

FHA Program Guidelines

Credit History	<ul style="list-style-type: none"> • Tradelines requirements per DU Findings. • Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history. • Borrowers with insufficient credit history, compensating factors are not applicable, and they are subject to the following DTI requirements: <ul style="list-style-type: none"> - DTI computed only on the borrowers who will be occupying the property and obligated on the loan, - DTI cannot exceed 31%/43% - Two months cash reserves from the borrowers own funds are required. Cash gifts are not eligible to satisfy reserve requirements.
Credit - Installment/Revolving Accounts	<p>All debts are run through DU to ensure accurate DU/TOTAL Scorecard Findings.</p> <ul style="list-style-type: none"> • Installment Debt <ul style="list-style-type: none"> - Included in the DTI if > 10 months remaining, or - Included if ≤ 10 months remaining AND payment is > \$100.00 and/or at underwriters discretion - Installment debt cannot be paid down to qualify. • Revolving Debt <ul style="list-style-type: none"> - Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying. - Cash-out refinance transactions <ul style="list-style-type: none"> - If paid off prior to closing, documentation must be included in the loan file that the account was paid off and closed. - Payoff must be indicated on the HUD-1 - Closing agent must verify that the account(s) were closed prior to disbursement. • Deferred Student Loans <ul style="list-style-type: none"> - Payments deferred > 12 months from the Note date may be excluded from the DTI ratios - Payments in forbearance due to financial hardship must be included in the DTI ratios
Credit Report/Scores	<p>Minimum credit score requirements are as follows:</p> <ul style="list-style-type: none"> • 1-unit conforming and high balance minimum 580 credit score; refer to <u>Underwriter for requirements</u>. • 1-4 units conforming loan amount and 1- unit high balance minimum 620 credit score • 2-4 units high balance minimum 660 credit score. • A tri-merged credit report is required for all borrowers. • The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement. • The representative credit score is determined as follows: <ul style="list-style-type: none"> - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used. - If there is one (1) valid score, that score is used. • When there are multiple borrowers on a loan, the lowest representative credit score of all borrowers is the decision credit score. <p style="margin-left: 20px;"><i>Example:</i></p> <ul style="list-style-type: none"> - Borrower 1: Credit scores are 640, 654, 660; representative score is 654 - Borrower 2: Credit scores are 625, 637; representative score is 625 <p>The loan decision score is 625 which is the lowest representative score of all borrowers</p> • The borrower(s) must address all credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not).

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Credit Report/Scores (cont.)	<ul style="list-style-type: none"> • May allow loans where not all borrowers have a credit score subject to the following: <ul style="list-style-type: none"> - Determine if a “primary borrower” exists. If a primary borrower exists (meets all of the requirements below) the loan may proceed without additional documentation. A primary borrower is defined as: <ul style="list-style-type: none"> - The individual who will be occupying the property, and - Has more than 50% of the qualifying income, and - Meets the minimum tradeline requirements (3 tradelines, each with 12 month history and 1 of the 3 must have been active within the past 24 months). <p>If a “primary borrower” cannot be established (no borrowers meet all of the above criteria), non-traditional credit requirements apply as detailed in HUD Mortgagee Letter 2008-11.</p>
Credit Score 580-619	<p>The following applies when the borrower’s credit score is between 580-619:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV: <ul style="list-style-type: none"> - Purchase transactions: 90% LTV/CLTV. Minimum 12 months documented housing history, indicating 0x30 in 12 months is required. < 12 months housing history is ineligible. No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower own funds - Refinance transactions: <ul style="list-style-type: none"> - Rate/term: 90% LTV/CLTV - Cash-out : 85% LTV/CLTV (HUD maximum) - Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required on all refinance transactions • 1-unit properties only (attached/detached SFR, PUDs, condos) • Maximum DTI 31%/43%. Maximum applies to both ratios individually (i.e. if the DTI is 34%/42% the loan is ineligible). No exceptions. • No gifts or DPA funds allowed for down payment. Gift funds eligible for closing costs and/or to reduce LTV only after 10% borrower own funds for down payment requirement is met. <ul style="list-style-type: none"> - Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date - A letter, signed by all borrowers, stating that all funds used for the 10% down payment requirement are borrower own funds, will be required. • Purchase transactions require a twelve (12) month housing history, indicating 0x30 in previous 12 months. Borrowers without a housing history are ineligible. <ul style="list-style-type: none"> - 0x30 12 month housing history must be verified as follows: <ul style="list-style-type: none"> - In-file credit report trade line rating, or - Checks/money orders with evidence of consistent bank withdrawals <p style="margin-left: 40px;">NOTE: VOR, including from professional management company or landlord letter is not acceptable.</p> • VA standard residual income requirements apply. • Maximum payment shock is 100%. Payment shock > 50% - 100% is subject to the following: <ul style="list-style-type: none"> - Standard residual income requirement must be doubled (i.e. if VA normally requires residual income of \$350 a minimum of \$700 would be required). • Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible. • Additionally, the requirements under the Credit Score 620-639 topic apply when the property is located in one of the states identified.

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Credit Score 580-619
(cont.)

Residual income requirements*:

Loan Amounts ≤ 79,999				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80.00 for each additional family member up to 7			

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

*Reminder, residual income requirements must be doubled if payment shock is 50.01% to 100%.

FHA Streamline Program Guidelines

Credit Report/Score	<p>Credit Qualifying</p> <ul style="list-style-type: none"> • Full tri-merge credit report required • Minimum credit score 580. Refer to Credit Score 580-619 topic below for guideline restrictions <p>Non- Credit Qualifying</p> <ul style="list-style-type: none"> • Mortgage only credit report on subject property only • Credit Score Requirements: <ul style="list-style-type: none"> - 660 minimum credit score required in the following states: Alabama, Alaska, Arizona, California, Colorado, , District of Columbia, Florida, Georgia, Hawaii, Idaho, Kansas, Maine, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming 680 minimum credit score required in the following states: Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Mississippi, Missouri, New Jersey, New Mexico, New York, Oklahoma, South Carolina, Tennessee, and Utah.
Credit Score 580-619	<ul style="list-style-type: none"> • Maximum 90% LTV/CLTV • Maximum DTI 31%/43%, no exceptions. Maximum applies to both ratios individually (i.e. if the DTI is 34%/42% the loan is ineligible) • VA standard residual income requirements apply. <p>Refer to the FHA Program guides for detailed requirements.</p>
Derogatory Credit	<p>The following guidance applies to credit qualifying Streamlines only.</p> <p>Bankruptcy: Chapter 7 or 11 must be discharged 2-years. Chapter 13 must be discharged/dismissed 2-years</p> <ul style="list-style-type: none"> • Borrower must have re-established and/or re-affirmed credit <p>Foreclosure/Deed-in-lieu/Short Sale: None in previous 3-years. No mortgage/rental or installment late payments allowed after a foreclosure/deed-in-lieu/short sale.</p> <p>Collection/Charge-off/Judgments A letter of explanation for each collection, charge-off accounts and/or judgment. The letter must document that the collection and/or judgment was not due to the borrower's disregard of their financial obligation or their ability to manage debt.</p> <p>Collections/Charge Offs The underwriter must consider the borrower's ability to repay the mortgage when the cumulative balance for all borrowers of collection/charge-off account(s) is > \$2,000 (including any collection accounts of a non-purchasing spouse in community property states unless excluded by state law). All medical collection accounts and all medical and non-medical charge-off accounts are excluded from the collection/charge-off guidance. All non-medical collection accounts must be included.</p> <ul style="list-style-type: none"> • Accounts Cumulative ≥ \$2,000 One of the following is required: <ol style="list-style-type: none"> 1. Payment in full prior to or at closing. Source of funds for payoff must be documented, or 2. If borrower currently in a payment plan (no minimum time required) the payment must be included in the DTI, or 3. If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation. • Accounts Cumulative < \$2,000 No action required. Accounts cannot be paid down to < \$2,000

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Derogatory Credit (cont.)	<p>Judgments</p> <ul style="list-style-type: none">• Judgments are required to be paid off, including judgments against a non-purchasing spouse in community property states (unless excluded by state law) and medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor subject to:<ul style="list-style-type: none">- A copy of the agreement is provided, and- The borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.- Payments must be included in the DTI calculation <p>NOTE: The borrower cannot prepay scheduled payments to satisfy the 3 month requirement.</p> <p>Disputed Accounts – Derogatory</p> <p>A derogatory disputed account is defined as:</p> <ul style="list-style-type: none">• A disputed collection account, or• A disputed charge-off account, or• Disputed accounts (revolving, installment, etc.) with late payments in the previous 24 months. <p>A letter of explanation is required from the borrower whenever a derogatory disputed account is indicated on the credit report.</p> <p>Disputed Accounts – Non-Derogatory</p> <p>Non-derogatory disputed accounts are:</p> <ul style="list-style-type: none">• A disputed account with a zero balance, or• A disputed account with late payments aged 24 months or greater, or• A disputed account that is paid as agreed. <p>Underwriting Disputed Accounts</p> <p>The underwriter determines if the disputed account(s) must be considered in the credit decision and the borrower's ability to repay the loan, including the impact to the DTI, and at underwriter discretion, the account may be required to be resolved prior to loan closing.</p> <p>Tax liens</p> <p>Tax liens must be paid or subordinate and must have a 0x30 in 12 months payment history.</p> <p>Consumer Credit Counseling:</p> <p>One year of payout under the plan has elapsed per the agreement.</p>
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DTI	<ul style="list-style-type: none"> • Not applicable on non-credit qualifying Streamlines • Maximum 31%/43% on credit qualifying unless compensating factors required by HUD are met. Refer to the FHA Program guidelines for detailed underwriting guidelines and acceptable HUD compensating factors.
Eligible Markets	<p>Eligible in all states except as follows:</p> <ul style="list-style-type: none"> • Massachusetts and Nevada • The U.S. territories of Guam, Puerto Rico and the Virgin Islands are also ineligible • Non-credit qualifying option is not eligible in the state of Illinois
Employment – Credit Qualifying	<p>A verbal verification of employment (VVOE) is required on credit qualifying transactions as noted:</p> <ul style="list-style-type: none"> • A VVOE is required 10 days prior to loan funding (411/Reverse Lookup). • Self-employed borrower's require verification of business number (411 or Reverse Lookup) and also through an independent third party source such as a CPA, Federal Tax ID Certificate, Business License, etc.
Escrow/Impound Account	Required on all loans, no exceptions.
Income	<p>Credit qualifying requires the following:</p> <ul style="list-style-type: none"> • Wage earner borrowers – current 30 day paystub with YTD earnings and most recent 2-years W-2s • Self-employed – tax returns that include a minimum 2-years self-employed income
General Information	<ul style="list-style-type: none"> • Streamline refinance transactions can be any of the following: <ul style="list-style-type: none"> - Credit qualifying with or without appraisal: <ul style="list-style-type: none"> - Closing costs cannot be financed in the loan without an appraisal. - A credit qualifying Streamline without an appraisal has the same credit qualification requirements as a regular refinance. NOTE: Credit qualifying with an appraisal, if the borrower is not receiving the benefit of reduced MIP or CLTV, the loan should be processed as a regular rate/term refinance and run through DU/Total Scorecard. - Non-credit qualifying with or without appraisal: <ul style="list-style-type: none"> - Maximum mortgage limited to unpaid principal balance and new UFMIP. Closing costs cannot be financed in the new loan. NOTE: If a loan is initially submitted as a credit qualifying Streamline and switched to a non-credit qualifying Streamline and a credit report was provided the credit information cannot be ignored. • Maximum cash back to the borrower on any Streamline transaction is \$500.00 • CLTV is limited to 125% <ul style="list-style-type: none"> - Files without an appraisal, the CLTV is based on the original appraised value at time of purchase.
LDP/GSA	<p>LDP / GSA LDP / GSA</p> <ul style="list-style-type: none"> • All of the following parties to the transaction must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties System. <ul style="list-style-type: none"> - Appraiser - Borrower(s) - Closing Attorney - Escrow/Settlement Agent - Lender - Loan Officer - Title company/Title officer - Lender Processor - Lender Underwriter

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Maximum Loan Amount	<ul style="list-style-type: none"> • Streamlines without appraisal: <ul style="list-style-type: none"> - Unpaid principal balance plus interest, minus the UFMIP refund, plus new UFMIP (if financed). (The unpaid principal balance may include the current month's payment but cannot include delinquent payments, late charges and/or escrow shortages). - Closing costs, discount points, prepaids cannot be included in the new loan amount - Cannot be a high priced loan. • Streamlines with appraisal <ul style="list-style-type: none"> - The maximum mortgage amount is the lesser of: <ul style="list-style-type: none"> - Unpaid principal balance minus the UFMIP refund, plus the new UFMIP. (The unpaid principal balance may include the current month's payment, plus 30 days of interest but it cannot include delinquent payments, late charges and/or escrow shortages) - Closing costs can be included in the new loan amount. - Discount points cannot be included, or - Current appraised value x 97.75% plus the new UFMIP
Mortgage History	<p>Credit Qualifying</p> <ul style="list-style-type: none"> • Loan being refinanced seasoned < 12 months <ul style="list-style-type: none"> - 0 x 30 in months 7-12 (≤ 6 months not eligible. See Mortgage Seasoning topic) • Loan being refinanced seasoned ≥ 12 months <ul style="list-style-type: none"> - 1 x 30 in previous 12 months, and - 0 x 30 in the 3 months preceding the loan application. • Credit score of 580-619: A minimum 24 month mortgage seasoning with 0x30 in previous 24 months on the loan currently being refinanced. Borrowers without a 24 month mortgage seasoning on the current loan are ineligible. <p>Non-Credit Qualifying 0 x 30 in previous 24 months or since loan inception. A minimum 12 month payment history, on the subject property, is required.</p>
Mortgage Seasoning	<p>Credit Qualifying</p> <ul style="list-style-type: none"> • Borrower has made a minimum of 6 payments on the FHA mortgage that is being refinance, and • At least 6 full months have passed since the first payment due date on the mortgage being paid off, and • A minimum of 210 days have passed from the closing date of the mortgage being refinanced. • Borrowers with a credit score of 580-619 require 24 months payments on the mortgage being refinanced. <p>Non-Credit Qualifying</p> <ul style="list-style-type: none"> • A 12 month mortgage history, on the subject property, is required
Occupancy	Owner-occupied primary residence
Prepayment Penalty	Not permitted
Products	<ul style="list-style-type: none"> • Fixed rate: 15 and 30 year • ARMs: 3/1 and 5/1; T-Bill; Caps: 1/1/5; Margin/Floor: 2.00;

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Properties – Eligible	<ul style="list-style-type: none"> • 1 unit owner occupied properties as follows: <ul style="list-style-type: none"> - SFR - PUDs (attached/detached) - Condominiums <ul style="list-style-type: none"> - Condos no longer on FHA's approved list are eligible, however loan must be done as a "Streamline without appraisal" transaction. Condos still on FHA's approved list can be done with or without an appraisal. - Condos without H0-6 insurance are acceptable.
Properties Listed for Sale	Properties listed for sale in the previous 12 months required proof of being taken off the market prior to application.
Reserves	Credit Qualifying: <ul style="list-style-type: none"> • 1 month PITI Non-Credit Qualifying: Not required
State Restrictions	Loans secured by property in the state of Illinois are ineligible for non-credit qualifying.
Subordinate Financing	Existing subordinate financing may remain in place but must re-subordinate to the new mortgage.