

AmericaHomeKey, Inc Program Description

FHA Fixed Rate

Revised 08/09/2011

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**F15, F20, F25, F30, F30G1, F30G2, F30BD, FJ30, FHASTRF
F15REO, F30REO, F30BB3, F30LS, F15BB3, FJ30STRF**

1. GENERAL DESCRIPTION

FHA insured, fully amortizing loan with a maturity of 15, 20, 25 or 30 years

2. GENERAL INFORMATION

A) TERM: 15, 20, 25, or 30 years
High Balance: 30 years

B) ARM INITIAL/ANNUAL/LIFETIME CAPS: N/A
C) ARM MARGIN: N/A
D) TEMPORARY BUYDOWN: Permitted– see item 12 below
E) MINIMUM LOAN AMT: \$0
F) ESCROW WAIVERS: Not Permitted
G) REDUCED DOCUMENTATION: Not Permitted

H) CODES:

F15	Fixed: 15 year
F20	Fixed: 20 year
F25	Fixed: 25 year
F30	Fixed: 30 year
FJ30	Fixed: 30 year High Balance
F30BD	30 Year /Buy down
FHASTRF	Streamline Refinance Conforming
FJ30STRF	Streamline Refinance High Balance
F30G1	30 Year Fixed GNMAI
F30G2	30 Year Fixed GNMAII
F30BB3	30 Yr Fixed DU Refer/Eligible – Manual Underwrite
F30LS	30 Yr Fixed with Government Down Payment Assistance
F15BB3	15 Yr Fixed DU Refer/Eligible – Manual Underwrite

I) NARRATIVE DISCLOSURE: n/a

3. LOAN LIMITS

UNITS	FLOOR	CEILING (high cost areas except Alaska & Hawaii)
1	\$271,050	\$729,750
2	\$347,000	\$934,200
3	\$419,400	\$1,129,250
4	\$521,250	\$1,403,400

HUD sets different limits per county and these limits can change at any time. Limits are available on this link: <https://entp.hud.gov/idapp/html/hicostlook.cfm> Click on the state you wish to view and scroll to the appropriate property county.

MINIMUM DOWNPAYMENT AND MAXIMUM MORTGAGE CALCULATION

Purchase	No Cash Out Refinance	Cash Out Refinance
96.50%	97.75%	85%

PURCHASE TRANSACTIONS:

Borrower must contribute 3.5% cash or acceptable gift for down payment on purchase transactions. The LTV on a purchase transaction will be based on lesser of the appraised value or adjusted sales price BEFORE MIP.

The total insured first mortgage cannot exceed 100% of the appraised value, including UFMIP. Only when a unit of government or an instrumentality of one is offering down payment and/or closing costs assistance in the form of secondary financing, the CLTV can exceed 100% of the appraised value.

Closing costs are not considered in the 3.5% contribution. The 6% seller contributions or premium pricing may still be used for closing costs.

REFINANCE TRANSACTIONS

New refinanced loan amount cannot exceed FHA area limit.

NO CASH OUT

Streamline WITHOUT Appraisal – Non Income/Credit Qualifying

The maximum insurable mortgage is:

- The outstanding principal balance minus the applicable refund of the UFMIP
PLUS
- The new UFMIP that will be charged on the refinance

Note: The outstanding principal balance may include **up to 45 days interest** charged by the servicing lender when the payoff is not received on the first day of the month but may not include delinquent interest, late charges or escrow shortages provided:

- **The loan is current**
- **A current pay history must be included in the file for the month of closing**
- **A current pay off must be included in the file**

Additional underwriting eligibility criteria

- Seasoning – On the date of case number assignment
 - the borrower must have made at least 6 payments on the current mortgage being refinanced, and
 - at least 6 full months must have passed since the first payment due date of the mortgage being refinanced and
 - at least 210 days have passed since the closing date of the mortgage being refinanced
- Payment History – 0 x 30 within the last 12 months regardless of seasoning – The mortgagor must be current on the mortgage being refinanced for the month due prior to the month in which they close.
- Net Tangible Benefit – There must be a documented net tangible benefit to the borrower i.e. reduction in P & I plus MI by a minimum of 5%, ARM to fixed, etc. – Please note that reducing the term in and of itself is not a net tangible benefit
- Fixed to ARM is **not** allowed
- A verbal VOE confirming the borrower is employed and has income is required on all streamline transactions within 5 days prior to closing
- A minimum 640 credit score is required (a full RMCR is not required)
- Maximum CLTV – If subordinate financing is to remain in place, the maximum CLTV is 125%. The

- CLTV will be based on the original appraised value of the property
- Loans should NOT be run through Total Scorecard
- A complete URLA must be signed by the borrower(s) prior to underwriting, an abbreviated version is not acceptable

Streamline WITH Appraisal – NON INCOME/CREDIT QUALIFYING

The maximum insurable mortgage is the lower of:

- Outstanding principal balance minus the applicable refund of UFMIP, plus closing costs, prepaid items to establish the escrow account and the new UFMIP that will be charged on the refinance;
- OR
- 97.75% of the appraised value of the property plus the new UFMIP that will be charged on the refinance
- An appraisal may not be used to increase the insurable mortgage balance beyond the sum of the outstanding principal balance and the new Up-Front Mortgage Insurance Premium. Closing costs, discount items, prepaid items or other financing costs may not be added to the new loan balance

Notes: Discount points may not be included in the new mortgage. If the borrower has agreed to pay discount points, the lender must verify the borrower has the assets to pay them along with any of financing costs that are not included in the new mortgage amount.

The outstanding principal balance may include **up to 45 days of** interest charged by the servicing lender when the payoff is not received on the first day of the month but may not include delinquent interest, late charges or escrow shortages provided:

- The loan is current**
- A current pay history must be included in the file for the month of closing**
- A current pay off must be included in the file**

Additional underwriting eligibility criteria

- Seasoning – On the date of case number assignment
 - the borrower must have made at least 6 payments on the current mortgage being refinanced, and
 - at least 6 full months must have passed since the first payment due date of the mortgage being refinanced and
 - at least 210 days have passed since the closing date of the mortgage being refinanced
- Payment History – 0 x 30 within the last 12 months regardless of seasoning - The mortgagor must be current on the mortgage being refinanced for the month due prior to the month in which they close.
- Net Tangible Benefit – There must be a documented net tangible benefit to the borrower i.e. reduction in P & I plus MI by a minimum of 5%, ARM to fixed, reduction in term, etc. Please note that reducing the term in and of itself is not a net tangible benefit
- Fixed to ARM is not allowed
- A verbal VOE confirming the borrower is employed and has income is required on all streamline transactions within 5 days prior to closing
- A minimum 640 credit score is required (a full RMCR is not required)
- Maximum CLTV – If subordinate financing is to remain in place, the maximum CLTV is 125%. The CLTV will be based on the original appraised value of the property
- Loans should NOT be run through Total Scorecard or would no longer be eligible as a streamline and must be refinanced as a full doc rate/term refinance
- A complete URLA must be signed by the borrower(s) prior to underwriting, an abbreviated version is not acceptable

INCOME/CREDIT QUALIFYING – WITH APPRAISAL

The maximum mortgage is the *lower* of the LTV limitation or the existing debt calculation described below:

- LTV Ratio Applied to Appraised Value: Multiply the appraised value of the property by 97.75%. Any appraisal requirements, including repairs, must be satisfied before the mortgage is eligible for insurance endorsement.

- **Existing Debt:** Add together the amount of the existing first lien, any purchase money second mortgage, any junior liens over 12 months old, closing costs, prepaid expenses, borrower paid repairs required by the appraiser, discount points, and then subtract any refund of UFMIP.

If any portion of the funds of an equity line of credit in excess of \$1000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, the line of credit is *not* eligible for inclusion in the new mortgage.

The amount of the existing first mortgage may include the interest charged by the servicing lender when the payoff will not likely be received on the first day of the month (as is typically assessed on FHA-insured mortgages). The amount may also include any prepayment penalties assessed on a conventional mortgage.

Prepaid expenses may include the per diem interest to the end of the month on the new loan, hazard insurance premium deposits, monthly mortgage insurance premiums, and any real estate tax deposits needed to establish the escrow account regardless whether the mortgagee refinancing the existing loan is also the servicing lender for that mortgage.

Additional underwriting and eligibility criteria

- The mortgage being refinanced must be current for the month due, e.g., a refinance of a mortgage anytime in November must have had the October payment made.
- Subordinate liens, including credit lines, regardless of when taken, may remain outstanding but must subordinate to the FHA insured mortgage and are subject to CLTV cap 97.75%.
- New subordinate liens may be placed behind the FHA insured mortgage with max 97.75% CLTV -
- Borrower may not receive cash back in excess of \$500 at closing
- Minimum credit score of 640 required

For loan amounts >\$417,000:

- All borrowers must have at least 1 valid credit score
- Minimum representative credit score 640
- Housing payment history must reflect 0x30 within the last 12 months regardless of AUS findings. This includes rental/mortgage payment history
- Non-traditional credit is not allowed

Cash Out:

Applicable to all cash out transactions:

- Borrowers with less than 6 month payment history are ineligible for cash out
- The subject property must have been owned by the borrower as his/her primary residence and owned for:
 - One year or more preceding the date of the loan application: 85% LTV/CLTV based on amount of the appraised value
 - Less than one year preceding loan application: 85% LTV/CLTV based on the lesser of the property's appraised value or the original sales price.
- New subordinate financing is not permitted
- Subordinate financing may remain in place if it meets the criteria in 4155.1,1-5 & 1-13
- Term of the new loan can be up to 30 years
- VOM or other documentation is required which includes principal balance, date loan originated, names of original borrowers and type of loan. Other credit verifications are also required (VOE, VOD etc.)
- Minimum credit score 640 - Loan amounts >\$417,000 require a minimum 640 credit score and non-traditional credit not allowed
- Max 85% LTV
- Borrower must have 0x30 mortgage history within the last 12 months.

Mortgagor Occupancy of former Investment Property:

- Borrower must have occupied the property for a minimum of 12 months prior to loan application to be eligible for maximum financing (97.75% LTV for rate/term or 85% for cash out)

- If borrower has occupied the property for less than 12 months, loan is limited to a credit qualifying rate/term refinance at maximum 85% LTV,
- Cash out is allowed only if borrower has occupied property for a minimum of 12 months prior to loan application
- Allowed on streamline refinance transactions only if the borrower has occupied the property for a minimum of 12 months prior to the loan application date of the refinancing mortgage.

HUD REO Properties

Use product code F15REO or F30REO

Owner Occupied only

\$100 down payment acceptable

Purchase contract must reflect HUD acceptance of \$100 down

Repair escrows may not exceed \$5000 and must be paid by buyer or seller. The DE underwriter must approve such repair escrows.

The following guidelines are in effect for HUD REO Properties:

- HUD REO \$100 down
 - Maximum 110% LTV
 - Repair escrows may be financed up to a max LTV of 110%
 - **UFMIP may be financed provided the total loan amount (base plus UFMIP) does not exceed 100% of the “as is” appraised value.**
 - Minimum 640 score required
 - Must be DU Approve/Eligible/Ineligible – Ineligible can only be due to LTV exceeding the allowable 96.50% LTV
 - Use of Down Payment Assistance Programs is NOT allowed on the HUD REO \$100 down
- HUD REO 3.50% down (96.50% LTV)
 - Repair escrows may be financed up to a max LTV of 110%
 - Minimum 640 score required
 - DU or manually approved – DU approve eligible/ineligible required if LTV exceeds 96.50%. If manually approved (max LTV for manual is 96.50%), approval must be justified and acceptable compensating factors evidenced in the file to ensure HUD insurability

For loans with financed repair escrows, the following procedures apply:

- The processor must complete the Mortgage Assurance Form (HUD form 92300) and send to the Regional Underwriting Manager to approve. This is to make sure that we are not escrowing for any structural or major repairs. This amount is held in an escrow account by AHK after the closing. The borrower must also execute the HUD Home FHA Financing/Repair Escrow Final Inspection Cert and the HUD Home Financing/Repair Escrow Disclosure at application.
- **Repairs must be completed within 10 days of closing.** This date will be put as a funding condition stating that the borrower has 10 days to complete the repairs and it will be listed on the Mortgage Assurance form (HUD form 92300).
- Once the repairs are complete the borrower will call the processor to let him or her know and they will order a final inspection by an appraiser to make sure that the repairs are complete. **A final inspection/compliance inspection** (HUD form 92051 or 442 acceptable) **must be submitted within 5 days of completion.**
- For final approval to release funds, copies of the invoices, final inspection/compliance inspection signed and dated by all necessary parties and a check request for who the funds are to be paid to should be emailed to escrowholdback@americahomekey.com. Only the amount of the invoices will be released if the funds are to be released to the borrower. Any additional funds will go toward principle reduction.
- The signed Mortgage Assurance form (HUD form 92300) will be sent to HUD along with the final inspection.

Appraisal Validity Period and Second Appraisal Changes

HUD obtains an appraisal to establish a list price for REO properties that are marketed for sale. If the buyer of the REO property is financing the purchase with an FHA loan, the lender must use the HUD appraisal as long as it is valid.

As announced by HUD on March 8, 2010 (ML 2010-08):

- The validity period for appraisals performed on or after April 1, 2010 has been reduced from 6 months to 120 days.
- If a contract of sale is not ratified within 120 days of the appraisal, the lender must order a new appraisal or an appraisal update.
 - The appraisal update must be performed by the original appraiser.
 - The appraiser must make an exterior inspection of the subject property.
 - The appraiser must certify that the property has not declined in value based on research and analysis of current market data.
 - The appraiser must take pictures of the exterior of the property and certify that the property inspection does not reveal any deficiencies or significant changes since the original inspection.
- A second appraisal may not be ordered unless it is no longer valid as of the date the contract of sale was ratified or if there are material deficiencies with the current appraisal.
- The Direct Endorsement (DE) underwriter is responsible for determining if there are material deficiencies.
 - If a second appraisal is ordered, the DE underwriter must document the deficiencies and both appraisals must be retained in the case binder.

4. CONVERSION

N/A

5. ASSUMABLE

Yes, subject to the creditworthiness of the assumptor.

6. INDEX

N/A

7. PROPERTY TYPES

1-4 UNIT, Townhouse/row house, PUD's Condominiums, modular, panelized and leasehold (no condos).

Condos must be FHA approved (see HUD website for listing). AmericaHomeKey is not participating in the DELRAP approval process for FHA condos. Any FHA condos requiring approval should be submitted directly to HUD for review. Questions concerning the FHA Condo Approval process can be directed to condoprojectapprovalinquiries@hud.gov.

FHA will not accept VA approved projects.

No manufactured homes, condos with leaseholds, condotels, working farms or coops.

FHA no longer requires PUD project approval and no longer maintains a list of approved PUDs.

3-4 unit properties maximum mortgage amount must be adjusted if the PITI exceeds rental income. Three

months PITI reserves required.

Geographic Restrictions:

Careful analysis is required for properties located in declining markets. Miami-Dade and Broward Counties in FL are not allowed.

8. OCCUPANCY TYPES

Owner Occupied primary residences only.

9. QUALIFYING RATIOS

DU will assess on DU Approve loans.

Manual underwriting requires 31/43 – ratios may be exceeded only when significant compensating factors exist.

Wholesale loans require DU approve/eligible

Loans with temporary buydowns must be qualified at the note rate.

10. SUBORDINATE FINANCING

Permissible secondary financing arrangements include:

- 1) Federal, State and Local governmental agencies and those nonprofit agencies considered instrumentalities of government may provide secondary financing for the borrower's entire cash investment requirement. Loans secured by secondary mortgages are subject to the conditions described below.
 - a) The FHA insured first mortgage when combined with the second mortgage, as well as any other mortgages, grants, etc., may not result in cash back to the borrower. The sum of all financing may not exceed 100 percent of the cost to acquire the property plus any normal prepaid expenses.
 - b) The required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's ability to pay.
 - c) The source, amount and repayment terms must be disclosed in the mortgage application and the borrower must acknowledge that he or she understands and agrees to the terms.
 - d) Loans using approved Down Payment assistance programs must use product code F30LS.
 - e) Any down payment assistance program being utilized requires review and acceptance by Secondary Marketing. Please contact Mary LaRussa in Secondary Marketing for details.
- 2) Family Members may provide secondary financing provided:
 - a) the combined amount of financing cannot exceed 100% of the lesser of sales price or value, plus closing costs, prepaids and discount points
 - b) The second lien cannot have a balloon payment due within 5 years of the date of execution.
 - c) A copy of the executed document outlining the terms of the secondary financing must be in the loan file.
 - d) The payments for the secondary financing must be included in the total debt-to-income ratio.
 - e) Only the family member providing the secondary financing, either from own funds or borrowed from an acceptable source, can be the subordinate financing note holder.
 - f) A Secondary Financing Certification must be executed
- 3) Non-governmental Non-Profit Agencies: Proceeds cannot be applied to the borrower's required 3.5% contribution
- 4) Other organizations and private individuals may provide secondary financing under the following conditions:
 - a) The combined amounts of the first and second mortgages do not exceed the applicable loan-to-value ratio and the maximum mortgage limit for the area
 - b) The repayment terms of the second mortgage must not provide for a balloon payment before ten years, unless the property is sold or refinances, and must permit prepayment by the borrower, without penalty, after giving the lender 30 days advance notice.
 - c) The required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's reasonable ability to pay. Any periodic payments due on the second mortgage are due monthly and are substantially the same in amount.
 - d) Proceeds cannot be applied to the borrower's required 3.5% contribution.
- 5) Borrowers 60 years of age or older may borrow the required cash investment for purchasing a principal residence, provided:

- a) The donor or lender is a relative of the borrower, a close friend with clearly defined interest in the borrower, the borrower's employer or an institution established for humanitarian or welfare purposes.
 - b) The donor or lender is not one whose interest is solely in the sale of the property, such as a builder or seller, or any person or organization associated with them.
 - c) The principal amount of the insured mortgage loan, plus the note or other evidence of indebtedness in connection with the property, may not exceed 100 percent of the value plus prepaid expenses.
 - d) The note or other evidence of indebtedness may not bear interest exceeding that of the insured mortgage
- 6) Seller-Funded Down Payment Assistance Programs are not eligible.

11. MIP REQUIREMENTS

For Case Numbers Assigned on or after 04/18/2011 – All Transaction Types

Greater than 15 year terms			15 year or less terms		
LTV	UFMIP	Annual	LTV	UFMIP	Annual
>95%	1.00%	1.15%	>90%	1.00%	0.50%
≤95%	1.00%	1.10%	≤90%	1.00%	0.25%

For Case Numbers Assigned before 10/4/2010 to 04/17/2011 – All Transaction Types

Greater than 15 year terms			15 year or less terms		
LTV	UFMIP	Annual	LTV	UFMIP	Annual
>95%	1.00%	0.90%	>90%	1.00%	0.25%
≤95%	1.00%	0.85%	≤90%	1.00%	0.00%

All loans, **except** non-credit qualifying streamline refinances are required to go through TOTAL Scorecard, in order to be evaluated and assessed by FHA.

Period that the annual premiums must be paid:

Term >15 years: The annual premium must be paid for a minimum of 5 years. Years will be determined when loan balance equals 78% of the lesser of the initial sales price or appraised value at closing, provided the Mortgagor has paid the annual MIP for at least 5 years. HUD has confirmed that even if the initial purchase or refinance transaction has an LTV ≤78%, the borrower must still pay a monthly premium for a minimum of 5 years if the loan term exceeds 15 years.

Term ≤15 years AND LTV >90%: Years will be determined when loan balance equals 78% of the lesser of the initial sales price or appraised value at closing. n/a if LTV ≤90%.

12. UNDERWRITING GUIDELINES

All loans must meet HUD Handbook 4155.1 Rev 5 Guidelines

Retail loans with DU Refer/Eligible must use product code F30BB3 and require minimum 640 credit score.

Wholesale loans require DU approve/eligible only and minimum 640 credit score regardless of AUS.

Eligible Transactions

MINIMUM DOWN PAYMENT AND MAXIMUM MORTGAGE CALCULATION

See LTV/loan limit information in Section 3 above.

Conversion of Primary Residence to Investment

The underwriting analysis may not consider any rental income from the property being vacated except as follows:

- Relocations – Borrower is relocating with a new employer or being transferred by current employer to an area outside reasonable and locally recognized commuting distance. A signed one year lease is required.
- Sufficient Equity in Vacated Property – LTV must be less than or equal to 75% based on either an appraisal no older than 6 months or by comparing the unpaid principal balance to the original sale price.
- See Mortgagee Letter 2008-25 for details
- **TEMPORARY BUYDOWNS** are allowed under the following conditions: **Temporary buydowns have been suspended until further notice due to disclosure issues**
- Purchase transactions only
- 30 year term only
- Max 2/1
- Qualify at note rate
- Funds may come from the property seller, lender or other interested third party

ANTI-FLIPPING

Effective with loan applications dated on or after 4/1/10, AmericaHomeKey will allow those transactions in which the resale has occurred within 0 – 90 days with the following restrictions:

1. All transactions must be arms-length; no identity of interest between buyer, property seller or third parties. Specific ways to ensure an arms-length transaction include:
 - Property seller currently holds title to the property.
 - LLC's, corporations or trusts serving as property sellers must meet all applicable state and federal law.
 - No pattern or previous flipping activity exists on the property (evidence by multiple title transfers within 12 months)
 - The property was marketed openly and fairly
2. The 90 days is calculated from the seller's acquisition date to the purchase contract date of the new transaction
3. Transactions with sales price greater than or equal to a 20% increase over the seller's acquisition cost are **not allowed**.

If the property is owned 91-365 days, specific requirements apply. See HUD guidelines or contact your DE underwriter.

IDENTITY OF INTEREST (NON-ARMS LENGTH) TRANSACTIONS

Generally the max LTV is 85%. This may be exceeded with conditions. See HUD guidelines or contact your DE Underwriter.

BORROWERS:

Eligible Borrowers

- **ALL** borrowers must have a valid Social Security Number as evidenced by a SS card – or – paystub, W-2 or other government issued card that includes the SS#. The SS# must be validated through FHA Connection.
- U.S. Citizen
- Permanent Resident Alien
- Non-Permanent Resident Alien provided:
 - Has valid visa. If the visa is due to expire within 1 year and the borrower exhibits a history of renewals, then they are eligible.
 - Eligibility to work in the U.S. as evidenced by an Employment Authorization Document
- Living Trust provided individual borrower remains a beneficiary
- Non-occupant co-borrower. The occupant borrower must have minimum **640** score. LTV >75% must be 1 unit property. Other restrictions apply. See HUD guidelines or contact your DE Underwriter.
- A maximum of 4 borrowers is allowed on all transactions

Ineligible Borrowers

- Individuals with the following visa types: A-1, A-2., A-3, F-1, M-1
- Irrevocable trusts
- Life/estate trusts
- LLCs or corporations

INCOME:

Salaried Borrowers:

- Two years history of employment required. Job changes in the same line of work for advancement are acceptable.
- Acceptable documentation:
 - **For borrowers who have been on their current job for a minimum of 60 days follow the AUS findings for paystub requirements. A minimum of 1 paystub must be provided if using a full VOE regardless of DU findings to meet Investor Requirements.**
 - **Borrowers who have been on their current job less than 60 days will require a minimum of 30 days worth of paystubs regardless of DU findings to substantiate qualifying income.**
- If the borrower has been in school or military, evidence is required.
- Projected income is permitted with conditions. See HUD guidelines or contact your DE Underwriter.

Self-employed Borrowers:

- The business must have been established a minimum of 2 years. 12-24 months may be considered with conditions. See HUD guidelines or contact your DE Underwriter.
- 4506T is required
- Past 2 years signed individual tax returns
- Past 2 years signed business tax returns if a corporation, :S: corporation or partnership
- Balance sheet and P&L
- Business credit report for corporation or “S” corporation

Non-employment income

- Such as Social Security, pension/retirement, VA benefits, rental income and alimony/child support are permitted with conditions. See HUD guidelines or contact your DE Underwriter.

Please Note AmericaHomeKey's policy regarding 4506T and tax return transcripts:

- For salaried borrowers, a minimum of 1 year IRS transcripts is required.
- For self employed borrowers, if DU requires 2 years personal returns, then 2 years IRS transcripts are required. If DU requires 1 year personal returns, then 1 year IRS transcripts are required

ASSETS:

Reserves:

- All transactions except 3-4 unit purchases: none
- 3-4 unit purchase and refinance transactions: 3 months PITI. Document with a written VOD with the most recent bank statement – or – 2 months original bank statements covering the most recent 3 month period.
- **Sourcing All Deposits Exceeding \$500: The underwriter has discretion to increase the amount without requiring sourcing the deposit as long as there are detailed notes on the VA Loan Analysis, FHA Loan transmittal or Conventional Transmittal Summary whichever is applicable. It must state the deposit information and a detailed explanation as to why the account was not sourced. The explanation needs to be supported by the file.**

Note: AmericaHomeKey Policy: a VOD must be accompanied by the most recent bank statement.

CREDIT

- Non-Traditional credit is not allowed. All borrowers must have at least 1 valid credit score. The minimum qualifying credit score is 640.

- The Credit Alert Interactive Response System (CAIVRS) must be checked for all borrowers, except on a Streamline refinance transaction, to determine if the borrower is delinquent or defaulted on any Federal debt or has received payment for an insurance claim. CAIVRS does not have to be checked on No Credit Qualifying Streamline Refinances.
- DU will evaluate borrower’s creditworthiness. If the file does not receive an “approve” finding, it must be submitted to a DE Underwriter for evaluation to FHA guidelines.
- **AHK Policy: all collections totaling \$1000 or more in aggregate must be paid in full and documentation to support sufficient funds to do so must be evidenced in the file regardless of DU findings. This includes medical collections incurred within the last 24 months. Any exceptions to this policy must be approved by either your Regional Underwriting Manager, Kathy Shadle, Pat Fowler in Corporate Underwriting and Training or Mary LaRussa in Secondary Marketing.**

DU approve/eligible loans with disputed accounts will be downgraded to refer and can be underwritten manually without having to have the accounts removed, but all manual underwriting documentation and credit guidelines must be met. If the disputed accounts are cleared and the credit score is updated and an approve/eligible is received, then the approve/eligible findings can be followed. Those loans with disputed accounts meeting any of the following criteria and have approve/eligible findings will not need to be downgraded:

- The disputed account must have a zero balance
- The disputed account is marked as “paid in full” or “resolved”
- The disputed account is both:
 - Less than \$500 AND
 - More than 24 months old
- Borrower must demonstrate a mortgage/housing history with 0x30 within the last 12 months regardless of DU findings.
- General guidelines regarding derogatory credit history are provided as follows:

Chapter 7 Bankruptcy	<ul style="list-style-type: none"> • 24 months since discharge date and good credit reestablished • Bankruptcies less than 24 months but not less than 12 months may be allowed provided the reason for bankruptcy was due to documentable extenuating circumstances • Borrowers with bankruptcies discharged less than 12 months are not eligible • Bankruptcy within 2 years of application date and receiving DU Approve/Eligible must be downgraded to refer and manually underwritten
Chapter 13 Bankruptcy	<ul style="list-style-type: none"> • Bankruptcies are allowed after 12 months of the payout period provided there is a satisfactory payment history and the borrower receives court approval to enter into the mortgage transaction • Bankruptcy within 2 years of application date and receiving DU Approve/Eligible must be downgraded to refer and manually underwritten
Foreclosure	<ul style="list-style-type: none"> • 3 years since date of foreclosure • Foreclosure within 3 years of application and receiving DU Approve/Eligible must be downgraded to refer and manually underwritten
Short Sales/Deed-in-lieu of Foreclosure	<ul style="list-style-type: none"> • 3 years since date of short sale or deed-in-lieu of foreclosure

APPRAISAL

- Regardless of DU approval, the DE Underwriter must review and approve the appraisal
- Acceptable forms:
 - URAR 1004/70
 - Small Residential Income Property Appraisal Report (for 2-4) 1025/72
 - Individual condominium Unit Appraisal Report 1073/465
- Careful analysis is required for properties located in declining markets.
- Refinances with appraisal transactions always require a new appraisal
- Operating Income Statement is required for 2-4 unit properties
- “Fair Condition” status is not eligible. The property must be brought up to at least “Average Condition” prior to closing. Include evidence in the file.
- Recert of value is not eligible
- All FHA appraisals on 1-4 family properties must contain FNMA form 1004MC

Use of Appraisal Update Report

On December 7, 2009 (ML 2009-51), HUD announced the FHA’s adoption of the Appraisal Update and/or Completion Report Form (Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005) to extend the validity period for the original appraisal report when certain conditions are met.

On March 31, 2010 (ML 2010-13), HUD provided additional guidance to that contained in Mortgagee Letter 2009-51, as follows:

- The Appraisal Update Report may only be used one time to extend the validity period of the original appraisal report.
- The Appraisal Update Report must be ordered and performed prior to the expiration date* of the original appraisal report.
(*120 days from the date of the original appraisal)
- The FHA appraiser who performed the original appraisal must perform the appraisal update.
- The appraiser must use the Market Conditions Addendum (Fannie Mae Form 1004MC/Freddie Mac Form 71) to document that the property has not declined in value.
- The appraiser must be able to observe from the street or a public way the subject property’s improvements.
- An exterior inspection of the property must not indicate any significant changes or deficiencies that were not observed at the time of the original appraisal report’s effective date.
- If the original appraisal report was transferred to a new lender, the appraiser must attach the original appraisal report to the Appraisal Update Report instead of referencing the original report. This is a Uniform Standards of Professional Appraisal Practice (USPAP) requirement.
- Permissible validity periods are as follows:
 - If the Appraisal Update Report is not used to extend the validity period of the original report, the FHA loan must close within 150 days from the effective date of the original appraisal report. If a borrower signs a valid contract of sale within 120 days of the original appraisal report date, the lender has the option to extend the appraisal for 30 days to accommodate the closing of the loan.
 - If the Appraisal Update Report is used to extend the validity period of the original report, the FHA loan must close within 240 days from the effective date of the original appraisal report being updated. The 30-day extension is not permitted.

13. UNDERWRITING SUBMISSION

Submit files to your designated DE Underwriter

14. MISCELLANEOUS**Chart of Suffixes**

FHA 203b Programs			FHA 234c (Condos) Programs	
Type	ADP Code		Type	ADP Code
Fixed	703		Fixed	734
ARM	729		ARM	731
Buydown	796		Buydown	797