.

- Federal taxes due prior to the tax filing due date of April 15th (or applicable tax filing due date) are not considered delinquent. Evidence of sufficient funds to pay or an established payment agreement with the IRS is acceptable. The payment must be included in the calculation of the borrower’s Debt-to-Income (DTI) ratio if an agreement is established. Three (3) months of payment history is not required to be verified.
- Federal taxes due after the tax filing due date requires a copy of the payment plan or verification that the borrower has sufficient funds to pay the taxes and the closing costs on the loan. The taxes must be paid at or prior to closing. The payment must be included in the calculation of the borrower’s Debt-to-Income (DTI) ratio if a payment plan agreement has been established with IRS. Three months of payment history is not required unless the debt is a lien.
- If the tax debt is already a lien (“Delinquent”), it can remain unpaid if the borrower can provide a valid repayment agreement and evidence to show that three (3) months of timely payments have been made. The payments cannot be prepaid to meet the three-month requirement. The payment must be included in calculation of the borrower’s Debt-

Back to Top

	to-Income (DTI) ratio. Except for federal tax liens, the lien holder must subordinate the tax lien to the FHA-insured Mortgage. If a borrower had a prior claim paid with FHA, that borrower is not eligible to APPLY for another FHA mortgage until three years after the date that HUD paid the insurance claim to the lender. The names of FHA borrowers are automatically deleted from CAIVRs when this three-year waiting period expires. NOTE: Loan proceeds may not be used to clear CAIVRS.
6.4 Prior Mortgage Credit Rejects (MCRs)	
Prior Mortgage Credit Reject (MCR)	Not permitted
6.5 General Liabilities and Debts	
General Liabilities and Debts	All applicable monthly liabilities must be included in the qualifying ratio. 30-day Accounts: Must verify the borrower has paid the outstanding balance in full on every 30-day A=account each month for the past 12 months. 30-day accounts that are paid monthly are not included in the borrower's DTI. If the credit report reflects the account as paid as agreed for 12 months (no late payments), the information on the credit report is adequate documentation that account has been paid in full monthly and the account can be excluded from the borrower's DTI. Note that funds available necessary to pay off the balance per the credit report must be documented. These funds are in addition to any funds required for funds and reserves required to close the loan. If the credit report reflects any late payments in the last 12 months, 5% of the outstanding balance must be included as a monthly debt in the DTI. If the account has been open less than 12 months, the debt must be included in the DTI. Authorized User Accounts: Accounts for which the borrower is an authorized user must be included in a borrower's DTI ratio unless the borrower can document that the primary account holder has made all required payments on the account for the previous 12 months. If less than three payments have been required on the account in the previous 12 months, the payment amount must be included in the borrower's DTI. If the account has not been open for at least 12 months, verify the primary account holder has made timely payments for the number of months the account has been opened up to the required 12 months. Removing the borrower as an authorized user is not permitted as an alternative to documenting the payment history in order to exclude the debt in the calculation of the borrower's DTI ratio. Business debt in borrower's name refers to liabilities reported on the borrower's personal credit report but payment for the debt is attributed to the borrower's business. When business debt is included on the borrower's personal credit report, the debt must be included in the borrower's DTI calculation unless documentation is provided that evidences the debt is being paid by the borrower's business and the debt is considered in the tax returns and cash flow analysis of the borrower's business. Closed-end Debts with < 10 Months Remaining: Do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5 percent of the borrower's gross monthly income. Cumulative payments is the sum of the remaining payments. Confirm loans scored through DU automatically excluded the referenced debts as appropriate. Child Support: Should be treated as a recurring liability and included in the borrower's DTI ratio when court-ordered or otherwise agreed.

Back to Top

	Contingent Liabilities: Payments on contingent liabilities must be included in the calculation of the borrower's monthly obligations unless there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default or the other legally obligated party has made 12 months of timely payments. In the case of divorce, a divorce decree reflecting the ex-spouse as the obligor in lieu of cancelled checks is required. Collection Accounts: If the credit reports show cumulative outstanding collection account balances of $2000 or greater, the following must be documented: • Verify debt is paid in full at time of or prior to settlement using acceptable sources of funds; • Verify the borrower has made payment arrangements with the creditor and include the monthly payment in the borrower's DTI; or • If a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the borrower's DTI. Collection accounts of non-borrowing spouse in a community property state must be included in the $2000 cumulative balance and analyzed as part of the borrower's ability to pay all collection accounts, unless excluded by law. Paying down the outstanding collection accounts to less than $2000 to avoid the requirements above is not permitted. The full amount of the collection accounts must be addressed if the cumulative balance is $2000 or greater. Deferred Obligations: The actual monthly payment to be paid on a deferred liability, whenever available, must be included in the calculation of the borrower's monthly obligations. If the actual monthly payment is not available for this installment debt, the terms of the debt or 5% of the outstanding balance must be used to establish the monthly payment. • Student Loans – All student loans must be included in the borrower's liabilities regardless of the payment type or status of payments. The debt to income calculation must be calculated using the following: ○ The greater of: ▪ One (1) percent of the outstanding balance on the loan; or ▪ The monthly payment reported on the borrower's credit report; or ○ The actual documented payment provided the payment will fully amortize the loan over its term. **Paying Down/Off Debt to Qualify** • Paying down debt to less than 10 months to avoid including in the debt ratio is not permitted. • Any installment or revolving debt being paid off to qualify must be paid off at or before closing. Documentation for source of funds used to pay account(s) off will be required in all instances.
6.6 Qualifying Ratios	
Qualifying Ratios	**Refer to Eligibility Matrices for qualifying ratios.** **Credit Qualifying Streamline Refinances** • Credit Score 660 and above: Maximum ratios 31/43: ○ No compensating factors required. **Qualifying Rate** • Fixed Rate: Note Rate

Back to Top

	• 5/1 ARMs: Note Rate **Non-Credit Qualifying Streamline Refinances** • Not calculated **Housing Payment Ratio** The monthly housing expense is the sum of the following charges as they apply to any properties owned and financed by the borrower: • Monthly principal and interest payment as per the qualifying rate • 1/12th of the annual hazard insurance premium and any other insurance required by loan program. • 1/12th of the annual real estate taxes. • 1/12th of the annual flood insurance premium, when applicable. • Monthly leasehold payments, when applicable. • Monthly homeowner association dues, condominium maintenance fees and monthly assessments (when applicable). • Monthly payment for other secured financing (when applicable). **Total Debt Ratio** • Monthly housing expense as per qualifying rate. • Outstanding monthly obligations such as: ○ Installment debt ○ Revolving debt payments ○ Alimony, child support or maintenance payments ○ Losses associated with other real estate owned ○ Other obligations where a monthly payment is legally required.
Section 7: Assets	
7.1 Assets	
Assets	Follow Handbook 4000.1, unless otherwise specified below. Assets must be verified as noted by the AUS. Written Verifications of Deposit (VOD) are not acceptable. Only system generated Verifications of Deposit from the financial institution or third-party verification vendor are acceptable. Business Assets are allowed for down payment and closing costs: • the borrower must be the majority owner of the business.; • business assets may not be used for reserves; and • the use of these funds must be documented as having no negative impact on the business's livelihood. Evidence of assets to cover Federal Tax Debt that is not delinquent or demonstrated capacity to accumulate the required funds to pay non-delinquent Federal Tax Debt is required.
7.2 Cash Reserves	
Cash Reserves	• Reserves refer to the sum of the borrower's verified and documented liquid assets minus the total funds the borrower is required to pay at closing. • Reserves do not include: ○ the amount of cash taken at settlement in cash-out transactions; ○ incidental cash received at settlement in other loan transactions; ○ gift funds; ○ equity in another property; or ○ borrowed funds from any source.

Back to Top

	• Reserve Requirements Based on Property Type ○ 3-4 units ▪ Verify and document three months' PITI reserves Rental Income from Other Real Estate Owned (includes Conversion of current Primary Residence) • Three (3) months' reserves required for each rental property owned in addition to standard reserve requirements per product if rental income is used to qualify
7.3 Gifts	
Gifts	Follow Handbook 4000.1
7.4 Seller/Interested Party Contributions	
Seller/Interested Party Contributions	6% maximum; the seller and/or third party may contribute up to 6% of the sales price toward the borrower's origination fees, other closing costs 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 • Payment of UFMIP. Credits from the Mortgagee or Third-Party Originators (TPO) are excluded from the 6% limit, provided the Mortgagee or TPO is not the seller, real estate agent, builder, or developer.
7.5 Ineligible Assets	
Ineligible Assets	• 1031 Exchanges • Cash on Hand • Cryptocurrency (e.g., Bitcoin) • Custodial accounts (UTMA/UGMA) • Pooled Funds • Sweat equity
Section 8: Program Details	
8.1 Age of Documentation	
Age of Documentation	• Follow Handbook 4000.1 for appraisal requirements. • Income and asset documents may be up to 60 days old as of Note date, unless the nature of the documents is such that their validity for underwriting purposes is not affected by the prescribed time frame, such as a divorce decrees or tax returns.
8.2 Signature Requirements	
Signature Requirements	• All borrowers must sign and date page two of the initial form HUD-92900-A. The underwriter must obtain the borrower's initial complete, signed *URLA* (Fannie Mae Form 1003/Freddie Mac Form 65) and page two of form HUD-92900-A before underwriting the mortgage application. • Electronic Signatures: NewRez will accept electronic signatures on third party documents in accordance with Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable. • The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document. • Electronic signatures are not permitted for any final documents including but not limited to the Note, Mortgage, final 1003, etc.

Back to Top

8.3 Escrows	
Escrows	Tax and Insurance escrows are required on all FHA loans.
8.4 Escrow Holdbacks	
Escrow Holdbacks	Permitted. Follow Handbook 4000.1.
8.5 Excluded Parties- LDP/GSA Searches	
Excluded Parties- LDP/GSA Searches	FHA loans requires confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the Freddie Mac Exclusionary List, General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Regardless of the reason for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery. All name variations found throughout the loan file must be run when performing the searches. The search must be run on the following parties in the transaction: • Borrowers • Seller • Builder • Listing Agent & Listing Company • Selling Agent & Selling Company • Title Agent • Title Company • Closing Attorney • Appraiser and Appraisal Company • Loan Originator • Loan Processor • Underwriter • 203(k) consultants
8.6 Flood Insurance	
Flood Insurance	Follow Handbook 4000.1
8.7 Hazard Insurance	
Hazard Insurance	Follow Handbook 4000.1
8.8 Interest Credit Hardships	
Interest Credit Hardships	Permitted on Fixed Rate loans only; purchases must fund by the 7th day and refinances must fund by the 10th calendar day.
8.9 Mortgage Insurance	
Mortgage Insurance	Mortgage insurance is broken down into upfront mortgage insurance (UFMIP) and monthly mortgage insurance (MIP). Every FHA loan will have an upfront mortgage insurance charge and the monthly insurance amounts vary depending on loan term and LTV.
8.10 Process to Add or Remove Borrowers	
Process to Add or Remove Borrowers	**Adding Borrowers** • Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information. **Removing Borrowers** • Removing a borrower from a loan is allowed only in the following scenarios ○ No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application ○ Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application.

Back to Top

	▪ In both above scenarios - Request in writing from borrower should be placed in the file supporting their desire to withdraw their name from the application. ▪ Detailed notes should also be placed in the file to eliminate any possible confusion • Removing a borrower from a loan is NOT allowed in the following scenarios ○ Loan is declined by underwriting ▪ In this scenario the loan would need to be adversed and a new application would need to be taken with only the 1 borrower. ○ Underwriting should not be issuing loan approvals with any type of condition that states 1 borrower needs to be removed. The loan should be declined and have a new application submitted with only the one borrower. **Exceptions** • Any exceptions to the above rules or scenarios not explained above should be submitted to compliance for review (Compliance@NewRez.com).
8.11 Title Insurance	
Title Insurance	All loans must close with an ALTA title insurance policy which will provide evidence of the borrower's lawful interest in the property to be mortgaged. The title policy must be in the lender's name and/or its assigns. Title must be vested in the borrower's name, in the name of an eligible inter vivos trust (if permitted per program guides), or in the case of a purchase money must be currently vested in the seller's name with a requirement for a deed to be recorded transferring title to our borrower's name at closing. The insured amount of the policy must be at least for the gross loan amount and the policy must be dated within 45 days of closing. A survey will be required only if an exception appears on the title. ALTA 9 Endorsement, or its equivalent, may be substituted in the event a survey is not commonly required by the property area. A minimum of a twelve-month title chain must be provided on each policy. The chain of title will be reviewed for flips as part of the underwriting process.
8.12 Legal Restrictions on Conveyance	
Legal Restrictions on Conveyance	Loans where the property contains leased equipment (e.g., solar panels) or operates with a leased energy system may be eligible for an FHA loan but only when such agreements are free of restrictions that prevent the borrower from freely transferring the property. Such agreements are acceptable, provided they do not cause an ownership transfer of the property by the borrower to: • be void, or voidable by a third party; • be the basis of contractual liability of the borrower • terminate or be subject to termination all or part of the interest held by the borrower; • be subject to the consent of a third party; • be subject to limits on the amount of sales proceeds a borrower can retain (e.g., due to a lien, "due on sale" clause, etc.); • be grounds for accelerating the insured loan; or • be grounds for increasing the interest rate of the insured loan. Follow guidelines contained in Handbook 4000.1

Section 9: Glossary of Terms

Back to Top

9.1 Glossary of Terms – For complete Handbook glossary of terms, please use the following link: http://portal.hud.gov/hudportal/documents/huddoc?id=40001gaHSGH.pdf	
Glossary of Terms	**30-Day Account** - 30-Day Account refers to a credit arrangement that requires the borrower to pay off the outstanding balance on the account every month. **Adjusted Value – purchase transactions** is the lesser of: • Purchase price less any inducements to purchase; or • The property value **Adjusted Value – refinance transactions** where property was acquired by the borrower within 12 months of case number assignment date – is the lesser of: • Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or • The property value **Adjusted Value – refinance transactions** where property was acquired by the borrower greater than or equal to 12 months prior to case number assignment date or if the property was acquired by inheritance or through a gift from a family member: • The property value **Commission Income -** Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service **Contingent Liability-** A Contingent Liability is a liability that may result in the obligation to repay only where a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include Cosigner liabilities and liabilities resulting from a mortgage assumption without release of liability. **Deferred Obligations** - Deferred Obligations refer to liabilities that have been incurred but where payment is deferred or has not yet commenced, including accounts in forbearance. **Disputed Derogatory Credit Accounts --** Disputed Derogatory Credit Account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. **Effective Income -** Effective Income refers to income that may be used to qualify a borrower for a loan. Effective income must be reasonably likely to continue through at least the first three years of the loan. **Family Members -** 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

Back to Top

	• 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 **Minimum Required Investment (MRI) –** Minimum Required Investment (MRI) refers to the borrower's contribution in cash or its equivalent required by Section 203(b)(9) of the National Housing Act (NHA), which represents at least 3.5 percent of the Adjusted Value of the Property. **Self-Employment Income** - Self-Employment Income refers to income generated by a business in which the borrower has a 25 percent or greater ownership interest.

Section 10: References

10.1 References

References	• HUD Handbook • Limited Denial of Participation (LDP) List • General Services Administration (GSA) Exclusionary List

10.2 Contacts

HOC Contact Info	The following is the contact method required to have Case Numbers cancelled, transferred, or reinstated with HUD: • Atlanta: (404) 331-3361 • Philadelphia: Send request to email box: phocinsure@hud.gov. Subject should read "case reinstatement request with case number" if applicable • Denver: Send request to email box: denhocinsure@hud.gov. Subject should read "case reinstatement request with case number" if applicable • Santa Ana: (714) 796-5521

10.3 Homeownership Centers

Homeownership Centers (HOC Offices)	

Philadelphia	Atlanta	Denver	Santa Ana
Connecticut	Alabama	Arkansas	Alaska
Delaware	Florida	Colorado	Arizona
District of Columbia	Georgia	Iowa	California
Maine	Illinois	Kansas	Hawaii
Maryland	Indiana	Louisiana	Idaho
Massachusetts	Kentucky	Minnesota	Nevada
Michigan	Mississippi	Missouri	Oregon
New Hampshire	North Carolina	Montana	Washington
New Jersey	Puerto Rico	Nebraska	
New York	South Carolina	New Mexico	
Ohio	Tennessee	North Dakota	
Pennsylvania		Oklahoma	
Rhode Island		South Dakota	
Vermont		Texas	
Virginia		Utah	
West Virginia		Wisconsin	
		Wyoming	

Section 11: Version Control

2.9 Cash-Out Refinance	Added mortgage history requirement.	February 18, 2020
2.9 Cash-Out Refinance	Included junior liens being paid off with the refinance transaction in the seasoning requirements.	February 18, 2020

Back to Top

2.11 Streamline Refinance	Removed the requirements for verification of income and existence of business for Non-Credit Qualifying Streamline Refinance transactions.	February 18, 2020
2.11 Streamline Refinance	Clarified mortgage payment history requirements for all mortgages	February 18, 2020
5.1 Income	Clarified requirements for evaluating effective income	February 18, 2020
2.7 Refinances (General)	Clarified requirements for determining Adjusted Value on Refinances requiring appraisals	February 24, 2020
2.11 Streamline Refinances	Clarified Mortgage Payment History requirements	March 5, 2020
Eligibility Matrices	Updates made to FICO, DTI, subordinate financing, Refer and manufactured housing.	March 30, 2020
1.2 Underwriting	Clarified manual underwriting only permitted for streamline refinances	March 30, 2020
1.3 Manual Underwriting	Removed	March 30, 2020
2.9 Cash-Out Refinance	Removed references to subordinate financing and manufactured homes	March 30, 2020
2.10 Simple Refinance	Removed reference to manual underwrite	March 30, 2020
2.13 Down Payment Assistance	Updated to clarify not permitted	March 30, 2020
2.14 Subordinate Financing	Updated to clarify not permitted	March 30, 2020
6.1 Credit	Removed reference to non-traditional credit	March 30, 2020
6.2 Compensating Factors	Removed	March 30, 2020
6.3 Derogatory Credit	Updated to 6.2, and updated references to Refer and manual underwriting not permitted	March 30, 2020
6.3 Prior Mortgage Credit Rejects (MCRs)	Updated to clarify not permitted	March 30, 2020
8.1 Age of Documents	Updated to credit, income, and asset documents to 60 days	March 30, 2020
Eligibility Matrices	Revised minimum credit score for Purchase, Rate & Term, Simple Refinance and FHA Streamline Refinances to 660	May 7, 2020
2.7 Refinances (General)	Added requirement that borrower cannot have any mortgage in forbearance in the past 30 days as of application date	May 7, 2020
4.8 Disaster Policy	Updated incident period to 90 days	May 7, 2020
5.1 Income	Updated standard employment documentation requirements and added YTD P&L and Balance Sheet requirement for self-employed borrowers Six-months reserve requirement for rental income from other REO	May 7, 2020
5.3 Conversion of Primary Residence	Six-month reserve requirement when using rental income from borrower's recently vacated primary residence and evidence that	May 7, 2020

Back to Top

	previous residence is rented and secured by lease and rental deposits.	
6.1 Credit	Added requirement that borrower cannot have any mortgage in forbearance in the past 30 days as of application date	May 7, 2020
7.2 Cash Reserves	Six months' reserve requirement for each property that provides rental income toward borrower's qualification	May 7, 2020
8.1 Age of Documents	Age of documents updated to income and assets	May 7, 2020
Matrices	Increased maximum DTI for Purchase, Rate and Term, and Simple Refinances by credit score	June 16, 2020
4.3 Manufactured Housing – Ineligible Properties	Clarified ineligible Manufactured Housing types	June 16, 2020
4.4 Ineligible Properties	Clarified ineligibility of 2-4 unit with Accessory Unit Dwelling (ADU)	June 16, 2020
Matrices	Clarified LTV limits for Streamline Refinance Product is based on original property value indicted in Refinance Authorization	July 2, 2020
2.7 Refinances and 6.1 Credit	Remove requirement that borrower(s) cannot have had a mortgage in forbearance within 30 days from the application date	July 2, 2020
Eligibility Matrices	Revised and updated minimum credit score for Purchase and refinance transactions with increased maximum DTI limits	July 13, 2020
5.1 Income	Revised PITI reserve requirement to three (3) months from six (6) months for each rental property	July 13, 2020
5.3 Conversion of Primary Residence	Revised PITI reserve requirement to three (3) months from six (6) months for each rental property	July 13, 2020
7.2 Cash Reserves	Revised PITI reserve requirement to three (3) months from six (6) months for each rental property	July 13, 2020
Eligibility Matrices	Added West Virginia State Restriction for maximum 50% DTI	August 11, 2020
2.11 Streamline Refinances	Added WV state lending restriction for Streamline Refinance (must be credit qualified)	August 11, 2020
4.9 Geographic Restrictions	Added the WV lending restrictions for 50% maximum DTI for Purchase and Refinance transactions and that FHA Streamline Refinances must be credit qualified	August 11, 2020
3.1 Borrower Eligibility	Added list of eligible Visa types to evidence lawful residency documentation for Non-permanent resident aliens.	September 28, 2020
5.1 Income	Revised YTD P&L statement and balance sheet requirement for self-employed borrower to be dated not more than 60 days prior to the Note date (previously 30 days)	September 28, 2020
2.7 Refinances (General)	Added guidance for evaluating mortgage payment histories with deferred mortgage payments under CARES forbearance plan	October 15, 2020
2.8 Rate and Term Refinances	Added guidance for mortgage payment and loan seasoning requirements for borrowers who have recently deferred mortgage payments under a CARES forbearance plan	October 15, 2020
2.9 Cash-Out Refinances	Added guidance for mortgage payment and loan seasoning requirements for borrowers who have recently deferred mortgage payments under a CARES forbearance plan	October 15, 2020

Back to Top

2.10 Simple Refinance	Added guidance for mortgage payment and loan seasoning requirements for borrowers who have recently deferred mortgage payments under a CARES forbearance plan	October 15, 2020
2.11 Streamline Refinances	Added guidance for mortgage payment and loan seasoning requirements for borrowers who have recently deferred mortgage payments under a CARES forbearance plan	October 15, 2020

Back to Top