



*Tip: To find specific information for a product, Press Ctrl+F (or use “Find” from the Edit Menu) and then search for the information or topic you are looking for. If you don’t find the topic the first time, try variations, different terms or less words.*

## FHA STANDARD AND HIGH BALANCE

### 10, 15, 20, 25 and 30 Year Fixed 5/1 ARMs<sup>10</sup>

LTV	CLTV	Purpose <sup>8</sup>	Units	Occupancy	Credit Score
96.50 <sup>2,6</sup>	105 <sup>5,7</sup>	Purchase	1-4	O/O	550 <sup>1,2,3,8,9,10</sup>
97.75 <sup>2</sup>	97.75	Rate/Term <sup>4</sup> or Simple Refi	1-4	O/O	
85	85	Cash Out <sup>4</sup>	1-4	O/O	580 <sup>1,8,9,10</sup>

1. Minimum 620 credit score required for HUD Repair Escrow, \$100 Down HUD REO, Good Neighbor Next Door programs and loans with Down Payment Assistance. Minimum 580 credit score required for Disaster Victims program. See specific sections for additional information
2. Max 90% LTV for credit scores <580
3. Borrower/co-borrower with no score, non-traditional credit and insufficient credit allowed on standard balance, see No Score section for additional information
4. If a borrower is re-occupying a property that was previously not their primary residence fewer than 12 months prior to the case number assignment date of the refinance, Cash Out refinances are not allowed and Rate/Term refinances have a max 85% LTV for a borrower who has occupied the subject property as their principal residence for fewer than 12 months prior to the case number assignment date; or if owned less than 12 months, has not occupied the property for that entire period of ownership.
5. On purchases, the CLTV is further limited to 100% (of the adjusted value) or the standard FHA LTV limit (96.50%) (depending on the type of financing) if the subordinate lien is NOT from an instrumentality of government or government agency that is providing down payment and/or closing cost assistance in the form of secondary financing
6. On the HUD Repair Escrow program, the max LTV can be exceeded by the amount of the financed repairs (up to 110% of \$10,000 or max of \$11,000)
7. No Max CLTV for Good Neighbor Next Door (GNND) program
8. Manual Underwrites require 580 credit score for Purchase and Rate/Term and a 620 credit score for Cash Out - see Manual Underwriting, Gift Funds and Ratios sections for additional requirements
9. See Ratios section for max DTI requirements
10. Minimum Credit score for ARM products: 620 Standard Balance and 640 High Balance

**PRODUCT NAMES**

- FHA 10 Year Fixed
- FHA 15 Year Fixed
- FHA 20 Year Fixed
- FHA 25 Year Fixed
- FHA 30 Year Fixed
- FHA 5/1 Treasury ARM
- FHA No Credit Score 10 Year Fixed
- FHA No Credit Score 15 Year Fixed
- FHA No Credit Score 20 Year Fixed
- FHA No Credit Score 25 Year Fixed
- FHA No Credit Score 30 Year Fixed
- FHA Repair Escrow 10 Year Fixed
- FHA Repair Escrow 15 Year Fixed
- FHA Repair Escrow 20 Year Fixed
- FHA Repair Escrow 25 Year Fixed
- FHA Repair Escrow 30 Year Fixed
- FHA \$100 Down Hud REO 10 Year Fixed
- FHA \$100 Down Hud REO 15 Year Fixed
- FHA \$100 Down Hud REO 20 Year Fixed
- FHA \$100 Down Hud REO 25 Year Fixed
- FHA \$100 Down Hud REO 30 Year Fixed
- FHA Good Neighbor Next Door 10 Year Fixed
- FHA Good Neighbor Next Door 15 Year Fixed
- FHA Good Neighbor Next Door 20 Year Fixed
- FHA Good Neighbor Next Door 25 Year Fixed
- FHA Good Neighbor Next Door 30 Year Fixed
- FHA High Balance 10 Year Fixed
- FHA High Balance 15 Year Fixed
- FHA High Balance 20 Year Fixed
- FHA High Balance 25 Year Fixed
- FHA High Balance 30 Year Fixed
- FHA High Balance 5/1 Treasury ARM
- FHA High Balance Repair Escrow 10 Year Fixed
- FHA High Balance Repair Escrow 15 Year Fixed
- FHA High Balance Repair Escrow 20 Year Fixed
- FHA High Balance Repair Escrow 25 Year Fixed
- FHA High Balance Repair Escrow 30 Year Fixed
- FHA High Balance \$100 Down Hud REO 10 Year Fixed
- FHA High Balance \$100 Down Hud REO 15 Year Fixed
- FHA High Balance \$100 Down Hud REO 20 Year Fixed
- FHA High Balance \$100 Down Hud REO 25 Year Fixed
- FHA High Balance \$100 Down Hud REO 30 Year Fixed
- FHA High Balance Good Neighbor Next Door 10 Year Fixed
- FHA High Balance Good Neighbor Next Door 15 Year Fixed
- FHA High Balance Good Neighbor Next Door 20 Year Fixed
- FHA High Balance Good Neighbor Next Door 25 Year Fixed
- FHA High Balance Good Neighbor Next Door 30 Year Fixed
- FHA 203h Disaster Victims 15 Year Fixed
- FHA 203h Disaster Victims 20 Year Fixed

	<ul style="list-style-type: none"> <li>• FHA 203h Disaster Victims 25 Year Fixed</li> <li>• FHA 203h Disaster Victims 30 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 15 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 20 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 25 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 30 Year Fixed</li> </ul>
<b>ALLOWABLE ORIGINATION CHANNELS</b>	<ul style="list-style-type: none"> <li>• Wholesale</li> <li>• Retail</li> <li>• Correspondent (Must be Hud approved with FHA Mortgagee Id Number, See Correspondent Section for Additional Information)</li> </ul>
<b>CORRESPONDENT</b>	<ul style="list-style-type: none"> <li>• Correspondents in conditional DE (preclosing) status must have case number pulled under Correspondent's EIN with applicable PRMG's branch mortgage ID in the Sponsor/Agent ID section (on right side of Case Number Assignment screen). See Resource Center for additional information on completing the case number assignment.</li> <li>• Correspondents in unconditional DE (full eagle) status must have case number pulled under Correspondent's FHA Mortgagee ID Number with PRMG's branch mortgage ID in the Sponsor/Agent ID section (on right side of Case Number Assignment screen). See Resource Center for additional information on completing the case number assignment.</li> <li>• Exception to allow test cases underwritten by conditionally approved correspondent may be available and is subject to investor availability to be confirmed by Exception Pricing</li> </ul>
<b>AGENCY LINKS</b>	<ul style="list-style-type: none"> <li>• In addition to any Product Profile requirements, you must always meet the published HUD guidelines. If published HUD guidelines are more restrictive than what is allowed in the Product Profile, you must always defer to HUD Guidelines.</li> <li>• All PRMG staff can access all end Agency guidelines through AllRegs Online at <a href="http://allregs.elliemae.com">http://allregs.elliemae.com</a>. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center.</li> <li>• Use the following link to access the HUD Housing Handbooks site, and from there, obtain access to the 4000.1 Handbook:</li> <li>• <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></li> <li>• Access the AllRegs version of the Handbook at: <a href="http://www.allregs.com/tpl/public/fha_freesite.aspx">http://www.allregs.com/tpl/public/fha_freesite.aspx</a></li> </ul>
<b>MINIMUM LOAN AMOUNT</b>	<p><b>Standard Balance:</b></p> <ul style="list-style-type: none"> <li>• No Minimum Loan Amount</li> <li>• Note that loan amounts under \$30,000 will require special pricing by Secondary Marketing</li> </ul> <p><b>High Balance:</b></p> <p>For cases assigned prior to 1/1/2019, base loan amount:</p> <p>All States except Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$453,101</li> <li>• 2 Units \$580,151</li> <li>• 3 Units \$701,251</li> <li>• 4 Units \$871,451</li> </ul> <p>Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$679,651</li> <li>• 2 Units \$870,226</li> <li>• 3 Units \$1,051,876</li> <li>• 4 Units \$1,307,176</li> </ul> <p>For cases assigned on or after 1/1/2019, base loan amount:</p> <p>All States except Alaska and Hawaii:</p>

	<ul style="list-style-type: none"> <li>• 1 Unit \$484,351</li> <li>• 2 Units \$620,201</li> <li>• 3 Units \$749,651</li> <li>• 4 Units \$931,601</li> </ul> <p>For cases assigned on or after 1/1/2019: Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$726,526</li> <li>• 2 Units \$930,301</li> <li>• 3 Units \$1,124,476</li> <li>• 4 Units \$1,397,401</li> </ul>
<p><b>MAXIMUM LOAN AMOUNT</b></p>	<p><b>Standard Balance:</b></p> <ul style="list-style-type: none"> <li>• The lesser of the base loan amount listed below or the particular county’s maximum HUD loan limit. HUD Loan Limits can be found here: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></li> <li>• Refer to PRMG’s “Eligible States” list for states currently available for business</li> </ul> <p>For cases assigned prior to 1/1/2019: All States except Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$453,100</li> <li>• 2 Units \$580,150</li> <li>• 3 Units \$701,250</li> <li>• 4 Units \$871,450</li> </ul> <p>Alaska and Hawaii</p> <ul style="list-style-type: none"> <li>• 1 Unit \$679,650</li> <li>• 2 Units \$870,225</li> <li>• 3 Units \$1,051,875</li> <li>• 4 Units \$1,307,175</li> </ul> <p>For cases assigned on or after 1/1/2019: All States, except AK and HI:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$484,350</li> <li>• 2 Units \$620,200</li> <li>• 3 Units \$749,650</li> <li>• 4 Units \$931,600</li> </ul> <p>For cases assigned on or after 1/1/2019: AK and HI:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$726,525</li> <li>• 2 Units \$930,300</li> <li>• 3 Units \$1,124,475</li> <li>• 4 Units \$1,397,400</li> </ul> <p><b>High Balance:</b></p> <p>For cases assigned prior to January 1, 2019, the following loan limits will apply and is based on county with the following maximums: All States except Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$679,650</li> <li>• 2 Units \$870,225</li> <li>• 3 Units \$1,051,875</li> <li>• 4 Units \$1,307,175</li> </ul> <p>Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$1,019,475</li> <li>• 2 Units \$1,305,325</li> <li>• 3 Units \$1,577,800</li> <li>• 4 Units \$1,960,750</li> </ul> <ul style="list-style-type: none"> <li>• Maximum loan amount by county may be exceeded by only the amount of the financed up front MI (UFMIP)</li> </ul>

	<p>For cases assigned after January 1, 2019, the following loan limits will apply and are based on county with the following maximums:</p> <p>All States except Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$726,525</li> <li>• 2 Units \$930,300</li> <li>• 3 Units \$1,124,475</li> <li>• 4 Units \$1,397,400</li> </ul> <p>Alaska and Hawaii:</p> <ul style="list-style-type: none"> <li>• 1 Unit \$1,089,788</li> <li>• 2 Units \$1,395,450</li> <li>• 3 Units \$1,686,700</li> <li>• 4 Units \$2,096,100</li> <li>• Max Limits for all counties can be found here:</li> <li>• <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></li> </ul>
<p><b>DOWN PAYMENT PROTECTION OPTION (PRMG +PLUS)</b></p>	<ul style="list-style-type: none"> <li>• Available</li> <li>• Provides insurance option to protect initial down payment should borrower not be able to recoup their down payment when they sell, see Resource Center for additional information about this optional coverage</li> <li>• Must select “Down Payment Insurance” (Yes/No) when pricing loan in FT360/OB (LLPA will apply)</li> <li>• Max LTV/CLTV 97%</li> <li>• Allowed for purchases only</li> </ul>
<p><b>GEOGRAPHIC RESTRICTIONS</b></p>	<ul style="list-style-type: none"> <li>• Please refer to PRMG’s “Eligible States” list, which can be found at this link: <a href="http://www.eprmg.net/guidelines/Eligible%20States.pdf">http://www.eprmg.net/guidelines/Eligible%20States.pdf</a></li> <li>• If the property is in Texas, please refer to the addendum at the end of this product profile.</li> <li>• Cash out not allowed in Texas</li> <li>• Manufactured homes not allowed in West Virginia or Rhode Island</li> <li>• Properties in flood zones not allowed, unless requirements from Manufactured Home Property Eligibility section in the Manufactured Home Requirements document is met. <a href="http://www.eprmg.net/ManufacturedHomeRequirements.pdf">http://www.eprmg.net/ManufacturedHomeRequirements.pdf</a></li> <li>• If the subject property is located in the Alabama Restricted Lending Area (Coliseum Boulevard Area of Montgomery - this area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP)) the loan must meet the following requirements: <ul style="list-style-type: none"> <li>• A full appraisal (interior/exterior) is required.</li> <li>• A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing.</li> </ul> </li> <li>• Properties located in Illinois in the counties of Cook, Kane, Peoria or Will requires copies of the following to be closely reviewed: (1) A copy of the Certificate of Compliance with the counseling requirements or the Certificate of Exemption, if the lender or transaction is exempt and (2) A copy of Title Commitment free from any exceptions related to the anti-predatory lending database requirements.</li> <li>• For Nebraska cash out transactions, if the credit or title commitment reflects an alimony/child support judgment/lien, the following is required: subject property mortgage must be in first lien position and title commitment must clearly state that the alimony/child support lien is in subordinate position to the new mortgage. A copy of the subordination agreement or court order must be provided. This requirement is because under the Uniform Interstate Family Support Act, orders for payment of alimony/child support in Nebraska automatically create liens and could impact a first lien position on a cash-out refinance transaction.</li> </ul>

<b>MORTGAGE TYPES</b>	<ul style="list-style-type: none"> <li>Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the product profile, including but not limited, to Energy Efficient Mortgages and 203k are not eligible.</li> </ul>
<b>DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>Full/Alt Doc</li> <li>When all income used to qualify a loan for the borrower is made up exclusively of wage earner income reported on a W2 and/or fixed income reported on a 1099 (i.e., social security or VA benefits) transcripts are not required, unless full tax returns are required for the borrower by the AUS (i.e., borrower employed by family members). If multiple borrowers are qualifying on the loan, but the tax returns are not filed jointly, and one borrower requires full returns, but the other borrowers are qualified exclusively on W2 and/or fixed income then no transcripts are required for the W2/fixed income borrower and 1040 transcripts are required for the self-employed borrower/borrower requiring full returns. When using this option, there can also be no tax returns included in the loan file (including if tax returns are required to be reviewed by the PRMG underwriter for MCC Approval or other purpose). If the borrower earns other income that is used to qualify that would be able to be validated with 1040 transcripts (i.e., rental income from tax returns, etc.) then 1040 transcripts are required to validate that income. A completed and executable (signed) 4506T must be submitted with the loan file. For the borrowers where transcripts are not required, be sure to select the W2/1099 option only when completing the 4506-T. Do not mark the 1040 or Record of Account option.</li> <li>When tax returns are required for a borrower or when borrower’s qualifying income is not made up of W2 or fixed income reported on a 1099, validated 1040 tax transcripts are required if borrower’s income is utilized as a source of repayment. If multiple borrowers are qualifying but the tax returns are not filed jointly (when one borrower requires full returns), then it is acceptable to provide no transcripts for the salaried/fixed income borrower and 1040 transcripts for the self-employed borrower/borrower requiring the tax returns.</li> <li>When required, transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or HUD requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate. 2106 Expenses (unreimbursed business expenses) do not need to be considered in income calculations</li> <li>Generally, when the documentation used to verify income is from the same calendar period as the tax transcript, the information must match exactly. However, if the income documentation is from the current calendar year and the transcript is from a prior year, there can be acceptable variances. If this variance exceeds 20%, document the rationale for using current income and review is required by an Operations Manager.</li> <li>If tax transcripts are not available (due to a recent filing for the most recent tax year due) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and the validated previous one year’s tax transcripts. Stamped tax returns may not be used for previous year’s tax returns that were not filed or for amended returns. Stamped returns from the Department of Hacienda is also allowed for any borrower whose income is from Puerto Rico if using the stamped return option, as long as all requirements are met, including transcripts for the previous year. Additionally, evidence of payment of the taxes due (or evidence borrower is on a payment plan in lieu of full payment as long as the borrower qualifies with the payment in the ratios), and the ability to pay, if the check has not yet cancelled for the stamped return. If Stamped Returns are used, “Stamped Returns” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and</li> </ul>

Secondary must be notified if the loan is locked prior to approval.

- Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender
- When business tax returns are required by AUS, business income is used to qualify or business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): 1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member
- Two years IRS 1040 Transcripts are required on all loans when the borrower is employed by a relative or closely held family business.
- For self-employed borrowers or a borrower who has commission income greater than 25 percent of the borrower's total earnings, using tax transcripts in lieu of returns is allowed as outlined per 4000.1
- For manual underwrites (including manual downgrades), a business credit report for a self-employed borrower who owns a corporation or s-corp is required (not required with AUS Approval). Debt does not need to be added to the transaction, but should be reviewed to ensure business is credit worthy, not heavily loaded with debt, etc.
- Letter of explanation is required for borrowers who are self-employed or have non-W2 income/loss if there is a variance of 10% or more between the total income on the tax transcripts and the tax returns.
- For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states.
- For self-employed borrowers: No more than 30 calendar days prior to note date, verify the existence of the borrower's business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower's business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also, single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If all other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate.
- VOR/VOM required as indicated by the AU approval.
- With AUS Approval documentation must comply with AUS and TOTAL Scorecard section of the 4000.1 handbook and for manual underwrites (including downgrades) documentation must comply with requirements of the manual underwrite section of the 4000.1 which can vary significantly from AUS Findings
- Amended tax returns cannot be used to qualify if they are amended after the application,

	<p>initial credit report date or purchase contract date unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. Due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due (or evidence borrower is on a payment plan in lieu of full payment as long as the borrower qualifies with the payment in the ratios), and the ability to pay, if the check has not yet cancelled.</p> <ul style="list-style-type: none"> <li>• Profit and loss statement and balance sheet required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower. (A balance sheet is not required for self-employed borrowers filing Schedule C income.) Additionally, if income used to qualify the borrower exceeds the two year average of tax returns, an audited profit and loss statement or signed quarterly tax returns obtained from IRS are required.</li> <li>• Income documentation per AUS findings</li> <li>• Preliminary Title policy must be no more than 90 days when the note is signed</li> <li>• Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers.</li> <li>• When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount.</li> <li>• All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English.</li> <li>• Must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The lender must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the lender’s visit to the URL and website.</li> </ul>
<b>DOCUMENT EXPIRATIONS</b>	<ul style="list-style-type: none"> <li>• Preliminary Title policy must be no more than 90 days when the note is signed</li> <li>• Credit documentation must not be more than 120 days old from the disbursement date</li> <li>• Appraisals are valid for 120 days and must be dated within 120 days of the disbursement date</li> </ul>
<b>AUTOMATED UNDERWRITING</b>	<ul style="list-style-type: none"> <li>• The last AUS finding, which must match the terms of the loan, must be in the loan file. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.)</li> </ul>
<b>DESKTOP UNDERWRITER (DU)</b>	<ul style="list-style-type: none"> <li>• All loans, manual underwrite or not, must be run through FHA’s TOTAL SCORECARD decisioning engine via DU. A copy of the findings must be included in the file.</li> <li>• Must receive an Approve/Eligible (unless manually underwritten). Manual underwrite requires second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature.</li> <li>• All conditions outlined in the Findings Report must be satisfied.</li> <li>• If TOTAL Scorecard issues an Approve/Eligible and ANY the following applies or the DU findings indicate you need to downgrade, then the loan must be downgraded to a Refer</li> </ul>



	<p>and manually underwritten, meeting all manual underwriting requirements:</p> <ul style="list-style-type: none"> <li>• the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard;</li> <li>• additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage;</li> <li>• the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts (defined as disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months; exclusions from cumulative balance include: disputed medical accounts; and disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the Mortgagee must include a copy of the police report or other documentation from the creditor to support the status of the accounts.)</li> <li>• the date of the Borrower’s bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment (see credit section for seasoning requirements); - Per HUD they do not require seasoning or a downgrade for a dismissed bankruptcy.</li> <li>• the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale) (see credit section for seasoning requirements);</li> <li>• the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale (see credit section for seasoning requirements);</li> <li>• the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure (see credit section for seasoning requirements);</li> <li>• for purchase and non-cash out refinances transactions, if any mortgage trade line reported on the credit report used to score the application, including mortgage line-of-credit payments, during the most recent 12 months reflects: 3 or more late payments of greater than 30 days; OR 1 or more late payments of 60 days plus one or more 30-day late payments; OR 1 payment greater than 90 days late (Note, per the 4000.1, on a manual underwrite in order to be eligible, the borrower must have made all housing debt payments on time for the previous 12 months)</li> <li>• For a cash out transaction if a mortgage trade line reported on the credit report used to score the application reflects a current delinquency or any delinquency within 12 months of case assignment date or a current delinquency (Note, per the 4000.1, on a manual underwrite in order to be eligible, the borrower must have made all housing debt payments on time for the previous 12 months)</li> <li>• the Borrower has undisclosed mortgage debt that reflects: (1) a current delinquency; (2) any delinquency within 12 months of the case number assignment date; or (3) more than two 30 Day late payments within 24 months of the case number assignment date.; or</li> <li>• business income shows a greater than 20 percent decline over the analysis period.</li> </ul>
<b>LOAN PRODUCT ADVISOR (LPA)</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> <li>• Formerly known as Loan Prospector (LP)</li> </ul>
<b>MANUAL UNDERWRITING</b>	<ul style="list-style-type: none"> <li>• Allowed with a TOTAL Scorecard “Refer” decision or manual downgrade</li> <li>• Justification for overturning the TOTAL Scorecard Refer response is required - the underwriter must document the LT with their reason for overturning the Refer decision and providing approval of the loan using a manual underwrite.</li> <li>• Requires second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature</li> <li>• Documentation must comply with requirements per 4000.1 which can vary significantly</li> </ul>

	<p>from AUS Findings</p> <ul style="list-style-type: none"> <li>• Must follow more conservative of the Product Profiles or Manual Underwrite section of Handbook 4000.1, see Manual Underwrite Payment History for summary of HUD requirements on payment history <ul style="list-style-type: none"> <li>• All manual underwrites, must meet below requirements. <ul style="list-style-type: none"> <li>• Manual Underwrite with credit scores <math>\geq 620</math>: <ul style="list-style-type: none"> <li>• Ratios allowed per HUD (see Ratios section)</li> <li>• Purchase, Rate/Term, and Cash-Out allowed</li> <li>• No restrictions on gifts</li> </ul> </li> <li>• Manual Underwrite with credit scores <math>\geq 580</math> and <math>&lt; 620</math>: <ul style="list-style-type: none"> <li>• 31/43% max ratios (cannot be exceed even with HUD Compensating Factors)</li> <li>• Purchase and Rate/Term only</li> <li>• No gifts allowed</li> <li>• 1 unit only (2-4 units not allowed)</li> </ul> </li> <li>• Manual Underwrite <math>&lt; 580</math> not allowed</li> <li>• When using No Credit Score option, if co-borrower has a credit score, borrower with score must meet above manual underwrite requirements</li> <li>• When using No Credit Score option, if no borrowers have a score, manual underwriting is allowed</li> </ul> </li> <li>• See ratios and reserves sections for additional requirements, including allowable types of assets to be used for reserves and reserves cannot be from a gift. <ul style="list-style-type: none"> <li>• 1-2 Unit properties: 1 month PITIA</li> <li>• 3-4 Unit properties: 3 months PITIA</li> </ul> </li> <li>• If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.</li> </ul> </li> </ul>
<p><b>CAIVRS/DELINQUENT FEDERAL DEBT</b></p>	<ul style="list-style-type: none"> <li>• Credit Alert Interactive Voice Response System (CAIVRS) needs to be run</li> <li>• Borrower may not be denied solely on the basis of CAIVRS information that has not been verified. Lender must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower’s CAIVRS report</li> <li>• If a Borrower is currently delinquent on an FHA-insured Mortgage, they are ineligible for a new FHA-insured Mortgage unless the delinquency is resolved.</li> <li>• Borrowers with delinquent Federal Tax Debt are ineligible. See Qualifying Section for borrowers who have past due federal tax debt and are in a payment plan.</li> <li>• Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. (Payment must be included in DTI.)</li> <li>• Mortgagees must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their Property for a debt owed to the federal government</li> <li>• To verify a delinquent student loan, or loan paid by a government claim, is not a defaulted federal loan (when not appearing in CAIVRS or clearly listed on the credit report as federal debt or even when reporting as a charge-off on credit report), contact 1-800-621-3115 or <a href="mailto:DCS_Help@ed.gov">DCS_Help@ed.gov</a></li> <li>• For delinquent federal non-tax debt, including deficiency judgments and other debt associated with past FHA-insured mortgages, must include documentation from the creditor agency to support the verification and resolution of the debt (the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act). For debt reported through CAIVRS, the Mortgagee may obtain evidence of</li> </ul>

	<p>resolution by obtaining a clear CAIVRS report.</p> <ul style="list-style-type: none"> <li>• If CAIVRS indicates the borrower is presently delinquent or has had a foreclosure within the previous three years, the borrower must have CAIVRS updated/cleared and the foreclosure seasoning is based on transfer deed date of the foreclosed property.</li> </ul>
<b>LDP/GSA REQUIREMENT</b>	<ul style="list-style-type: none"> <li>• All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD's Limited Denial of Participation (LDP) list at</li> <li>• <a href="https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp">https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp</a> and the General Services Administration's (GSA) Excluded Party List at</li> <li>• <a href="https://www.sam.gov/portal/public/SAM/">https://www.sam.gov/portal/public/SAM/</a></li> <li>• Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible.</li> <li>• The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.</li> </ul>
<b>MORTGAGE CREDIT REJECT/SANCTION</b>	<ul style="list-style-type: none"> <li>• Any mortgage credit reject or mortgage credit sanction will require a second signature from an Operations Manager. The underwriter must justify on their LT why they want to overturn another lender's decline and document the file accordingly.</li> </ul>
<b>PROPERTY TYPES ELIGIBLE</b>	<ul style="list-style-type: none"> <li>• Single Family Residence</li> <li>• 1-4 Units</li> <li>• Modular Homes</li> <li>• HUD Approved Condos</li> <li>• Site Condos</li> <li>• PUDs Attached and Detached</li> <li>• Log Homes</li> <li>• Manufactured Homes (see section below for specific requirements)</li> </ul>
<b>INELIGIBLE</b>	<ul style="list-style-type: none"> <li>• Hawaii properties in lava zones 1 and 2</li> <li>• Hawaii Homeland Leasehold properties</li> <li>• Land Trusts except Illinois Land Trusts (see Illinois Land Trust section for additional information on that option)</li> <li>• Condos Without HUD Approvals</li> <li>• Mobile homes</li> <li>• Condotels</li> <li>• Hotel Condominiums</li> <li>• Mixed-Use</li> <li>• Co-ops</li> <li>• Timeshares</li> <li>• Geodesic dome, Earth or Geothermal homes</li> <li>• Working Farms and Ranches</li> <li>• Property currently in litigation</li> <li>• Properties in a flood zone that do not participate in the National Flood Insurance Program</li> <li>• Properties with individual water purification systems (an individual water purification system is a system that is needed to make the water safe and meet code when the individual water supply is unsafe for human consumption unless the system is operating properly. This is not a system that is installed to improve the taste or softness of the water. Properties with individual water purification systems can be identified by reviewing the appraisal.)</li> <li>• Indian land (leased or fee simple)</li> <li>• Properties rated in "less than average" condition (unless using the HUD Repair Escrow program, and then must comply with HUD requirements for property)</li> <li>• Refinances of Good Neighbor Next Door loans that were originated in the last 3 years</li> </ul>

<b>2 UNIT PROPERTIES</b>	<ul style="list-style-type: none"> <li>Manual underwrites not allowed for 2 unit properties with credit score &lt;620</li> </ul>
<b>3-4 UNIT PROPERTIES</b>	<ul style="list-style-type: none"> <li>Manual underwrites not allowed for 3-4 unit properties with credit score &lt;620</li> <li>No gifts allowed for any portion of the transaction for 3-4 unit properties</li> <li>3 month PITIA in reserves required</li> <li>No gifts allowed for reserves on manual underwrites (HUD specific requirement)</li> <li>The property must be self-sufficient (i.e. the maximum mortgage is limited so that the ratio of the monthly mortgage payment, divided by the monthly net rental income, does not exceed 100%)</li> </ul>
<b>CONDOS</b>	<ul style="list-style-type: none"> <li>Must be HUD Approved: <a href="https://entp.hud.gov/idapp/html/condlook.cfm">https://entp.hud.gov/idapp/html/condlook.cfm</a></li> <li>Condo projects involved in monetary litigation may be eligible, if litigation is reviewed and approved through <a href="mailto:condoreviews@prmg.net">condoreviews@prmg.net</a> . Documentation regarding the litigation (i.e., court documents) must be submitted to <a href="mailto:condoreviews@prmg.net">condoreviews@prmg.net</a> for review and approval. (If project was by HUD approved after litigation date, the litigation would be considered in the approval and not required to be reviewed as there would be no changes to the project.)</li> <li>Underwriter must certify that there have been no changes to the project since HUD approval that would cause the project to no longer be HUD approved</li> <li>For HUD REOs, condominium projects do not need to be currently approved by HUD</li> <li>Detached condos, meeting HUD’s definition of a site condo, do not have to have project approval.</li> </ul>
<b>LOG HOMES</b>	<ul style="list-style-type: none"> <li>Log Homes are allowed with the following requirements: <ul style="list-style-type: none"> <li>A minimum of two log home comparable sales must be provided.</li> <li>Comparable sales provided must be of similar quality, construction, and design and have similar market appeal and amenities.</li> <li>Appraiser to comment on: local demand, marketability of the property, supply of log homes and their appeal in the market. Appraiser must also comment on the sufficiency of the unit's living area, interior room size, storage, and adequacy of roof pitch, overhangs and exterior finish.</li> <li>Full Appraisal Required</li> </ul> </li> </ul>
<b>MODULAR HOMES</b>	<ul style="list-style-type: none"> <li>Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law.</li> <li>Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located.</li> <li>Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes.</li> <li>Marketing time must not exceed 6 months.</li> <li>Minimum of 2 similar factory-built comparables.</li> </ul>
<b>MANUFACTURED HOMES</b>	<ul style="list-style-type: none"> <li>Must meet all requirements in Manufactured Homes section to be eligible</li> <li>Manufactured homes must be underwritten by a Level 4 Underwriter, or a second review/signature of the property by a Level 4 underwriter is required</li> <li>Offered with the following programs (not eligible with HUD Repair Escrow, \$100 Down HUD REO, No Credit Score, Good Neighbor Next Door, etc.): <ul style="list-style-type: none"> <li>FHA 10 Year Fixed</li> <li>FHA 15 Year Fixed</li> <li>FHA 20 Year Fixed</li> <li>FHA 25 Year Fixed</li> <li>FHA 30 Year Fixed</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• FHA High Balance 10 Year Fixed</li> <li>• FHA High Balance 15 Year Fixed</li> <li>• FHA High Balance 20 Year Fixed</li> <li>• FHA High Balance 25 Year Fixed</li> <li>• FHA High Balance 30 Year Fixed</li> <li>• Eligible for Wholesale, Retail, and Correspondent channels</li> <li>• All Channels: Follow LTV matrix for credit score/DTI requirements</li> <li>• Wholesale/Correspondent Approval Type: AUS approval required, no manual underwrite allowed</li> <li>• Retail Approval Type: AUS approval or manual underwrites allowed</li> <li>• Unless meeting the requirements for no tax transcripts with W2 and/or fixed income, tax transcripts (1040 or W2, as appropriate) required (Stamped Returns not allowed)</li> <li>• Amended tax returns cannot be used to qualify if they are amended after the application, initial credit report date or purchase contract date. Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date or mortgage application date and must be validated with a record of account (4506T results). A copy of original 1040s (the 1040s filed prior to being amended) are required to be included in the loan file. Evidence of payment of the taxes due with the amended returns must also be provided.</li> <li>• No secondary financing/down payment assistance on purchases (LTV must equal CLTV)</li> <li>• No Mortgage Interest Differential payment income allowed</li> <li>• No West Virginia or Rhode Island properties</li> <li>• Singlewide manufactured homes are not eligible</li> <li>• Manufactured Housing Condo units eligible</li> <li>• Manufactured Housing PUD units eligible</li> <li>• For manufactured homes, max 10 acres allowed</li> <li>• A manufactured home with an accessory dwelling unit (ADU) or guest house is not eligible</li> <li>• Manufactured home must be classified and titled as real property at time of application.</li> <li>• Additional Information can be found in the following document and must be reviewed and complied with: <a href="http://www.eprmg.net/ManufacturedHomeRequirements.pdf">www.eprmg.net/ManufacturedHomeRequirements.pdf</a></li> </ul>
<p><b>MANUFACTURED HOME BASIC ELIGIBILITY REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• To determine basic eligibility for FHA mortgage insurance, all manufactured homes must comply with the following: <ul style="list-style-type: none"> <li>• Have a floor area of not less than 400 square feet;</li> <li>• Be constructed after June 15, 1976, in conformance with the Federal manufactured home construction and safety standards, as evidenced by an affixed certification label in accordance with 24 CFR Section 3280.8; (manufactured homes produced prior to that date are ineligible for insured financing)</li> <li>• Be classified as real estate;</li> <li>• The mortgage must cover both the manufactured unit and its site and shall have a term of not more than 30 years from the date amortization begins;</li> <li>• Be built and remain on a permanent chassis;</li> <li>• Be designed to be used as a dwelling with a permanent foundation built to FHA criteria;</li> <li>• The finished grade elevation beneath the manufactured home or, if a basement is used, the grade beneath the basement shall be at or above the 100-year return frequency flood elevation</li> <li>• The home must not have been installed or occupied previously at another site or location</li> </ul> </li> <li>• Must be affixed, taxed as real property and be fee simple</li> <li>• A manufactured home must have been built after June 15, 1976 and bear an affixed HUD seal on each section to be eligible for FHA financing. The appraiser will verify the location</li> </ul>

	<p>and information on the seal(s).</p> <ul style="list-style-type: none"> <li>• Manufactured houses built before June 15, 1976 are not eligible for FHA financing.</li> <li>• Engineer's certification completed by a licensed professional engineer or registered architect, who is licensed/registered in the state where the manufactured home is located, is required. When allowed by HUD, 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 may be obtained provided there are no alterations and/or observable damage to the foundation since the original certification. <ul style="list-style-type: none"> <li>• HUD REOs: It is not necessary for a lender to obtain an engineer's certification for the permanent foundation of a manufactured home being sold by HUD under its REO sales program.</li> </ul> </li> <li>• The manufactured home must be classified as real property as evidenced through tax certificates or title policy to validate that both land and MH unit is deeded as one.</li> <li>• ALTA 7 or state specific equivalent Title Endorsement required</li> <li>• Must meet all guidelines as required by HUD for Manufactured Homes (Mobile) for Title II Mortgage Insurance</li> <li>• Manufactured home must be permanently affixed to the foundation on site for more than 12 months unless the borrower is the second purchaser of a previously occupied property (a resale)</li> </ul>
<b>MANUFACTURED HOME CONSTRUCTION REQUIREMENTS – Existing Construction</b>	<ul style="list-style-type: none"> <li>• Existing Construction for Over One Year (see New Construction for Less than One Year): must be permanently installed on a site for one year or more prior to date of application.</li> </ul>
<b>MANUFACTURED HOME CONSTRUCTION REQUIREMENTS – New Construction</b>	<ul style="list-style-type: none"> <li>• New Construction Manufacturing Housing applies to Manufactured Housing Properties that are at the time of appraisal, Proposed Construction, Under Construction or Existing for Less than One Year (100% complete and never owner-occupied) stages of completion.</li> <li>• Files must contain all required documentation for new construction manufactured housing including title showing that the Manufactured Home and land are classified as real property. If there were two existing titles at the time of funding, must ensure that all state or local requirements for proper satisfaction and purging of the title certificates (chattel or equivalent debt instrument) have been met, and the subject property is classified as real estate prior to endorsement.</li> <li>• Final Lender Title Insurance Policies for manufactured housing properties must include the ALTA Endorsement 7 or similar state-specific endorsement affirming the unit and land as one.</li> </ul>
<b>MANUFACTURED HOME REFINANCES</b>	<ul style="list-style-type: none"> <li>• For a transaction involving a Manufactured Home to be considered a refinance, the Manufactured Home must have been permanently erected on a site for more than twelve months prior to case number assignment.</li> <li>• Cash out transactions require the mortgage history to reflect all mortgage payments paid on time (no lates) within the month due for the previous 12 months or since the borrower obtained the mortgage, whichever is less</li> </ul>
<b>MANUFACTURED HOME MODIFICATIONS</b>	<ul style="list-style-type: none"> <li>• Additions or structural modifications may bring the original unit out of compliance with the HUD Manufactured Home Construction Safety Standards (MHCSS) and make the home ineligible for FHA financing. However, the lender can obtain an engineer's inspection report certifying that the structural changes or additions to the property were made in accordance with the MHCSS and the home will be eligible for FHA financing.</li> <li>• The addition or modification shall be treated like a conventional stick-built home and should comply with the applicable building codes of the local jurisdiction and the MHCSS.</li> <li>• Some states require a state agency (often this is the State Administrative Agency) to approve all modifications to manufactured homes once they leave the factory.</li> </ul>

	<ul style="list-style-type: none"> <li>The appraiser is responsible for knowing the local regulations. If the area where the manufactured home is located has such requirements, then the property must meet these requirements or it shall be deemed ineligible for FHA insurance. The appraiser must confirm the modification or additions are in compliance with local regulations.</li> </ul>
<b>MANUFACTURED HOME APPRAISALS</b>	<ul style="list-style-type: none"> <li>Appraisal must have three (3) recent closed like comparables and second appraisal may be required at underwriter discretion</li> <li>Cost approach must be completed by the appraiser</li> <li>If the manufactured home was not moved from the factory or dealer directly to the site, the appraiser must make note and report a deficiency</li> <li>See PRMG’s Appraisal Guidelines for manufactured home appraisal requirements</li> <li>Additional Information can be found in the following document and must be reviewed and complied with: <a href="http://www.eprmg.net/ManufacturedHomeRequirements.pdf">www.eprmg.net/ManufacturedHomeRequirements.pdf</a></li> </ul>
<b>MANUFACTURED HOME FLOOD ZONES</b>	<ul style="list-style-type: none"> <li>If any portion of the property improvements is located within a FEMA designated Special Flood Hazard Area (limited to Zones A or V) that removes the property from the SFHA, the property is only eligible with one of the following: (1) A FEMA-issued Letter of Map Amendment (LOMA) that removes the property from the SFHA; (2) A FEMA-issued Letter of Map Revision (LOMR); or (3) An acceptable Elevation Certificate (per HUD) and appropriate flood insurance is obtained.</li> </ul>
<b>PROPERTY ACCESSED CLEAN ENERGY (PACE) LIENS</b>	<ul style="list-style-type: none"> <li>For loans with cases assigned on or after 1/6/18, properties encumbered with PACE obligations are not eligible.</li> <li>For loans with cases assigned prior to 1/6/18, the following guidance applies: <ul style="list-style-type: none"> <li>PACE loans are used to finance energy improvements and are secured by the property with payments collected through the borrower’s property taxes. In order for a property to be eligible for financing with a PACE loan remaining secured against the property, the following must be met:</li> <li>PACE lien must be reviewed by PRMG’s Compliance Department and appear on the PRMG Approved Property Assessed Clean Energy (PACE) Program List for FHA/VA Loans list that is available on the Resource Center or at the following link: <a href="http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PACE-ProgramApprovalList.pdf">http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PACE-ProgramApprovalList.pdf</a></li> <li>To request an additional PACE program to be added to the approved list, submit all program documentation that confirms it complies with the below requirements to <a href="mailto:ComplianceGroup@prmg.net">ComplianceGroup@prmg.net</a>. If approved, the program will be added and the property with the PACE lien will be eligible.</li> <li>Under the laws of the state where the property is located, the PACE loan must be collected and secured by the creditor in the same manner as special assessment taxes against the property;</li> <li>The property may only become subject to an enforceable claim (i.e., lien) that is superior to the mortgage for delinquent regularly scheduled PACE special assessment payments. The property shall not be subject to an enforceable claim (i.e., lien) superior to the mortgage for the full outstanding PACE loan at any time (i.e., through acceleration of the full obligation). However, a notice of the lien for the full PACE loan may be recorded in the land records;</li> <li>There are no terms or conditions that limit the transfer of the property to a new homeowner. Legal restrictions on conveyance arising from a PACE loan that could require consent of a third party before the owner can convey the real property are prohibited, unless such provisions may be terminated at the option of, and with no cost to, the homeowner;</li> <li>The existence of a PACE loan on a property is readily apparent to lenders, appraisers, borrowers and other parties to a mortgage transaction in the public records. Information on the PACE obligation must be readily available for review in public</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>records;</li> <li>In the event of a sale, including a foreclosure sale, of the property with outstanding PACE financing, the obligation will continue with the property causing the new homeowner to be responsible for the payments on the outstanding PACE amount;</li> <li>Underwriter must: <ul style="list-style-type: none"> <li>Enter “PACE Lien” in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.</li> <li>Confirm all terms and conditions of the PACE loan are fully disclosed to the borrower and made part of the sales contract between the seller and the borrower;</li> <li>Confirm appraiser is notified of all terms and conditions of the PACE loan and the appraiser must (if applicable): <ul style="list-style-type: none"> <li>review the sales contract and property tax records for the Property to determine the amount outstanding and the terms of the PACE obligation:</li> <li>if the lender notifies the Appraiser that the subject Property will remain subject to a PACE obligation,</li> <li>when the appraiser observes that the property taxes for the subject Property are higher than average for the neighborhood and type of dwelling, or</li> <li>when the appraiser observes energy-related building components or equipment or is aware of other PACE-allowed improvements during the inspection process.</li> </ul> </li> <li>report the outstanding amount of the PACE obligation for the subject property and provide a brief explanation of the terms</li> <li>analyze and report the impact on value of the property, whether positive or negative, of the PACE-related improvements and any additional obligation (i.e., the PACE special assessment). Specific language must be included in the appraisal report providing this information.</li> </ul> </li> </ul>
<b>PROPERTIES WITH UNEXPIRED REDEMPTION RIGHTS</b>	<ul style="list-style-type: none"> <li>Allowed in states where it is common and customary</li> <li>Must meet all agency requirements</li> <li>Title must insure over the right of redemption</li> <li>Redemption bond is required when required by the title company</li> <li>Written disclosure to borrowers of properties that are subject to unexpired redemption periods must be provided</li> <li>Must enter “Redemption Period” in Loan Program Comments section of Investor Overlay Screen in FT360</li> </ul>
<b>LEASED LAND</b>	<ul style="list-style-type: none"> <li>Residential properties in the area consisting of leasehold or ground rent estates are readily marketable and acceptable in the subject area</li> <li>The leasehold is in full force and effect and is not subject to any prior lien or encumbrance by which the leasehold could be terminated or subjected to any charge or penalty</li> <li>The remaining term or exercised renewal of the lease with any renewals enforceable by the mortgage do not terminate earlier than ten years after the maturity date of the loan</li> <li>Comply with all FHA requirements</li> <li>Indian leased land is not allowed</li> <li>Leasehold Condos are allowed as long as they are approved by HUD and meet all HUD requirements</li> </ul>
<b>LEGAL RESTRICTIONS ON CONVEYANCE (FREE ASSUMABILITY)</b>	<ul style="list-style-type: none"> <li>There may be no legal restrictions on conveyance (transfer of title) in accordance with 24 CFR § 203.41, which would include items like Private Transfer Fees and Community Enhancement Fees unless specifically allowed per 24 CFR § 203.41. (see AllRegs for additional information on 24 CFR § 203.41.)</li> <li>Underwriter must review and confirm that if are legal restrictions on conveyance, they are allowed in accordance with 24 CFR § 203.41 and are not further restricted by the product profile (for instance allowable deed restriction types).</li> </ul>
<b>COMMUNITY</b>	<ul style="list-style-type: none"> <li>Allowed, must meet any agency requirements in regard to special assessment districts</li> </ul>



<b>DEVELOPMENT DISTRICT (CDD)</b>	
<b>MULTIPLE PARCELS</b>	<ul style="list-style-type: none"> <li>• Allowed, follow HUD in regard to the number of parcels and excess/surplus land</li> <li>• The lots/parcels must be adjoining</li> <li>• The lots/parcels must be zoned residential</li> <li>• Two or more parcel ID numbers are acceptable, as long as they are included in the Deed of Trust and are part of only one legal description. If the additional lot/parcel is vacant and able to be subdivided, it cannot be given value, and must meet FHA guidelines for Excess and Surplus Land. If the additional lot/parcel provides access to the lot with the dwelling, then it is acceptable for value to be give, as determined by an FHA Appraiser.</li> <li>• Limited nonresidential improvements such as a garage are acceptable on the second lot</li> <li>• The mortgage must be a first lien on each lot/parcel</li> </ul>
<b>MAXIMUM ACREAGE</b>	<ul style="list-style-type: none"> <li>• Maximum 40 acres</li> <li>• Must enter "Over 10 Acres" in Loan Program Comments section of Investor Overlay Screen in FT360 if property is over 10 acres</li> </ul>
<b>PROPERTIES WITH UNPERMITTED ADDITIONS</b>	<ul style="list-style-type: none"> <li>• Allowed</li> <li>• The subject addition, improvement or conversion must comply with all HUD guidelines</li> <li>• The appraiser demonstrates the property's conformity to the neighborhood and marketability</li> <li>• The appraiser comments on quality of the work of the addition, improvement or conversion and it is described in the appraisal and deemed acceptable ("workmanlike quality")</li> <li>• The appraiser considers the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value</li> <li>• If the appraiser gives the unpermitted addition value, the appraiser should indicate the following in the appraisal: <ul style="list-style-type: none"> <li>• Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property.</li> <li>• The appraiser has no reason to believe the addition would not pass inspection for a permit.</li> </ul> </li> </ul>
<b>ILLINOIS LAND TRUST</b>	<ul style="list-style-type: none"> <li>• Illinois land trusts are allowed subject to the following: <ul style="list-style-type: none"> <li>• All beneficiaries are individuals;</li> <li>• The Mortgage applicant(s) must be one of the beneficiaries of the trust;</li> <li>• The trustee must be a corporation or financial institution customarily engaged in the business of acting as trustee under Illinois land trusts;</li> <li>• The beneficiaries have sole power of direction over the land trust and trustee;</li> <li>• All beneficiaries are obligated as individuals under the terms of the note;</li> <li>• The Mortgage applicants have been underwritten and are qualified Borrowers under the requirements of the product;</li> <li>• All such Land Trust Mortgages are secured by owner-occupied, 1-4 family properties; and</li> <li>• The term of the trust agreement is at least as long as the term of the security instrument.</li> </ul> </li> <li>• Documentation <ul style="list-style-type: none"> <li>• Where the property is to be held in a land trust, all of the following additional documentation must be provided: <ul style="list-style-type: none"> <li>• Land Trust Rider to the Mortgage/Deed of Trust</li> <li>• Land Trust Rider to the Note</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Security Assignment to Beneficial Interest in Land Trust</li> <li>• The trust agreement must be reviewed by the underwriter. No additions, deletions, or other riders to the standard forms are permitted.</li> <li>• The Note, Mortgage and documents required above must be completed and executed as follows: <ul style="list-style-type: none"> <li>• The Note and Mortgage must include the number of the trust and the date on which the trust was created. This information should follow the name of the trustee on these documents.</li> <li>• The beneficiary must execute the Note and land trust rider to that Note.</li> <li>• The trustee must execute the Mortgage, the Note, and the land trust rider to each.</li> <li>• The beneficiary must assign his/her beneficial interest in the Note and trust agreement to the Seller.</li> <li>• The riders must be dated and executed the same day as the Mortgage and Note.</li> </ul> </li> <li>• If Illinois Land Trust then “Illinois Land Trust” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.</li> </ul>
<b>DEED RESTRICTED PROPERTIES</b>	<ul style="list-style-type: none"> <li>• “55 and Older” restricted properties only</li> <li>• “55+ Age Restricted Properties” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.</li> </ul>
<b>NEW CONSTRUCTION</b>	<ul style="list-style-type: none"> <li>• If it is a construction loan that is being paid off, where it is a property the borrower already owns, the LTVs are based on the occupancy requirements set by HUD in the Maximum Loan to Value Ratio section of the 4000.1.</li> <li>• The sale of an occupied property that has been completed less than one year from the issuance of the CO or equivalent is considered as an existing property</li> <li>• For new construction, if the appraisal on the property is subject to completion per plans and specs then the final inspection must be done by an FHA Fee Roster Inspector or the FHA Appraiser on Form 92051. If the appraisal it is subject to repairs, it can be the original appraiser. Note, if a property is more than 90% complete at time of appraisal it should be done subject to repairs and not done subject to plans and specs</li> <li>• Allowed, with the following requirements: <ul style="list-style-type: none"> <li>• The permanent loan had interim construction financing that was not provided by FHA or the loan proceeds were used to pay off a builder</li> <li>• The loan must meet all FHA policies and documentation requirements for new construction loans</li> <li>• Borrowers must be qualified using the estimated real estate taxes based upon the completed property improvements, not the unimproved lot taxes</li> <li>• FHA Construction Permanent Mortgage Program is not available (where the FHA loan funds are taken as draws and used to finance the construction of the property)</li> </ul> </li> <li>• If any part of the property (the dwelling and related structures/equipment essential to the property value and subject to flood damage) is located within a Special Flood Hazard Area (SFHA), the property is not eligible unless one of the following is obtained: <ul style="list-style-type: none"> <li>• FEMA Final Letter of Map Amendment (LOMA) or Final Letter of Map Revision (LOMR) that removed the property from the SFHA; or</li> <li>• Flood Elevation Certificate (form FEMA Form 086-0-33 (7/12)) from a licensed engineer or surveyor documenting that the lowest floor (including the basement) of the residential building and related improvements is built at or above the 100 year flood elevation in compliance with NFIP criteria.</li> </ul> </li> </ul>
<b>CONSTRUCTION TO PERMANENT</b>	<ul style="list-style-type: none"> <li>• One-Time Close (financing of construction costs) not allowed</li> <li>• Final permanent financing to pay off construction loan allowed</li> </ul>

<b>FINANCING</b>	<ul style="list-style-type: none"> <li>• Must meet all HUD requirements</li> </ul>
<b>OCCUPANCY</b>	<ul style="list-style-type: none"> <li>• Primary Residence (O/O)</li> </ul>
<b>ELIGIBLE BORROWERS</b>	<ul style="list-style-type: none"> <li>• U.S. Citizens, Permanent and Non- Permanent Resident Aliens, Non-Occupying Co-Borrowers.</li> <li>• A maximum of 4 borrowers per loan application is allowed.</li> <li>• ITIN (Individual Tax Payer Identification Numbers) are not allowed</li> <li>• Borrowers with diplomatic immunity are not allowed</li> <li>• Borrower must take title in individual names or Inter Vivos Revocable “Living” trusts (see below for trust requirements)</li> <li>• No irrevocable trusts, corporations, LLCs, etc. allowed</li> <li>• Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs</li> <li>• Registered Domestic Partners are treated the same as spouses</li> <li>• The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S.</li> </ul>
<b>RESIDENT ALIENS</b>	<ul style="list-style-type: none"> <li>• Permanent resident aliens are eligible and must provide evidence of a valid Social Security number.</li> <li>• Non-permanent resident alien may be eligible provided: <ul style="list-style-type: none"> <li>• the Property will be the Borrower’s Principal Residence;</li> <li>• the Borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD;</li> <li>• the Borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document issued by the USCIS; and</li> <li>• the Borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.</li> </ul> </li> <li>• 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 Mortgagee may assume that continuation will be granted. If there are no prior renewals, the Mortgagee must determine the likelihood of renewal based on information from the USCIS.</li> <li>• 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.</li> <li>• Borrowers under Deferred Action, the Dreamer’s Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.</li> </ul>
<b>NON-OCCUPYING CO-BORROWERS</b>	<ul style="list-style-type: none"> <li>• Non-occupying co-borrowers are acceptable when the following can be met: <ul style="list-style-type: none"> <li>• Income from a non-occupant co-Borrower may not be used to qualify for a cash-out refinance</li> <li>• Must be on the Note</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• All debts of the co-borrower must be included when calculating the debt ratios.</li> <li>• Allowed per FHA published guidelines for eligible non-occupying borrower</li> <li>• No qualifying ratio requirements for the owner occupant.</li> <li>• For 2 – 4 unit properties, the max LTV is 75%, if there is a non-occupant co-borrower on the loan.</li> <li>• For 1 unit properties, loans with non-occupant co-borrowers have a max 75% LTV unless non-occupant borrowers are a Family Member, as defined by HUD. However, if a Family Member is selling to the borrower and that Family Member will be a non-occupying co-borrower then the max LTV is 75%</li> </ul>
<b>Eligible Trusts</b>	<ul style="list-style-type: none"> <li>• Inter Vivos Revocable “Living” trusts only</li> <li>• Must meet all requirements as outlined in the Instructions for Closing in a Trust, which is available on the Resource Center, or can be found at the following link: <a href="http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/InstructionsforClosinginaTrust.pdf">http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/InstructionsforClosinginaTrust.pdf</a></li> <li>• Process for submitting a loan in a trust are summarized here: <ul style="list-style-type: none"> <li>• Email trust document to <a href="mailto:compliancegroup@prmg.net">compliancegroup@prmg.net</a>. Be sure to include the Loan Number and full borrower name. Subject line of the email to read: Trust Documentation Review. Please allow 24 hours for review.</li> <li>• Compliance will email the Fulfillment Center Manager and Funding Manager to advise that a loan with trust vesting was just approved and attach the Encompass instructions for drawing docs held in a trust.</li> <li>• Doc drawer to notify compliance via email at <a href="mailto:compliancegroup@prmg.net">compliancegroup@prmg.net</a> that the docs are drawn and pending review and approval. Subject line of the email to read: Closing Docs in Trust pending review. Be sure to include the Loan Number and full borrower name.</li> <li>• If you have questions with the way the docs need to read, feel free to reach out to <a href="mailto:compliancegroup@prmg.net">compliancegroup@prmg.net</a>.</li> </ul> </li> </ul>
<b>POWER OF ATTORNEY</b>	<ul style="list-style-type: none"> <li>• Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group</li> <li>• Allowed with the following requirements: <ul style="list-style-type: none"> <li>• Power of Attorney (POA) must be limited or specific to the transaction</li> <li>• All transaction types allowed</li> <li>• Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law.</li> <li>• POA can be used only for closing documents</li> <li>• The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction</li> <li>• A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date</li> <li>• A statement of the borrower’s name exactly as it will appear on all closing documents</li> <li>• Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation)</li> <li>• Recorder’s stamp, if previously recorded</li> <li>• The attorney-in-fact must execute all closing documents at settlement</li> <li>• Title policy must not contain any exceptions based on use of POA</li> <li>• POA must be recorded along with or immediately prior to the closing documents</li> <li>• If a lender determines a Power of Attorney is required by applicable law (so cannot be restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• A written statement that explains the circumstances of the use of the POA must be included in the loan file.</li> <li>• Must met all Agency requirements</li> </ul>
<b>LEXIS-NEXIS SEARCH REQUIREMENT</b>	<ul style="list-style-type: none"> <li>• For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> <li>• Short Sale Purchase</li> <li>• Property Flips &lt;= 180 days</li> <li>• Contractors on a 203K loan</li> <li>• For Sale by Owner (FSBO) required for all except: <ul style="list-style-type: none"> <li>• If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines</li> <li>• An investor, such as HUD, FNMA, FHLMC, etc.</li> <li>• REO lender who acquired the subject property by Trustee Sale as the Beneficiary</li> </ul> </li> </ul> </li> </ul>
<b>QC AUDIT REQUIRED</b>	<ul style="list-style-type: none"> <li>• A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> <li>• 5-10 financed properties for second home and investment transactions.</li> <li>• 3-4 Units</li> <li>• 2-4 Unit properties in New Jersey</li> <li>• Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well)</li> <li>• VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel)</li> <li>• If the borrower is employed by a party to the transaction</li> <li>• When the borrower is also a Real Estate Agent for the loan transaction</li> <li>• Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in “New” or “Watch” status</li> <li>• When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail).</li> </ul> </li> <li>• NOTE: The above list applies to credit qualifying loans only.</li> </ul>
<b>QC REVALIDATION REQUIRED</b>	<ul style="list-style-type: none"> <li>• A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed):</li> <li>• A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> <li>• VOE only used (when allowed by AUS) and not supported by paystub/W2 and</li> <li>• Wholesale and Correspondent channels only (not required for retail channel)</li> </ul> </li> <li>• A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> <li>• VOD only used (when allowed by AUS) and not supported by bank statements and</li> <li>• Wholesale and Correspondent channels only (not required for retail channel)</li> </ul> </li> <li>• Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.</li> </ul>
<b>INCOME REQUIREMENTS/ LIMITS</b>	<ul style="list-style-type: none"> <li>• Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan.</li> <li>• All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and</li> </ul>

	<p>wage earners working for a company.</p> <ul style="list-style-type: none"> <li>• Income calculations must be included in the file</li> <li>• If a borrower is currently on temporary disability (including maternal/parental leave), the borrower must provide a letter of intent to return to work and the employer must provide a letter or other communication of the borrower's right to return to work and a description of the employment terms (same as prior to leave). The temporary disability benefits must be used for loan qualification and must not terminate prior to the borrower returning to work, unless the borrower(s) has liquid reserves sufficient to offset reduced income, covering the gap between the benefits expiration and the return to work dates. See 4000.1 for specific requirements.</li> <li>• For borrowers with gaps in employment of six months or more (an extended absence), the borrower's current income can be used for qualifying if it can verify and document that: (1) the borrower has been employed in the current job for at least six months at the time of case number assignment; and (2) a two year work history prior to the absence from employment using standard or alternative employment verification.</li> <li>• For borrowers with rental income, if a lease agreement is required then the lease agreement must be executed by the landlord and the tenant and all pages of the lease agreement must be included.</li> <li>• Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.</li> <li>• Section 8 rents where borrower is paid a rent subsidy for other tenants from the government for the property (either for rents on units 2-4 on subject property or on other rental property) is allowed. Must have documentation of new executed leases, or lease addendums to the new owner and to show that the Section 8 income will transfer to the new owner. Additionally, there may be no obligation to the servicer to receive the Section 8 funds. Borrowers must follow standard guideline requirements to determine if rents are allowed to be used for qualifying.</li> </ul>
<b>SEASONING REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• See sections below</li> </ul>
<b>RECENTLY DELISTED PROPERTIES</b>	<ul style="list-style-type: none"> <li>• Must have been removed from MLS prior to the application date.</li> <li>• Evidence of listing cancellation is required.</li> <li>• Borrower must provide written confirmation of the intent to occupy</li> </ul>
<b>TITLE SEASONING/LOAN SEASONING</b>	<ul style="list-style-type: none"> <li>• Rate/Term or Simple Refinance: No seasoning requirement; however, borrower must be on title prior to case number assignment. See Rate/Term Refinance or Simple Refinance section for information regarding calculating LTV.</li> <li>• Cash Out: At least one Borrower must hold title to the property being refinanced prior to case number assignment. The property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment. In the case of inheritance, a Borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an Investment Property at any point since inheritance of the property.</li> <li>• For cash out transaction, must document that the Borrower has 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. 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. Properties with mortgages must have a minimum of 6 months of Mortgage Payments on the existing mortgage prior to case number assignment date. Properties owned free and clear may be refinanced as cash-out transactions.</li> </ul>

	<ul style="list-style-type: none"> <li>• For cash out refinance loans funded on or after 2/15/18, the following seasoning requirements must also be met: <ul style="list-style-type: none"> <li>• the borrower must have made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date; and</li> <li>• the first payment due date of the new loan must occur no earlier than 210 days after the first payment due date of the loan paid off through the transaction.</li> </ul> </li> <li>• For rate/term transactions, there are no minimum number of months required that the borrower must have been making payments.</li> <li>• As long as the borrower has legal title (even though not originally on the loan) the borrower is eligible to refinance the loan.</li> </ul> <p>All transfers of title within the last 6 months must be disclosed and fully documented to ensure that the transactions are not property flips.</p>
<b>ANTI-FLIPPING POLICY</b>	<ul style="list-style-type: none"> <li>• For purchases - The Property Seller must have taken title to the subject property more than 90 days prior to the contract date on the sale of the property to the applicant.</li> <li>• Property flipping is a practice whereby a recently acquired property is resold, often for a considerable profit. If there is a partial continuity of ownership, a quit claim deed transaction is not a sale and is not subject to the rules prohibiting property flipping. The use of a quit claim will not be deemed a flip as long as at least one of the original owners retains an ownership interest in the property after the quitclaim is recorded.</li> <li>• The seller's date of acquisition is defined as the settlement date on the seller's purchase of that property.</li> <li>• Must obtain a 12 month chain of title documenting compliance with time restrictions on resales.</li> <li>• If the seller has taken title within the past 91 to 180 days and the new sales price exceeds the previous sales price by 100% or more, a second FHA appraisal (by another appraiser) is required. The borrower is not allowed to pay for the Second appraisal.</li> <li>• The Anti-Flipping requirements do not apply to the exceptions below: <ul style="list-style-type: none"> <li>• properties acquired by an employer or relocation agency in connection with the relocation of an employee;</li> <li>• resales by HUD under its REO program;</li> <li>• sales by other U.S. government agencies of Single Family Properties pursuant to programs operated by these agencies;</li> <li>• sales of Properties by nonprofits approved to purchase HUD owned Single Family Properties at a discount with resale restrictions;</li> <li>• sales of Properties that are acquired by the seller by inheritance;</li> <li>• sales of Properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE);</li> <li>• sales of Properties by local and state government agencies; and</li> <li>• sales of Properties within Presidentially-Declared Major Disaster Area, only upon issuance of a notice of an exception from HUD.</li> </ul> </li> <li>• The restrictions listed above and those in 24 CFR § 203.37a do not apply to a builder selling a newly built house or building a house for a Borrower planning to use FHA-insured financing.</li> <li>• The re-execution of the sales agreement in order to circumvent the 90-day flipping rule is not be permitted, an entire new transaction would be required (new purchase contract, loan number, case number, appraisal, etc.)</li> <li>• For refinances – See "Title Seasoning" section above.</li> </ul> <p>Evidence of required seasoning must be documented in the file.</p>
<b>VALUE FOR LTV/CLTV CALCULATION</b>	<ul style="list-style-type: none"> <li>• See below to determine Adjusted Value</li> </ul>

PURCHASE	<ul style="list-style-type: none"> <li>Use lesser of purchase price less any inducements to purchase; or the Property Value (appraised value)</li> </ul>
RATE/TERM REFINANCE OR SIMPLE REFINANCE	<ul style="list-style-type: none"> <li>For Properties acquired by the Borrower within 12 months of the case number assignment date, use the lesser of: <ul style="list-style-type: none"> <li>the Borrower’s purchase price, plus any documented improvements made subsequent to the purchase; or</li> <li>the Property Value.</li> </ul> </li> <li>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.</li> <li>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.</li> </ul>
CASH OUT	<ul style="list-style-type: none"> <li>For properties acquired by the borrower greater than or equal to 12 months prior to the case number assignment date or within 12 months of case number assignment if by inheritance, the Adjusted Value is the Property Value.</li> <li>Note: 4000.1 has the same requirements for determining Adjusted Value on all refinances, however, it also requires that for cash out transaction the borrower must have owned and occupied the property as their principal residence for the 12 months prior to the date of case number assignment, with an exception for inheritance only. (See Title Seasoning section for this additional information on this requirement.) These guidelines reflect what must be required if it is a cash out transaction.</li> </ul>
PURCHASE	<ul style="list-style-type: none"> <li>If there is evidence that borrower, a member of the borrower’s family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower’s family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. <b>Bail outs not allowed.</b></li> <li>Purchase contract assignment (assignment of the sales contract) not allowed.</li> <li>All purchasers listed on the contract of sale must be borrowers, however family members (as defined by HUD) may be on the contract and not be a borrower</li> <li>Purchase Transaction Seller Rent Backs of the subject property are limited to 60 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrower’s minimum investment requirements. For condos, not allowed between borrower and developer.</li> <li>The Real Estate Certification is required and must be executed prior to closing, except where indicated below, on all purchase transactions. The document must be signed all borrowers, sellers and the selling real estate agent or broker. A sample of the form will be available in the Resource Center. Note, the Real Estate Certification is not needed when the sales contract contains a provision that there are no other agreements between parties, and the terms constitute the entire agreement between the parties, and all parties are signatories to the sales contract submitted at the time of underwriting.</li> <li>The Amendatory Clause is required, except where indicated below, on all purchase transactions when the appraised value is not available at the time of purchase contract execution. The document must be signed by all buyers and sellers involved with the loan transaction. It must be complete, including the sales price, printed seller name and date of agreement. A sample of the form is available in the Resource Center. This document, completely executed by all buyers and sellers involved with the loan transaction, should be included with the file for loan setup for all channels and should be obtained and executed prior to funding. Note, the amendatory clause is not required on the following transactions: HUD REO sales, FHA’s 203(k) loan program or sales in which the seller is Fannie Mae, Freddie Mac, the Department of Veterans Affairs (VA), Rural Housing</li> </ul>



	Services, other federal, state, and local government agencies, a lender disposing of REO assets, or a seller at a foreclosure sale.
<b>RATE/TERM REFINANCE</b>	<ul style="list-style-type: none"> <li>• The maximum mortgage amount for a Rate and Term refinance is the lesser of: <ul style="list-style-type: none"> <li>• the HUD County limit,</li> <li>• the maximum LTV based on the LTV calculation, OR</li> <li>• the sum of existing debt and costs associated with the transaction as follows: <ul style="list-style-type: none"> <li>• Existing debt includes: <ul style="list-style-type: none"> <li>• the unpaid principal balance of the first mortgage as of the month prior to mortgage disbursement;</li> <li>• the unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage disbursement;</li> <li>• the unpaid principal balance of any junior liens over 12 months old as of the date of mortgage disbursement. If the balance or any portion of an equity line of credit in excess of \$1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the Property, that portion above and beyond \$1,000 of the line of credit is not eligible for inclusion in the new Mortgage;</li> <li>• ex-spouse or co-borrower equity, as described in “Refinancing to Buy out Title Holder Equity” in the 4000.1;</li> <li>• interest due on the existing mortgage(s);</li> <li>• Mortgage Insurance Premium (MIP) due on existing mortgage;</li> <li>• any prepayment penalties assessed;</li> <li>• late charges; and</li> <li>• escrow shortages;</li> <li>• allowed costs include all Borrower paid costs associated with the new mortgage; and</li> <li>• any Borrower-paid repairs required by the appraisal;</li> <li>• less any refund of the Upfront Mortgage Insurance Premium (UFMIP). Borrower may not receive more than \$500 cash back at loan disbursement.</li> </ul> </li> </ul> </li> </ul> </li> <li>• Property Assessed Clean Energy (PACE) obligations may be paid off with proceeds of a Rate and Term Refinance</li> </ul>
<b>SIMPLE REFINANCE</b>	<ul style="list-style-type: none"> <li>• The maximum mortgage amount for a Rate and Term refinance is the lesser of: <ul style="list-style-type: none"> <li>• the HUD County limit,</li> <li>• the maximum LTV based on the LTV calculation, OR</li> <li>• the sum of existing debt and costs associated with the transaction as follows: <ul style="list-style-type: none"> <li>• Existing debt includes: <ul style="list-style-type: none"> <li>• the unpaid principal balance of the FHA-insured first mortgage as of the month prior to mortgage disbursement;</li> <li>• interest due on the existing mortgage;</li> <li>• Mortgage Insurance Premium (MIP) due on existing mortgage;</li> <li>• late charges; and</li> <li>• escrow shortages;</li> <li>• allowed costs include all Borrower paid costs associated with the new mortgage; and</li> <li>• any Borrower-paid repairs required by the appraisal;</li> </ul> </li> <li>• less any refund of the Upfront Mortgage Insurance Premium (UFMIP).</li> <li>• Borrower may not receive more than \$500 cash back at loan disbursement.</li> </ul> </li> </ul> </li> </ul>
<b>CASH OUT REFINANCE</b>	<ul style="list-style-type: none"> <li>• The mortgage amount may include the present first mortgage payoff, subordinate liens, closing costs, and additional cash to the borrower.</li> <li>• If adding a new borrower to the transaction, the new borrower must have provided proof of occupancy for six months and continue to occupy the property</li> </ul>

	<ul style="list-style-type: none"> <li>When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either buyer or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements) or a signed amendment authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount.</li> <li>Property Assessed Clean Energy (PACE) obligations may be paid off with proceeds of a Cash Out Refinance</li> </ul>
<b>SHORT REFINANCE</b>	<ul style="list-style-type: none"> <li>Allowed, see Credit section</li> </ul>
<b>FHA BACK TO WORK – EXTENUATING CIRCUMSTANCES</b>	<ul style="list-style-type: none"> <li>No longer available</li> </ul>
<b>GOOD NEIGHBOR NEXT DOOR (GNND) SALES PROGRAM</b>	<ul style="list-style-type: none"> <li>Must use the following program code: <ul style="list-style-type: none"> <li>FHA Good Neighbor Next Door 10 Year Fixed</li> <li>FHA Good Neighbor Next Door 15 Year Fixed</li> <li>FHA Good Neighbor Next Door 20 Year Fixed</li> <li>FHA Good Neighbor Next Door 25 Year Fixed</li> <li>FHA Good Neighbor Next Door 30 Year Fixed</li> </ul> </li> <li>Minimum 620 Credit Score</li> <li>Borrowers in selected professions are eligible to purchase HUD REO properties only, in revitalization/exception-criteria areas, at up to 50% off the sales price, as specified by HUD. The following borrowers are eligible for the Good Neighbor Next Door Sales Program: <ul style="list-style-type: none"> <li>Law Enforcement Officers</li> <li>Firefighters</li> <li>Emergency Medical Technicians (EMTs)</li> <li>Private and Public School Teachers</li> </ul> </li> <li>Owner Occupied 1 unit SFRs, PUDs, Modular Homes and Condos are eligible for this program.</li> <li>Full sales price and appraised value should be entered in FastTrac</li> <li>The discounted amount should be entered as Secondary Financing and is considered a DPA</li> <li>No Max CLTV</li> <li>\$100 Minimum Down Payment</li> <li>Full “As Is” appraisal is required by an FHA approved appraiser.</li> <li>The buyer may include in the mortgage amount all of the buyer’s reasonable and customary closing costs (including prepaids) and the real estate broker fees</li> <li>Borrowers must agree to occupy the property as a primary residence for three years without interruption.</li> <li>HUD requires borrower sign a Second Mortgage and Note on the discounted amount (which could be up to 50% of the sales price). No interest or payments are required on this "silent second" mortgage if the borrower lives in the home for the entire 36 month occupancy period. Borrower may be required to pay a pro-rata portion of the discount to HUD should the borrower fail to fulfill the three year occupancy requirement.</li> <li>Borrower may not own any other residential real property at the time the borrower submits the offer to purchase a home and for one year previous to that date.</li> <li>The participant must certify he or she is living in the GNND home as a sole residence at the time of purchase and each year after that. HUD can conduct spot checks to make sure the GNND home is his or her sole residence at any time during the 3-year period. HUD may foreclose this mortgage if the borrower does not comply with the 36-month occupancy requirement.</li> <li>The following additional documentation is required:</li> </ul>

	<ul style="list-style-type: none"> <li>• Certificate of Law Enforcement Officer, Teacher, Firefighter or EMT  <a href="http://www.eprmg.net/HUD-9549.pdf">http://www.eprmg.net/HUD-9549.pdf</a>  <a href="http://www.eprmg.net/HUD-9549-A.pdf">http://www.eprmg.net/HUD-9549-A.pdf</a>  <a href="http://www.eprmg.net/HUD-9549-B.pdf">http://www.eprmg.net/HUD-9549-B.pdf</a>  <a href="http://www.eprmg.net/HUD-9549-C.pdf">http://www.eprmg.net/HUD-9549-C.pdf</a></li> <li>• For more information, and to view eligible listings, visit the following website:  <a href="https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/reo/goodn/gnndabot">https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/reo/goodn/gnndabot</a>  <a href="https://www.hudhomestore.com/Home/Index.aspx">https://www.hudhomestore.com/Home/Index.aspx</a></li> </ul>
<b>\$100 DOWN HUD REO</b>	<ul style="list-style-type: none"> <li>• Must use the following program code: <ul style="list-style-type: none"> <li>• FHA \$100 Down HUD REO 10 Year Fixed</li> <li>• FHA \$100 Down HUD REO 15 Year Fixed</li> <li>• FHA \$100 Down HUD REO 20 Year Fixed</li> <li>• FHA \$100 Down HUD REO 25 Year Fixed</li> <li>• FHA \$100 Down HUD REO 30 Year Fixed</li> </ul> </li> <li>• Minimum 620 Credit Score</li> <li>• Available where offered by HUD (\$100 Down Payment Incentive), limited to PRMG approved states</li> <li>• <a href="http://portal.hud.gov/hudportal/HUD?src=/states/florida/homeownership/affordablehomes">http://portal.hud.gov/hudportal/HUD?src=/states/florida/homeownership/affordablehomes</a></li> <li>• Minimum LTV requirements do not apply to HUD REO transactions.</li> <li>• Full “As Is” appraisal is required by an FHA approved appraiser.</li> <li>• May not be used in conjunction with Repair Escrows</li> <li>• Non-occupant co-borrowers are allowed</li> <li>• Must meet standard credit score requirements</li> <li>• DU “Ineligible” findings are acceptable as long as it is due to the lack of down payment only</li> <li>• Borrower is not required to meet the minimum borrower contributions with this program</li> <li>• Condominium projects do not need to be currently approved by HUD</li> <li>• For a list of eligible properties, go to: <a href="http://www.hud.gov/homes/index.cfm">http://www.hud.gov/homes/index.cfm</a></li> </ul>
<b>REPAIR ESCROW/ ESCROW HOLDBACKS</b>	<ul style="list-style-type: none"> <li>• Standard escrow holdbacks not allowed, only allowed with the HUD REO Repair Escrow option</li> <li>• Must use the following program codes: <ul style="list-style-type: none"> <li>• FHA Repair Escrow 10 Year Fixed</li> <li>• FHA Repair Escrow 15 Year Fixed</li> <li>• FHA Repair Escrow 20 Year Fixed</li> <li>• FHA Repair Escrow 25 Year Fixed</li> <li>• FHA Repair Escrow 30 Year Fixed</li> </ul> </li> <li>• Minimum 620 Credit Score</li> <li>• A property that requires no more than \$10,000 for repairs to meet FHA’s Minimum Property Requirements as estimated by the Property Condition Report and as reviewed and determined to be reasonable by the appraiser, is eligible to be marketed for sale in its “as-is” condition under the Repair Escrow program.</li> <li>• Must receive a DU Approve/Eligible or Approve/Ineligible and the Ineligible may only be because the loan exceeds the max loan amount limit or LTV by the amount of the repairs</li> <li>• See “HUD Repair Escrow Program Information” document in FastTrac’s Resource Center for additional information</li> <li>• PRMG will hold the funds until the repairs have been completed.</li> <li>• May not be used in conjunction with \$100 Down HUD REO option</li> <li>• All loans using the Repair Escrow program must meet the following restrictions: <ul style="list-style-type: none"> <li>• HUD REO properties only.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Manufactured Homes not allowed</li> <li>• Condominium projects do not need to be currently approved by HUD</li> <li>• Full “As Is” appraisal is required by an FHA approved appraiser.</li> <li>• Up to 110% of the estimated cost of repairs (repairs not to exceed \$10,000) may be financed into the loan amount.</li> <li>• The max LTV can be exceeded by the amount of the financed repairs (up to 110% of \$10,000 or a max of \$11,000.)</li> <li>• Repairs must be completed within 90 days.</li> <li>• The borrower can do any work that does not require a contractor and be reimbursed for supplies, parts, etc.</li> <li>• The repairs that are required are already in the purchase contract and part of the listing. There may be additional items at the time of appraisal that may need to be addressed, in which case the Underwriter will request an increase to the amount of repair up to \$10,000.</li> <li>• Confirmation repairs have been completed is required via 1004D or Compliance Inspection Report HUD Form 92051</li> </ul>
<p><b>FHA 203(h) MORTGAGE INSURANCE FOR DISASTER VICTIMS</b></p>	<ul style="list-style-type: none"> <li>• Section 203(h) of the National Housing Act authorizes FHA to insure Mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase of a Single Family Property</li> <li>• Must be used with the following product codes <ul style="list-style-type: none"> <li>• FHA 203h Disaster Victims 15 Year Fixed</li> <li>• FHA 203h Disaster Victims 20 Year Fixed</li> <li>• FHA 203h Disaster Victims 25 Year Fixed</li> <li>• FHA 203h Disaster Victims 30 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 15 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 20 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 25 Year Fixed</li> <li>• FHA High Balance 203h Disaster Victims 30 Year Fixed</li> </ul> </li> <li>• Minimum 580 credit score</li> <li>• Maximum LTV limit is 100% of the Adjusted Value</li> <li>• Ineligible AUS finding may only be for LTV or post-disaster credit reasons only</li> <li>• Manual underwriting allowed, but must meet all manual underwriting requirements</li> <li>• Purchase loans only; Refinances are not permitted</li> <li>• Short-term employment income will not be permitted to be used as effective income</li> <li>• Non-traditional credit not allowed</li> <li>• 0x30 12-month housing history required prior to declared disaster date</li> <li>• The property must be the borrower’s principal residence</li> <li>• Eligible properties include 1-unit SFR, PUDS and FHA Approved Condos</li> <li>• Previous residences (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that replacement is necessary (i.e., evidence from the borrower's insurance or previous landlord’s insurance company that the previous residence was destroyed beyond repair)</li> <li>• FHA Case Number must be assigned within one year of the date of the PDMDA is declared</li> <li>• FHAs statutory county loan limits apply (based on subject property location)</li> <li>• UFMIP and monthly MI follow standard Mortgage Insurance requirements</li> <li>• FEMA Disaster Lookup can be found at <a href="https://www.fema.gov/disasters">https://www.fema.gov/disasters</a></li> <li>• Must meet all of HUD requirements, which are summarized below.</li> <li>• <b><u>HUD Eligibility Requirements</u></b> <ul style="list-style-type: none"> <li>• <b>Borrower Eligibility:</b></li> </ul> </li> </ul>

- **Application Deadline:** The FHA case number must be assigned within one year of the date the PDMDA is declared, unless an additional period of eligibility is provided. When ordering the case select “02” in the down-down box for the Program ID under the ADP Code in the FHA Case No. assignment. NOTE: 203(h) financing must be identified on the FHA Loan Underwriting and Transmittal Summary Form 92900-LT when the Program ID is anything other than “00”.
- **Principal Residence:** The mortgaged Property must be the Borrower’s Principal Residence.
- **Property Eligibility:** The previous residence (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary. A list of the specified affected counties and cities and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA). The purchased or reconstructed Property must be a Single Family Property or a unit in an FHA-approved Condominium Project.
- **Minimum Required Investment/Maximum Loan-to-Value:** The Borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100 percent of the Adjusted Value.
- **Underwriting:** The lender should be as flexible as prudent decision making permits. The lender is required to make every effort to obtain traditional documentation regarding employment, assets, and credit, and must document their attempts. Where traditional documentation is unavailable, the lender may use alternative documentation as outlined below. Where specific requirements are not provided below, the lender may use alternative documentation that is reasonable and prudent to rely upon in underwriting a mortgage.
  - **Credit:** For Borrowers with derogatory credit, the lender may consider the Borrower a satisfactory credit risk if the credit report indicates satisfactory credit prior to a disaster, and any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.
  - **Income:** If prior employment cannot be verified because records were destroyed by the disaster, and the Borrower is in the same/similar field, then FHA will accept W-2s and tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income. PRMG will not allow short-term employment obtained following the disaster in the calculation of Effective Income.
  - **Liabilities:** When a Borrower is purchasing a new house, the lender may exclude the mortgage payment on the destroyed residence located in a PDMDA from the borrower’s liabilities. To exclude the mortgage payments from the liabilities, the lender must:
    - obtain information that the borrower is working with the servicing lender/mortgagee to appropriately address their mortgage obligation; and
    - apply any property insurance proceeds to the mortgage of the damaged house.
  - **Assets:** If traditional asset documentation is not available, the Mortgagee may use statements downloaded from the Borrower’s financial institution website to confirm the Borrower has sufficient assets to close the Mortgage.
  - **Housing Payment History:** The lender may disregard any late payments on a previous obligation on a property that was destroyed or damaged in the disaster where the late payments were a result of the disaster. PRMG requires the borrower have a 0x30x12 housing history in the 12 months prior to the disaster.
- **Eligibility Documentation Requirements**
  - The lender must document and verify that the borrower’s previous residence was in the disaster area, and was destroyed or damaged to such an extent that

	<p>reconstruction or replacement is necessary. Documentation attesting to the damage of the previous house must accompany the mortgage application (i.e., evidence from the borrower's insurance or previous landlord's insurance company that the previous residence was destroyed beyond repair). When purchasing a new house, the house need not be located in the area where the previous house was located.</p>
<p><b>QUALIFYING</b></p>	<ul style="list-style-type: none"> <li>• Qualify at note rate</li> <li>• Installment debt can be paid off to qualify.</li> <li>• Installment (closed end) debt does 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. The borrower may not pay down the balance in order to meet the 10-month requirement.</li> <li>• Accounts for which the borrower is an authorized user must be included in a borrower's DTI ratio unless documentation shows 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.</li> <li>• All deferred obligations (excluding student loans), regardless of when they will begin, must be included in the qualifying ratios. The lender must obtain evidence of: the deferral; the outstanding balance; the terms of liability; and the anticipated monthly payment. If the actual monthly payment is not available for installment debt, the lender must utilize the terms of the debt or 5 percent of the outstanding balance to establish the monthly payment.</li> <li>• For contingent/co-signed liabilities, follow HUD guidelines which will allow the payment to be excluded from monthly liabilities only if (1) documentation is provided to evidence that the other party to the debt has been making regular on-time payments during the previous 12 months and does not have a history of delinquent payments on the loan; or (2) documentation is provided which verifies and documents that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default.</li> <li>• Student loans must be included in the borrower's liabilities, regardless of the payment type or status of payments (deferred or in payment status). If the payment used for the monthly obligation is: (1) less than 1 percent of the outstanding balance reported on the Borrower's credit report, and (2) less than the monthly payment reported on the Borrower's credit report; then written documentation must be obtained of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor. Regardless of the payment status, use either: (1) the greater of: (a) 1 percent of the outstanding balance on the loan; or (b) the monthly payment reported on the Borrower's credit report; or (2) the actual documented payment, provided the payment will fully amortize the loan over its term.</li> <li>• For 30 day accounts, must verify the borrower paid the outstanding balance in full on every 30-Day 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 any late payments in the last 12 months, must utilize 5% of the outstanding balance as the borrower's monthly debt to be included in the DTI. Must use the credit report to document that the borrower has paid the balance on the account monthly for the previous 12 months. Must use the credit report to document the balance, and must document that funds are available to pay off the balance in excess of the funds and reserves required to close the mortgage.</li> <li>• For revolving accounts, must include the monthly payment shown on the credit report for the revolving charge account. Where the credit report does not include a monthly</li> </ul>

payment for the account, must use the payment shown on the current account statement or 5% of the outstanding balance. Must use the credit report to document the terms, balance and payment amount on the account, if available. Where the credit report does not reflect the necessary information on the charge account, must obtain a copy of the most recent charge account statement or use 5% of the outstanding balance to document the monthly payment.

- If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as such will require supplemental documentation to support the payment, as required by the agency or, if revolving, 5% of the balance can be used for the payment
- Paying off revolving debt to qualify is allowed. The debt includes any revolving debt that is being paid off and not included in the ratios. Account must be paid in full prior to or at closing and documentation must be provided evidencing repayment. Source of funds must be documented (proceeds on a cash out transaction are acceptable.) Accounts are not required to be closed.
- For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment
- For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.
- The percentage of non-taxable income that may be added cannot exceed the greater of 15% or the appropriate tax rate for the income amount, based on the borrower's tax rate for the previous year. If the borrower was not required to file a federal tax return for the previous tax reporting period, gross up the non-taxable income by 15%. Any additional adjustments or allowances based on the number of the borrower's dependents is not allowed.
- A tax withholding table can be found at the following link, but sure to use the most recent tax table: <https://www.irs.gov/pub/irs-pdf/n1036.pdf>
- If the borrower has a tax lien, the underwriter must condition for proof the money owed has been paid in full or paid off in full at closing and must include the current amount of the lien, including all interest and late fees or provide evidence to verify the borrower has entered into a valid repayment agreement with the federal agency to make regular payments on the debt and the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. The lender must include the payment amount in the agreement in the calculation of the borrower's DTI ratio. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if there is evidence the borrower has outstanding tax debt or the if the borrower is in a payment plan, then the monthly tax payment amount must be included in the calculation of the borrower's DTI ratio, but there is no minimum months of payment required to have been made. For prior tax years, if there is evidence the borrower has outstanding tax debt or the borrower is in a payment plan, evidence to verify the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and underwriter discretion can be used to determine the minimum months of payment required to have been made. Even if the 1040s shows payment due as long as there is no other evidence of an outstanding tax debt (i.e., tax liens, payments to the IRS) no additional evidence to reflect payment of the taxes is required. For Amended Tax Returns or Stamped Tax Return option, see the applicable guidance in the Product Profile for further requirements.
- In community property states, tax liens of any non-borrowing spouse must be paid. The credit history of the non-borrowing spouse in regard to the lien does not have to be

considered, but the tax liens have to be paid.

- To calculate DTI for loans with subordinate HELOCS (for all properties): If there is a balance, use the payment that is reflected on the credit report. If there is no payment on the credit report, obtain a copy of the billing statement, or note to determine the payment amount, based on the terms of the note, or the statement. If there is no balance, a payment does not need to be included.
- Business use of subject property, as reflected on tax returns, may not exceed 25% of the home.
- Lease payments must be included in the borrower's recurring monthly debt obligations, regardless of the number of months remaining on the lease unless there is evidence provided that the lease will not be renewed and another vehicle will not be purchased/leased, or if another vehicle was leased/purchased then the payment for that vehicle should be included in the ratios as appropriate.
- For borrowers with collection accounts, if the cumulative outstanding balance of all collections of all borrowers is less than \$2,000, the lender is not required to consider or evaluate collection accounts. If the cumulative outstanding balance of all collections of all borrowers is equal to or greater than \$2,000, the lender must include monthly payments in the borrower's debt-to-income ratio for accounts that will remain open subsequent to closing or require the collection account to be paid off as described as follows (also see Credit Section): At the time of or prior to closing, payment in full of the collection account (verification of acceptable source of funds required). The borrower makes payment arrangements with the creditor. If the borrower has entered into a payment arrangement with the creditor, a credit report or letter from the creditor verifying the monthly payment is required. The monthly payment must be included in the borrower's debt-to-income ratio. If evidence of a payment arrangement is not available, the lender must calculate the monthly payment using 5% of the outstanding balance of each collection, and include the monthly payment in the borrower's debt-to-income ratio. Note, all medical collections and charge off accounts are excluded from this requirement and do not require resolution. Collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance.
- For borrowers with a court ordered judgment where the borrower has an agreement with the creditor to make regular and timely payments, a copy of the agreement and evidence that payments were made on time in accordance with the agreement, and a minimum of three months of scheduled payments have been made prior to credit approval is required. Note, borrowers are not allowed to prepay scheduled payments in order to meet the required minimum of three months of payments. The payment amount in the agreement must be included in the calculation of the borrower's debt-to-income ratio. Judgments of a non-purchasing spouse in a community property state must be paid in full, or meet the exception guidance for judgments above, unless excluded by state law.
- If borrower or non-occupant co-borrower will not be occupying the subject property (i.e., borrower on second home or investment property and any non-occupying co-borrower) does not have a current housing expense, because they state they live rent free on the 1003, proof they live rent free must be provided. Acceptable documentation would include, but is not limited to, an LOE from the owner/landlord of the residence where they currently live.
- If a borrower is on title (has ownership interest) and is on the note to other properties besides the subject property, follow FHA guidelines for contingent liabilities for both the P&I payment as well as the taxes, insurance and additional items (association fees) (TIA). If borrower is just on title, and not obligated on the note for non-subject properties, the TIA does not have to be included in borrower's ratios as long as documentation is provided to show 12 months' satisfactory payments by the other party who is on title and



	<p>the note, in alignment with contingent liability requirements. If the taxes and insurance are not escrowed or the property is owned free and clear, and the TIA is not paid on a monthly basis (i.e. annually, semi-annually) then a sufficient history of payments made by the other party on title must be presented to make a reasonable conclusion that it will continue. The other party making the payments must be both on the note (if there is a lien) and on title (in all cases) in order to exclude</p>
<p><b>CURRENT PROPERTIES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES</b></p>	<ul style="list-style-type: none"> <li>• If rental income is being derived from the property being vacated by the borrower, the borrower must be relocating to an area more than 100 miles from the borrower’s current principal residence. Must obtain a lease agreement of at least one year’s duration after the mortgage is closed and evidence of the payment of the security deposit or first month’s rent. Rental Income must be calculated in accordance with guidance in Handbook 4000.1.</li> <li>• Additionally, when the borrower does not have a history of rental income for the property since previous tax filing, must obtain an appraisal evidencing 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 loan on the property being vacated must not be an FHA insured loan, unless borrower meets exception for more than one FHA insurance loan as allowed per HUD and must meet the requirements above.</li> </ul>
<p><b>RATIOS</b></p>	<p>AUS Approval (no Manual Downgrade):</p> <ul style="list-style-type: none"> <li>• For cash out transactions with &lt;620 score, 45% max DTI applies regardless of AUS approval</li> <li>• All other transactions with AUS Approval, DTI allowed per AUS approval</li> </ul> <p>Manual Underwrites (including Manual Downgrades):</p> <ul style="list-style-type: none"> <li>• Manual Underwrite with credit scores <math>\geq 620</math>: <ul style="list-style-type: none"> <li>• Ratios allowed per HUD (as described below)</li> </ul> </li> <li>• Manual Underwrite with credit scores <math>\geq 580</math> and <math>&lt; 620</math>: <ul style="list-style-type: none"> <li>• 31%/43% max ratios (cannot be exceed even with HUD Compensating Factors)</li> </ul> </li> <li>• Manual Underwrite <math>&lt; 580</math> not allowed</li> <li>• Non-Traditional/Insufficient Credit (No Credit Score): Max Ratios 31%/43% unless another borrower on the transaction has a credit score. If another occupying borrower on the loan has a credit score, use the ratios requirements as required by HUD for the borrower with the lowest score if credit score is <math>\geq 620</math>. If credit score for the borrower with the lowest score is <math>&lt; 620</math>, then the max ratios are 31%/43%. The qualifying ratios for borrowers with no credit score are computed using income only from borrowers occupying the property and obligated on the mortgage. Non-occupant co-borrower income may not be included.</li> <li>• For High Balance Manual Underwrites only, if the ratios exceed 31%/43%, “Ratios Exceed 31%/43%” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval.</li> <li>• Must comply with more restrictive of below ratios or Approval Ratio Requirements (II.A.5.d) from Handbook 4000.1 <ul style="list-style-type: none"> <li>• 31%/43% for borrowers with no compensating factors and must meet any additional requirements as outlined in Handbook 4000.1: II.A.5.d</li> <li>• For credit scores <math>\geq 620</math>: 37%/47% with one compensating factors and must meet any additional requirements as outlined in Handbook 4000.1: II.A.5.d</li> <li>• For credit scores <math>\geq 620</math>: 40%/50% with two compensating factors and must meet any additional requirements as outlined in Handbook 4000.1: II.A.5.d</li> <li>• 40%/40% ratio category allowed by Handbook 4000.1: II.A.5.d for borrowers with no discretionary debt may not be utilized</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Energy Efficient Homes may have stretch ratios of 33%/45% from 31%/43% unless restricted for credit scores &lt;620 (however, PRMG does not offer Energy Efficient Mortgages (EEMs) as described in 4000.1.II.A.8.c - the property must already meet (prior to closing) the HUD requirements for Energy Efficient Homes as described in 4000.1.II.A.5.d.ix(A) and evidence of such must be in the loan file.)</li> <li>• Additional information on ratios and manual underwrites can also be found in the following document located in the Resource Center: Credit Standards Policy (including FHA Compensating Factors): <a href="https://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/Credit%20Standards%20Policy.pdf">https://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/Credit%20Standards%20Policy.pdf</a></li> </ul>
<b>TEMPORARY BUYDOWNS</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> </ul>
<b>CREDIT</b>	<ul style="list-style-type: none"> <li>• Must at all times comply with HUD guidelines, subject to any additional restrictions listed in this product profile</li> <li>• DE Underwriter Final Loan Approval Date cannot be after Note Date.</li> <li>• The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted.</li> <li>• If the borrower’s credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center).</li> <li>• Qualifying FICO score is determined by using the middle of three or lowest of two scores. If there are multiple borrowers, then use the lowest representative score of all borrowers to qualify. If only one score is available, then use the one provided.</li> <li>• A three repository merged (tri-merge) credit report (TRMCR) or Residential Mortgage Credit Report (RMCR) from an independent consumer-reporting agency is required.</li> <li>• All Borrowers must have at least 1 valid FICO score, unless using Non-Traditional Credit/Insufficient Credit option described below.</li> <li>• If a borrower has purchased or refinanced their current primary residence in the last 12 months and is retaining the residence they are not eligible for a purchase transaction on a new primary residence without Operations Management or Corporate Underwriting review and approval of the circumstances unless the existing lender has agreed to allow the borrower to purchase a new primary residence</li> <li>• The borrower must be current on the mortgage being refinanced for the month due prior to the month in which they close the refinance and for the month in which they close. For example, if the loan is closing on April 8, the borrower must have paid the March payment within the month of March and must make the April payment by closing. However, the borrower’s payment that is due at the time of closing (in the example, the April payment) may be included in the payoff statement from the current lender and no additional money is required to be brought into closing. The underwriter must verify that a payment is not being skipped and the payment that is due is included in the payoff statement. It is the borrower’s responsibility to make the current month’s payment should the loan not close before the last business day of the month in which the refinance takes place. Otherwise, the payment will be considered late and the loan will not be eligible for FHA streamline financing for a minimum of 1 year. Additionally, if the present month’s payment is made by the borrower prior to close, then only 30 days of interest, not 60 days of interest can be included in the payoff. For instance, if the borrower made his May payment on May 8th and the loan closed on May 28th only 30 days of interest can be charged.</li> <li>• Mortgage history (mortgage lates) on purchase or rate/term or simple refinances allowed per AUS approval/HUD.</li> <li>• The credit report for the mortgage history must be updated to include the payment made for the most recent month due.</li> </ul>

- Cash out refinance transactions must have 0 x 30-day mortgage lates on any mortgage associated with the borrower, property or any other property the borrower has an ownership interest in within the last 12 months. If the current mortgage is seasoned less than 12 months, but greater than 6 months, the borrower must have made all payments when due. Mortgages with less than 6 months of payment history are not eligible.
- If a borrower is refinancing a privately held mortgage, the following guidelines apply:
- The borrower must provide evidence that 12 months of mortgage payments have been made on the current mortgage. If the account has been opened less than 12 months, verification of all payments made is required.
- The mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower's account).
- Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.
- See Qualifying section for capacity analysis for all loans with collections and judgments. Court ordered judgments must be paid off (or provide evidence they have been satisfied). Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. The borrower must provide a copy of the agreement and evidence that payments were made on time in accordance with the agreement, and a minimum of three months of scheduled payments have been made prior to credit approval. Borrowers are not allowed to prepay scheduled payments in order to meet the required minimum of three months of payments.
- For loans using TOTAL, not required to obtain an explanation of collection accounts, charge off accounts, accounts with late payments, judgments or other derogatory information.
- For manual underwrites, for borrowers with judgments (any debt or monetary liability of the borrower, and the borrower's spouse in a community property state unless excluded by state law, created by a court, or other adjudicating body) must determine if judgments were a result of: the borrower's disregard for financial obligations; the borrower's inability to manage debt; or extenuating circumstances and must document reasons for approving a mortgage when the Borrower has judgments.
- For all borrowers with judgments (using TOTAL or manual), the following documentation must be provided: evidence of payment in full, if paid prior to settlement; the payoff statement, if paid at settlement; or the payment arrangement with creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title.
- For manual underwrites, for borrowers with collection (debt that has been submitted to a collection agency through a creditor) or charge off accounts loan or debt that has been written off by the creditor), must determine if collection or charge off accounts were a result of: the borrower's disregard for financial obligations; the borrower's inability to manage debt; or extenuating circumstances and must document reasons for approving a mortgage when the borrower has any collection or charge off accounts. The borrower must provide a letter of explanation, which is supported by documentation, for each outstanding collection and charge off account. The explanation and supporting documentation must be consistent with other credit information in the file.
- Chapter 7 bankruptcies must be discharged at least 2 years to the case number assignment date and the borrower has re-established their credit or chosen not to incur new credit obligations.
- Chapter 13 bankruptcies requires that one year of the pay-out period under the bankruptcy has elapsed, the borrower's payment performance has been satisfactory and all required payments have been made on time, and the borrower has received written

permission from bankruptcy court to enter into the mortgage transaction. Regardless of purpose, any bankruptcy not discharged at least 2 years must be downgraded to a manual underwrite.

- Subject properties that have had a loan modification or previous short refinance are eligible. A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. If mortgage payment history requirements (as required by HUD for mortgage history) since the date of loan modification are not met, a downgrade to a manual underwrite is required.
- Borrowers with a loan modification or short refinance in their credit history are eligible. A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. If mortgage payment history requirements (as required by HUD for mortgage history) are not met, a downgrade to a manual underwrite is required.
- Short Refinances must reflect mortgage payments on the mortgage being refinanced were made within the month due for the 12-month period preceding this transaction (refinance/modification), and installment debt payments for the same time period were also made within the month due, no previous bankruptcy or foreclosure, loan may not be currently delinquent and a written principal reduction agreement from the current lender required (must be borrower specific and indicate the loan being paid off and the agreement or some other evidence must indicate there will not be a deficiency judgment)
- Short sales (Pre-Foreclosure Sales) within the last 3 years to the case number assignment date are not allowed, with the following exception: if a short sale has occurred within 3 years of the case assignment date, there is no seasoning requirement as long as the loan is manually underwritten, all Mortgage Payments on the prior Mortgage were made within the month due for the 12-month period preceding the Short Sale; and installment debt payments for the same time period were also made within the month due.
- Foreclosure: Foreclosures within the last 3 years to the case number assignment date are not allowed.
- For a borrower that had an FHA mortgage foreclosed, 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.
- Deed-in-lieu of foreclosures are considered foreclosures and require 3 year seasoning to the case number assignment date
- Must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the subject property is located in a community property state. The credit report must indicate the non-borrowing spouse's SSN, where an SSN exists, was matched with the SSA, or the must either provide separate documentation indicating that the SSN was matched with the SSA or provide a statement that the non-borrowing spouse does not have an SSN. Where an SSN does not exist for a non-borrowing spouse, the credit report must contain, at a minimum, the non-borrowing spouse's full name, date of birth, and previous addresses for the last two years.
- The debts of a non-purchasing spouse must be included in the borrowers qualifying ratios if the borrower resides in a community property state or the property is located in a community property state unless that debt is specifically excluded by state law. The underwriter must ensure the debt that is not being included complies with state law and the debt can in no way effect the new first trust deed lien. Additionally, if the debt being excluded is a mortgage lien, it is important to ensure the current loan transaction is not being used to provide a bail out for the other mortgage lien.
- Non-borrowing spouse's credit history cannot be used when making a credit decision on the loan. Derogatory event on any property held against borrower only if it appears on

	<p>their credit report or if they are obligated on note. Derogatory event not held against borrower even if a property appears on a joint tax return, the borrower lives in a property or the borrower is on title.</p> <ul style="list-style-type: none"> <li>• In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrowers verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed.</li> <li>• MERS search must be run on borrower</li> <li>• Credit documentation must not be more than 120 days old from the disbursement date</li> <li>• PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements.</li> </ul>
<p><b>TRADE LINE REQUIREMENTS</b></p>	<ul style="list-style-type: none"> <li>• Unless using Non-Traditional Credit/Insufficient Credit option below, all borrowers must have a valid credit score. The credit score cannot be determined using insufficient trade lines (authorized user accounts, deferred student loans or disputed credit lines.)</li> <li>• There are no minimum traditional (credit reported directly to the credit bureaus) trade line requirements with a DU Approve/Eligible. You must always meet the requirements as listed on the DU approval.</li> <li>• Unless using Non-Traditional Credit/Insufficient Credit option below, non-traditional credit is not allowed as a basis for loan approval</li> </ul>
<p><b>MANUAL UNDERWRITE PAYMENT HISTORY</b></p>	<ul style="list-style-type: none"> <li>• If a loan is manually underwritten it is necessary to review the borrower's credit history for the 24 months prior to the case number assignment date, including for borrower housing payment history. Note, for housing history, must evaluate previous housing expenses and related expenses, including utilities.</li> <li>• On manual underwrites, HUD requires the following: <ul style="list-style-type: none"> <li>• Purchases, Rate and Term Refi and Simple Refi: Housing and Installment - Last 12 months: 0 x 30 and Months 13 to 24: 2 x 30 AND Revolving Debt Payment - Last 12 months: 2 x 60 or 0 x 90</li> <li>• Cash Out: Housing and Installment - Last 12 months: 0 x 30 and Months 13 to 24: 2 x 30 AND Revolving Debt Payment - Last 12 months: 2 x 60 or 0 x 90</li> </ul> </li> </ul>
<p><b>NON-TRADITIONAL CREDIT/INSUFFICIENT CREDIT/NO SCORE</b></p>	<ul style="list-style-type: none"> <li>• Must use one of the following product codes: <ul style="list-style-type: none"> <li>• FHA No Credit Score 10 Year Fixed</li> <li>• FHA No Credit Score 15 Year Fixed</li> <li>• FHA No Credit Score 20 Year Fixed</li> <li>• FHA No Credit Score 25 Year Fixed</li> <li>• FHA No Credit Score 30 Year Fixed</li> </ul> </li> <li>• Standard balance only</li> <li>• Cash out not allowed</li> <li>• Must meet all of HUD's requirements</li> <li>• Manual underwrite required</li> <li>• Not allow on 2-4-unit properties</li> <li>• If there is any borrower on the transaction with a score, each borrower with a score must have a 580 minimum score</li> <li>• Manual underwrite requires second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second</li> </ul>

signature.

- Max ratios 31%/43% unless another borrower on the transaction has a credit score. If another borrower on the loan has a credit score, must use the ratios requirements as required by HUD for the borrower with the lowest score if credit score is  $\geq 620$ . If credit score for the borrower with the lowest score is  $< 620$ , then the max ratios are 31%/43%.
- Allowed for borrower and/or co-borrower with no score
- Allowed for borrower and/or co-borrower with non-traditional credit or insufficient credit
- In FT 360 enter 0 in the credit score for borrowers with no score.
- Where the loan involves multiple borrowers and one or more of the borrowers do not have a credit score (non-traditional or insufficient credit), select the lowest minimum decision credit score of the borrower(s) with credit score(s). This score is used for underwriting purposes, not pricing purposes. Use 0 as the credit score for pricing purposes
- If another borrower on the transaction has a credit score and the credit score is  $< 620$ , no gift funds allowed
- Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing, but must meet the underwriting guidance in HUD 4000.1:I.A.5 Manual Underwriting
- For Borrowers without a credit score, must either obtain a Non-Traditional Mortgage Credit Report (NTMCR) from a credit reporting company or independently develop the Borrower's credit history using the requirements outlined below.
- Non-Traditional Mortgage Credit Report: An NTMCR is designed to access the credit history of a Borrower who does not have the types of trade references that appear on a traditional credit report and used either as: (1) a substitute for a TRMCR or an RMCR; or (2) a supplement to a traditional credit report that has an insufficient number of trade items reported to generate a credit score.
- May use a NTMCR developed by a credit reporting agency that verifies the following information for all non-traditional credit references: (1) the existence of the credit providers; (2) that the credit was actually extended to the Borrower; and (3) the creditor has a published address or telephone number.
- The NTMCR must not include subjective statements such as "satisfactory" or "acceptable," must be formatted in a similar fashion to traditional references, and provide the: (1) creditor's name; (2) date of opening; (3) high credit; (4) current status of the account; (5) required monthly payment; (6) unpaid balance; and (7) payment history in the delinquency categories (for example, 0x30 and 0x60). The NTMC must provide 12-month history of the account.
- May independently verify the Borrower's credit references by documenting the existence of the credit provider and that the provider extended credit to the Borrower. (1) To verify the existence of each credit provider, the Mortgagee must review public records from the state, county, or city or other documents providing a similar level of objective information. (2) To verify credit information, the Mortgagee must: (a) use a published address or telephone number for the credit provider and not rely solely on information provided by the applicant; and (b) obtain the most recent 12 months of cancelled checks, or equivalent proof of payment, demonstrating the timing of payment to the credit provider. (3) To verify the Borrower's rental payment history, the Mortgagee must obtain a rental reference from the appropriate rental management company, provided the Borrower is not renting from a Family Member, demonstrating the timing of payment of the most recent 12 months in lieu of 12 months of cancelled checks or equivalent proof of payment.
- To be sufficient to establish the Borrower's credit, the credit history must include three credit references, including at least one of the following: (1) rental housing payments

	<p>(subject to independent verification if the Borrower is a renter); (2) telephone service; or (3) utility company reference (if not included in the rental housing payment), including: gas; electricity; water; television service; or Internet service. If the Mortgagee cannot obtain all three credit references from the previous list, the Mortgagee may use the following sources of unreported recurring debt: (1) insurance premiums not payroll deducted (for example, medical, auto, life, renter’s insurance); (2) payment to child care providers made to businesses that provide such services; (3) school tuition; (4) retail store credit cards (for example, from department, furniture, appliance stores, or specialty stores); (5) rent-to-own (for example, furniture, appliances); (6) payment of that part of medical bills not covered by insurance; (7) a documented 12-month history of savings evidenced by regular deposits resulting in an increased balance to the account that: (a) were made at least quarterly; (b) were not payroll deducted, and; (c) caused no insufficient funds (NSF) checks; (8) an automobile lease; (9) a personal loan from an individual with repayment terms in writing and supported by cancelled checks to document the payments; or (10) a documented 12-month history of payment by the Borrower on an account for which the Borrower is an authorized user.</p> <ul style="list-style-type: none"> <li>• The qualifying ratios for borrowers with no credit score are computed using income only from borrowers occupying the property and obligated on the mortgage. Non-occupant co-borrower income may not be included.</li> <li>• Income from non-occupant co-borrowers may be included in the ratios for non-traditional credit borrowers, but not for no score.</li> <li>• Must verify and document reserves equivalent to one month’s PITI after closing for one- to two-unit properties. Must verify and document reserves equivalent to three months’ PITI after closing for three- to four-unit properties. For manual underwrite, gifts cannot be used for reserves.</li> <li>• Must downgrade and manually underwrite a mortgage that received an Accept recommendation if only the non-occupying co-borrower has a credit score. Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing, but must be manually underwritten using the procedures in Handbook 4000.1.</li> </ul>
<b>LANDLORD EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• Must comply with requirements in Handbook 4000.1 regarding rental income</li> </ul>
<b>NEGATIVE CASH FLOW/ POSITIVE CASH FLOW</b>	<ul style="list-style-type: none"> <li>• Net rental income (for 3-4 units) must be equal to or greater than the projected monthly mortgage payment (i.e. the property must be self-sufficient.)</li> <li>• All rental income must be calculated in accordance with guidance in Handbook 4000.1.</li> <li>• All rental documentation must be provided in accordance with guidance in Handbook 4000.1.</li> <li>• Rental income from boarders is only acceptable if the Borrower has a two-year history of receiving income from boarders that is shown on the tax return and the borrower is currently receiving boarder income. For purchase transactions, the Mortgagee must obtain a copy of the executed written agreement documenting their intent to continue boarding with the Borrower. Must calculate income and provide documentation in accordance with guidance in Handbook 4000.1</li> </ul> <p>For non-subject properties, when the borrower does not have a history of rental income for the property since previous tax filing, must obtain an appraisal evidencing 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.</p>
<b>CASH RESERVES</b>	<ul style="list-style-type: none"> <li>• TOTAL Scorecard: 1-2 Units: None required, however, subject to underwriter discretion or per "DU" recommendation; 3-4 Units: 3 months PITIA required</li> <li>• For manual underwrites: Must verify and document reserves equivalent to one month’s PITI after closing for one- to two-unit properties. Must verify and document reserves equivalent to three months’ PITI after closing for three- to four-unit properties. For</li> </ul>

	<p>manual underwrite, gifts cannot be used for reserves.</p> <ul style="list-style-type: none"> <li>• Cash saved at home allowed, must meet all HUD requirements to be able to use for the transaction and for verification of funds All verifications of funds, including the most recent asset account statements, must be dated within 45 days of the loan application or an updated statement is required.</li> </ul>
<p><b>REQUIRED DOWN PAYMENT /SOURCE OF FUNDS</b></p>	<ul style="list-style-type: none"> <li>• Required 3.50% minimum down payment (gifts allowed-see gift section below for details).</li> <li>• Minimum \$100 down payment is required when using the \$100 Down HUD REO program</li> <li>• Funds that are brought to closing (i.e., cashier’s checks or wire) by the borrower must be verified as belonging to the borrower. The required funds from the borrower do not have to be from an institution that was sourced in the loan file, as long as the borrower has sufficient funds in the sourced accounts to cover the amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regard to borrower funds, <u>not</u> gift funds.</li> <li>• For loans with prorated seller paid taxes (taxes that have been prepaid by the seller on the subject property), the prorated taxes can reduce the funds required at closing, however, the loan file must still contain documentation that borrower has 3.5% (or required minimum required investment (MRI) for transaction) of their own funds (or other acceptable source of MRI), even though they may not actually contribute the actual 3.5% (or required MRI) at closing because the seller prorated tax credit is an acceptable source to meet the MRI. In other words, the prorated tax credit cannot be used in the documented assets considered to meet the MRI but can be credited at closing.</li> <li>• Access letter required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse)</li> <li>• Cash saved at home allowed, must meet all HUD requirements to be able to use for the transaction and for verification of funds</li> <li>• Direct verification by a third-party asset verification vendor (i.e., AccountChek) is allowed in accordance with HUD as addressed in ML 2019-01</li> <li>• When borrower’s funds-to-close are from a 401k, IRA, or other retirement account, proof of liquidation is required, regardless of Total Scorecard response</li> <li>• Sweat Equity not permitted</li> <li>• Bridge loans are not allowed</li> <li>• Business funds are permitted, but must be documented and business tax returns would be required. Additionally, business funds from a partnership or corporation may not be used to meet any required minimum down payment requirements unless a borrower is 100% owner or the DE Underwriter obtains documentation that the borrower has access to the funds to be used as their required minimum down payment. In all cases, business funds being used for funds to close or reserves are allowed as long as there is a CPA letter or evidence to confirm it will not negatively affect the business. If business is a partnership, written permission from the other partners is required.</li> <li>• All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company.</li> <li>• Cash deposits over 1% of the adjusted value require an explanation from the borrower as to how they were accumulated in alignment with HUD’s requirement for cash on hand.</li> <li>• Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S.</li> </ul>



	<p>currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion.</p> <ul style="list-style-type: none"> <li>• If the borrower’s source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction.</li> <li>• Must verify and document the deposit amount and source of funds if the amount of the earnest money deposit exceeds 1% of the sales price or is excessive based on the borrower’s history of accumulating savings, by obtaining: a copy of the borrower’s cancelled check; certification from the deposit-holder acknowledging receipt of funds; or a VOD or bank statement showing that the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit. If the source of the earnest money deposit was a gift, must verify that the gift is in compliance with gifts as allowed per HUD.</li> <li>• Must verify and document the existence of and amounts in the borrower’s checking and savings accounts. For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value of the property, must obtain documentation of the deposits. Must also verify that no debts were incurred to obtain part, or all, of the minimum required investment.</li> <li>• All verifications of funds, including the most recent asset account statements, must be dated within 45 days of the loan application or an updated statement is required.</li> </ul>
<p><b>GIFT FUNDS</b></p>	<ul style="list-style-type: none"> <li>• No gifts allowed for manual underwrites with credit scores &lt; 620</li> <li>• No gifts allowed for 3-4 unit properties</li> <li>• Allowable donors include: <ul style="list-style-type: none"> <li>• Borrower’s family member (as defined by HUD)</li> <li>• The borrower’s employer or labor union</li> <li>• Charitable organizations</li> <li>• Government agencies</li> <li>• A close friend with a clearly defined interest in the borrower (family members, such as a cousin, who are not considered family members by HUD can be documented as a close friend and still be an eligible donor, but must reference “close friend” in the letter as their relationship.)</li> <li>• a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families; or first-time homebuyers.</li> </ul> </li> <li>• Gift letter required. All gift letters must include the following: <ul style="list-style-type: none"> <li>• Name, address and phone number of the donor and the borrower.</li> <li>• Dollar amount of the gift.</li> <li>• Relationship between the donor and the borrower.</li> <li>• Specification that no repayment is required.</li> <li>• Signatures of both the donor and the borrower.</li> </ul> </li> <li>• Must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the following: <ul style="list-style-type: none"> <li>• If the gift funds have been verified in the Borrower’s account, obtain the donor’s bank statement showing the withdrawal and evidence of the deposit into the Borrower’s account.</li> <li>• If the gift funds are not verified in the Borrower’s account, obtain the certified check or money order or cashier’s check or wire transfer or other official check evidencing payment to the Borrower or settlement agent, and the donor’s bank statement evidencing sufficient funds for the amount of the gift.</li> </ul> </li> <li>• If the gift funds are paid directly to the settlement agent, verify that the settlement agent</li> </ul>

	<p>received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source. (Please note that since funds wired directly to the settlement are not verified in the borrower’s account, HUD has indicated that the above bullet point to require evidence of the certified check or money order or cashier’s check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor’s account applies.)</p> <ul style="list-style-type: none"> <li>• If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the donor must provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction.</li> <li>• Regardless of when gift funds are made available to a Borrower or settlement agent, the Mortgagee must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.</li> <li>• When a borrower receives a gift from an acceptable source and the donor’s bank statement shows a large deposit, no explanation, documentation or evidence of the source of the deposit is required, regardless of the amount. However, the gift letter must indicate that any funds given to the borrower were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent, broker, loan officer or any other entity associated with the transaction (or other similar verbiage). Additionally, there can be no evidence that the deposit is from an unacceptable source (i.e., a deposit shows that it was a cash deposit to the branch/ATM).</li> <li>• Cash on Hand is not an acceptable source of donor gift funds</li> <li>• Gifts of Equity (Equity Credit) is allowed in accordance with HUD, including that the gift can only be from a family member.</li> </ul>
<p><b>CONTRIBUTIONS BY AN INTERESTED PARTY</b></p>	<ul style="list-style-type: none"> <li>• If using some sort of option that provides a lender or realtor credit at closing (i.e., Local Heroes Program or Homes for Heroes Program), a condition (like 3669 or 3721) must be added to the file indicating it is using the program/option, and reflect the amount of the lender or realtor credit on the condition. The credit must also be reflected on CD Page 3 and be within any IPC limits.</li> <li>• 6% of lesser of sales price or appraised value.</li> </ul>
<p><b>SUBORDINATE FINANCING</b></p>	<ul style="list-style-type: none"> <li>• Down Payment Assistance programs are available, see section below for requirements.</li> <li>• Funds may not come from any third party that is reimbursed directly or indirectly by the seller or any other entity that financially benefits from the transaction, unless the seller is a Federal, State, or local government, or their agencies or instrumentalities (Government Entities) and it is allowed by HUD</li> <li>• Secondary financing must meet HUD guidelines: <ul style="list-style-type: none"> <li>• Subordinate financing must not have pre-payment penalties, no wrap around terms, no maturity or balloon of less than 10 years.</li> <li>• Payments must be level and monthly.</li> </ul> </li> <li>• Second liens that have been modified may use the modified total loan amount to calculate the CLTV ratio and total loan amounts. An executed and recorded modification agreement must be supplied.</li> <li>• When subordinating an existing HELOC, the maximum accessible credit limit must be used for CLTV calculation.</li> <li>• For cash out refinances, subordinate financing may remain in place, but subordinate to the FHA insured first mortgage. The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the county limit and the maximum CLTV is 85% of the adjusted value.</li> <li>• See Property Assessed Clean Energy (PACE) section for properties with a PACE lien (such as the Home Energy Renovation Opportunity (HERO) Program)</li> </ul>
<p><b>DOWN PAYMENT</b></p>	<ul style="list-style-type: none"> <li>• For any case assigned on or after 7/23/19, specific documentation must be received for a</li> </ul>

<p><b>ASSISTANCE PROGRAMS</b></p>	<p>down payment assistance program to be eligible. If in the DPA program synopsis (which is found within this link: <a href="https://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf">https://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf</a>) does not specifically state: Required documentation per ML 2019-06 has been received, and cases assigned on or after 7/23/19 are eligible to proceed or DPA provided by a non-government agency and not subject to the requirements of ML 2019-06 so cases assigned on or after 7/23/19 are eligible to proceed then the down payment assistance program is not eligible, and the additional required documentation as outlined in ML 2019-06 must be submitted to <a href="mailto:DPARRequests@prmg.net">DPARRequests@prmg.net</a> for review and approval.</p> <ul style="list-style-type: none"> <li>• Minimum 620 credit score</li> <li>• Regardless of investor/PRMG approval of the Down Payment Assistance Programs, the DPA may not be directly funded by the lender and then reimbursed by the DPA. Down Payment Assistance Programs where PRMG funds the initial assistance payment and is then reimbursed by the DPA will no longer be eligible. In order for the DPA to be eligible the funds must come to the closing table directly from the DPA source.</li> <li>• To determine if DPA is approved, send an email to <a href="mailto:DPARRequests@prmg.net">DPARRequests@prmg.net</a> with the property state, DPA program name, DPA contact name and phone number or review the list posted with the product Profiles in the Resource Center. If it is determined the DPA is not already approved, the DPA can be submitted for approval using the DPA Submission form (found in the Resource Center). Required information must be submitted for approval and a determination regarding the DPA will be made regarding acceptability.</li> <li>• Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: <a href="http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf">http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf</a></li> <li>• The underwriter must verify the DPA used on the loan is the same program that is confirmed in the email/list and that it is eligible with the product and enter the information in FastTrac. Instructions for this can be found at the following link: <a href="http://www.eprmg.net/DPA-Training.pdf">http://www.eprmg.net/DPA-Training.pdf</a></li> <li>• All borrowers on the DPA must also be on the FHA transaction</li> <li>• Additionally, the following are requirements of the program and if any evidence appears that it cannot be met, it will no longer be eligible. <ul style="list-style-type: none"> <li>• The DAP, UCAP or HAP meets all published requirements of FHA; and</li> <li>• The FHA loan may not be subject to any terms or conditions of a bond program; and</li> <li>• The DAP, UCAP or HAP does not restrict the transfer of servicing rights of the first mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first mortgage's servicing rights</li> </ul> </li> </ul>
<p><b>MORTGAGE CREDIT CERTIFICATES (MCC)</b></p>	<ul style="list-style-type: none"> <li>• PRMG will not allow MCCs that are paid by the issuer directly to the servicing lender as a supplement to the borrower's monthly payment.</li> <li>• The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights.</li> <li>• PRMG must be documented as an approved participant in good standing with the MCC issuing authority.</li> <li>• PRMG must confirm that that they will represent and warrant their responsibility for all requirements prescribed by the issuing authority. The MCC must not require any subsequent investor or servicing lender to fulfill any special requirements of the issuer or the IRS, including servicing and/or reporting responsibilities.</li> <li>• HUD will only allow the MCC to be included as effective income when the MCC is not paid</li> </ul>

	<p>to the servicer. It cannot be used to reduce the PITIA since PRMG does not allow payments directly to the servicer.</p> <ul style="list-style-type: none"> <li>• Copy of the MCC and associated calculations must be in the file.</li> <li>• Must comply with all HUD Requirements</li> <li>• Following documents must be in loan file if MCC is being used to qualify: <ul style="list-style-type: none"> <li>• Copy of the Mortgage Credit Certificate (A Commitment in lieu of the Certificate will not satisfy this requirement)</li> <li>• Copy of the W-4 and worksheet</li> <li>• MCC Worksheet</li> </ul> </li> <li>• On wholesale transactions, broker to verify that PRMG is approved with the issuing MCC and that no specific training is required by the lender. Additionally, broker must provide evidence (i.e., email from authority or excerpt from MCC guidelines) that the MCC authority will allow wholesale originations. If PRMG needs to be approved (provided additional training is not required), broker can provide information to Account Executive who can request the application be submitted to the MCC by PRMG for approval. Broker is responsible for obtaining any paperwork, etc. from the MCC. On retail transactions, Loan Officer to verify that PRMG is approved with the issuing MCC and if specific training is required by the lender, the Loan Officer must complete the training. If any training is required by other staff (besides the loan officer) it must be approved by management. If PRMG needs to be approved by issuing MCC, Loan Officer can request application be submitted by PRMG for approval. Loan Officer is responsible for obtaining any paperwork, etc. from the MCC.</li> <li>• Must complete the MCC screen in FastTrac and review the below document.</li> <li>• Additional information about Mortgage Credit Certificates can be found here:</li> <li>• <a href="http://www.eprmg.net/MortgageCreditCertificates.pdf">http://www.eprmg.net/MortgageCreditCertificates.pdf</a></li> </ul>
<b>HUD REOS</b>	<ul style="list-style-type: none"> <li>• Must meet all of HUD’s requirements in regard to HUD REOs</li> <li>• Must be owner occupied</li> <li>• Title policy is required</li> <li>• Condominium projects do not need to be currently approved by HUD</li> <li>• Full “as is” appraisal required</li> <li>• Mortgagees must order a new appraisal that is valid for a HUD REO property financed with an FHA-insured mortgage</li> <li>• The mortgagee must retain copies of all appraisals available to the mortgagee in its loan file.</li> <li>• HUD must approve any real estate broker wishing to list properties or represent buyers in sales transactions of HUD REO Properties and closing agents must meet the requirements as outlined in the 4000.1 in order to conduct a closing on a sales transaction of a HUD REO Property.</li> </ul>
<b>PURCHASING A SHORT SALE</b>	<ul style="list-style-type: none"> <li>• A borrower purchasing a property from a seller who is selling their home for less than the amount owed to the lender is considered a short sale. Borrowers purchasing a home that is being sold under a short sale are generally eligible provided: <ul style="list-style-type: none"> <li>• The transaction is arm’s length involving a realtor and formal sales contract.</li> <li>• There is no relationship or identity of interest between buyer and seller as defined HUD Handbook 4000.1.</li> <li>• Short sale approval letter from all existing mortgage lien holders accepting the discounted sales price on the subject property must be provided and retained in the loan file.</li> <li>• All liens are extinguished with the sales proceeds.</li> <li>• Any earnest money deposits must be verified with a bank statement or a print out from the bank at the time the earnest money check cleared the borrower’s account, regardless of amount.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Full interior/exterior appraisal is required, regardless of AUS.</li> <li>• The borrower is not involved in negotiations with the lien holder(s) to facilitate the short sale.</li> <li>• An in-depth review of the following must be completed for any inconsistencies detected in the transaction. Documentation of the resolution of any questionable items must be included in the loan file: Purchase contract (including all addendums and short sale addendum), Appraisal, Title, Hud-1</li> <li>• There are cases where the borrower may elect to pay additional fees or payments related to acquiring the property that is typically the responsibility of the seller. In these instances, the following requirements apply: <ul style="list-style-type: none"> <li>• The borrower must be provided with written details of the additional fees or payments. The additional funds required to complete the transaction must be documented on the purchase contract and/or addendum.</li> <li>• The servicer or servicers agreeing to the short sale must be provided with written details of the fees or payments and has the option of renegotiating the payoff amount to release the lien(s) against the subject property.</li> <li>• All parties (buyer, seller, and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees or payments.</li> <li>• The HUD-1 must include all fees and payments associated with the transaction.</li> </ul> </li> <li>• Note: If the borrower pays short sale processing fees or short sale negotiation fees, the fee must be treated as a sales concession if any portion of the fee is reimbursed by an interested party to the transaction.</li> </ul>
<b>NON ARM'S LENGTH TRANSACTIONS/ IDENTITY OF INTEREST</b>	<ul style="list-style-type: none"> <li>• Identity of Interest/Non Arm's Length transactions are limited to a max LTV of 85%.</li> <li>• An identity of interest transaction is a transaction for the purchase of a principal residence between parties with a familial or business relationship or business affiliates</li> <li>• The following are NOT considered identity of interest/non-arm's length transactions and are eligible for maximum financing: <ul style="list-style-type: none"> <li>• A family member purchasing another family member's principal residence</li> <li>• An employee of a builder purchasing one of the builder's new homes or models as a principal residence</li> <li>• A current tenant purchasing the property that the tenant has rented for at least 6 months prior to the sales contract. A lease or other written evidence must be submitted verifying occupancy.</li> <li>• Sales by corporations that transfer employees out of an area, purchase the transferred employee's home, and then resell to another employee.</li> </ul> </li> <li>• If the property being sold from one family member to another is the property seller's investment property, the maximum mortgage is the lesser of 85% of the sales price or appraised value OR the current maximum mortgage calculation formula unless the family member has been a tenant in the property for at least six months immediately predating the sales contract. A lease or other written evidence must be submitted to verify occupancy.</li> <li>• If there is an identity-of-interest between the buyer and seller, commission from the sale or listing of the property cannot be used for the down payment.</li> </ul>
<b>REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER</b>	<ul style="list-style-type: none"> <li>• Not allowed on retail or correspondent transactions</li> <li>• For wholesale transaction only, unless restricted by state law, allowed if broker is not an approved HUD lender</li> <li>• QC Audit Required</li> </ul>
<b>MORTGAGE INSURANCE</b>	<ul style="list-style-type: none"> <li>• All loans, regardless of LTV require mortgage insurance.</li> <li>• Mortgage Insurance Premiums are listed below as "Upfront Amount/Monthly Fee."</li> </ul>
CASE NUMBERS ASSIGNED ON OR AFTER JANUARY 26, 2015 – ALL LOAN PURPOSES	

EXCEPT SIMPLE REFINANCES OF LOANS ENDORSED PRIOR TO JUNE 1, 2009			
<b>Loan Terms &gt; 15 Years</b>			
LTV/Base Loan Amount	≤ 95%	> 95%	
≤\$625,500	1.75%/.80%	1.75%/.85%	
>\$625,500	1.75%/1.00%	1.75%/1.05%	
<b>Loan Terms ≤ 15 Years</b>			
LTV/Base Loan Amount	≤ 78%	>78% and ≤ 90%	> 90%
≤\$625,500	1.75%/0.45%	1.75%/0.45%	1.75%/0.70%
>\$625,500	1.75%/0.45%	1.75%/0.70%	1.75%/0.95%

- For all loan terms with LTVs ≤90% cancellation of the annual (monthly) premium will occur after the borrower has paid the premium for eleven years
- For all loan terms with LTVs >90% the annual (monthly) premium will continue for the loan term

CASE NUMBERS ASSIGNED ON OR AFTER JUNE 11, 2012 – SIMPLE REFINANCES OF LOANS ENDORSED PRIOR TO JUNE 1, 2009 ONLY			
<b>All Loan Terms</b>			
LTV/Base Loan Amount	All LTVs		
All Loan Amounts	.01%/0.55%		

- For all loan terms with LTVs ≤90% cancellation of the annual (monthly) premium will occur after the borrower has paid the premium for eleven years
- For all loan terms with LTVs >90% the annual (monthly) premium will continue for the loan term

**PROPERTY INSURANCE**

- See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information
- For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note.
- Acceptable Proof of Flood Insurance:
  - Copy of Flood Insurance Policy
  - Copy of Declaration Page
  - Copy of the application for flood insurance with a paid receipt for the first year’s premium or if paid at closing, premium reflected on the HUD
- Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider’s zone. Otherwise, evidence that the borrower’s zone is “grandfathered” must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone.
- Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps.
- As required per HUD, Flood insurance in Special Flood Hazard Areas must be obtained through the National Flood Insurance Program (NFIP).
- Flood Insurance: Maximum deductible clause for a flood insurance policy is \$5,000
- For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium). The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required.
- If the homeowner’s association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to

	<p>ensure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.)</p>
<p><b>TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS</b></p>	<ul style="list-style-type: none"> <li>• The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by: <ul style="list-style-type: none"> <li>• Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date;</li> <li>• Insuring against any impairment or loss of title of PRMG’s first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy;</li> <li>• Insuring that the unit does not encroach on another unit or on any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, areas or facilities;</li> <li>• Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes;</li> <li>• Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and</li> <li>• Insuring that the owner of a PUD unit is a member of the homeowner’s association and that the membership is transferable if the unit is sold.</li> </ul> </li> </ul>
<p><b>APPRAISAL</b></p>	<ul style="list-style-type: none"> <li>• Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link</li> <li>• <a href="http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf">http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf</a></li> <li>• Traditional appraisal report completed by a state-licensed and HUD approved appraiser required on all loans.</li> <li>• Appraisals are valid for 120 days and must be dated within 120 days of the disbursement date.</li> <li>• A one-time, 120-day extension of an appraisal that is due to expire and lender does not want to order a new appraisal report is allowed using Form 1004D/442 Appraisal Update with the following conditions: <ul style="list-style-type: none"> <li>• The underwriter has not previously extended the original appraisal for 30 days</li> <li>• May be used for existing properties, or for new construction that is incomplete.</li> <li>• Must be completed prior to the original appraisal’s expiration date.</li> <li>• May not be used if the property value has declined.</li> <li>• The original Appraiser must perform the update and be in good standing with FHA at the time of the update. The Appraisal Update must be signed by the original appraiser. A supervisory signature is not permitted.</li> <li>• The appraiser must include a completed 1004MC Market Conditions Addendum reflecting current market conditions.</li> <li>• The appraiser must certify that he/she can observe the improvements that contribute to value (no obstructions), that there are no deficiencies or other significant changes and certify that the property value has not declined.</li> <li>• The appraiser must provide photos from the street and from all angles visible from a public way.</li> <li>• If used by a subsequent lender who is not identified as the Client in the original appraisal report, the appraiser must incorporate the original report by attachment rather than by reference.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Appraisal may not be over 150 days from funding date if lender allows a 30-day extension as permitted in Handbook 4000.1:II.A.A.a.i.(A)(1)(b)(i)</li> <li>• Appraisal may not be over 240 days from funding date if lender allows a 120-day extension as permitted by Form 1004D.</li> <li>• A DE lender may extend the appraisal for 30 days, provided the borrower has signed a valid sales contract or is approved for the FHA loan prior to the expiration date on the appraisal (the loan approval date is the date the DE underwriter signs the 92900-LT – Loan Transmittal)</li> <li>• When a repair inspection is required, any FHA Roster appraiser can complete the 1004D, it does not need to be done by the original appraiser</li> <li>• The effective date of the appraisal cannot be before the FHA case number assignment date unless the lender certifies, via the certification field in the Appraisal Logging Screen in FHAC, that the appraisal was ordered for conventional lending or government-guaranteed loan purposes and was performed by a FHA Roster Appraiser. The lender must ensure that the appraisal was performed in accordance with FHA appraisal reporting instructions as detailed in this SF Handbook and the Appraisal Report and Data Delivery Guide. The intended use of the appraisal must indicate that it is solely to assist FHA in assessing the risk of the Property securing the FHA-insured Mortgage. Additionally, FHA and the lender must be indicated as the intended users of the appraisal report.</li> <li>• For HUD REO properties, follow HUD guidelines including appraisal is valid for 120 days from the effective date of the appraisal. Additionally, please note that if the buyer is financing the purchase with an FHA-insured mortgage, a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or the lender must order a new appraisal or an appraisal update to support the mortgage transaction.</li> <li>• A 3 year sales history is required on the subject property.</li> <li>• The seller on the sales contract must be the owner of record.</li> <li>• PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion.</li> <li>• If a termite inspection is performed, and the Atlanta HOC is being used, the state mandated pest control form must be used.</li> <li>• Photographs are required for living rooms, kitchens, bedrooms and bathrooms</li> </ul>
<p><b>REVIEW/SECOND APPRAISALS</b></p>	<ul style="list-style-type: none"> <li>• A second appraisal is required for properties that are being re-sold within 180 days of acquisition by the seller AND the resale price is 100% or more over the price paid by the seller when the property was acquired.</li> <li>• Review appraisals must be completed by a PRMG approved Appraisal Company.</li> </ul>
<p><b>SALES CONTRACT CHANGES</b></p>	<ul style="list-style-type: none"> <li>• PRMG will not accept re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed if: <ul style="list-style-type: none"> <li>• the appraised value is higher than the contracted sales price provided to the appraiser, and</li> <li>• the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and</li> <li>• the only change to the purchase agreement is an increase in sales price.</li> </ul> </li> <li>• If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the loan-to value will be based on the lower of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> <li>• Re-negotiation of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables or</li> <li>• An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In</li> </ul> </li> </ul>



	the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.
<b>MULTIPLE LOANS</b>	<ul style="list-style-type: none"> <li>Maximum number of residential properties that can be financed are limited to 4, including the subject property. This includes joint or total ownership and is cumulative across all borrowers on the loan.</li> </ul>
<b>RESIDUAL INCOME EVALUATION</b>	<ul style="list-style-type: none"> <li>Not Required</li> </ul>
<b>HIGHER PRICED MORTGAGE LOAN (HPML)</b>	<ul style="list-style-type: none"> <li>Allowed within the parameters of Section 35 of CFPB Regulation Z</li> <li>Must comply with all limitations and requirements of HPML loans as described in PRMG's Compliance Policy regarding HPML-Section 35 loans</li> <li>Not allowed on 3/1 and 5/1 ARMs</li> <li>HPML loans must have an escrow account, regardless of LTV</li> <li>If loan is a HPML, "HPML" must be entered in Loan Program Comments section of Investor Overlay Screen in FT360. This should occur each time the HPML test is run and should be updated if the loan moves in our out of HPML status, with the last entry occurring prior to funding.</li> </ul>
<b>SECTION 32 / HIGH COST LOAN</b>	<p>Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed:</p> <ul style="list-style-type: none"> <li>Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; and</li> <li>Loan is not a high cost loan as defined by applicable state laws and/or regulations.</li> </ul>
<b>REAL ESTATE COMMISSIONS</b>	<ul style="list-style-type: none"> <li>The maximum real estate commission allowed is 8%.</li> </ul>
<b>ESCROW ACCOUNT</b>	<ul style="list-style-type: none"> <li>HPML loans must have an escrow account, regardless of LTV</li> <li>Escrows are required for taxes and insurance, regardless of LTV.</li> <li>Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower.</li> </ul>
<b>UNDERWRITING</b>	<ul style="list-style-type: none"> <li>Delegated underwriting allowed.</li> <li>Manual Underwrites and No Credit Scores/Non-Traditional Credit must be underwritten by a level 3 underwriter with a second review/signature by a Corporate Underwriter or Operations Manager or by a level 4 underwriter without a second signature.</li> <li>All other scenarios must be underwritten by a level 3 underwriter or higher (with no additional review requirements)</li> <li>Manual underwriting is allowed in the case of a Refer or manual downgrade. Manual underwrite requires second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature.</li> <li>DU underwriting is acceptable provided the loan receives an "Approve" from DU.</li> <li>All loans that have borrowers with credit bureau scores must be risk-classified by FHA's TOTAL Mortgage Scorecard regardless if the loan is an Automated or a Manual underwrite.</li> </ul>
<b>INDEX</b>	<ul style="list-style-type: none"> <li>1 Year Treasury</li> </ul>
<b>MARGIN</b>	<ul style="list-style-type: none"> <li>2.00%</li> </ul>
<b>INTEREST RATE CAPS</b>	<ul style="list-style-type: none"> <li>1% Initial Adjustment Cap - Commencing with the first interest rate adjustment date, the interest rate cannot be increased or decreased by more than 1% from the interest rate in effect immediately prior to the interest rate adjustment date.</li> <li>1% Adjustment Cap - Commencing with the second interest rate adjustment date, the</li> </ul>

	<p>interest rate cannot be increased or decreased by more than 1% from the interest rate in effect immediately prior to the interest rate adjustment date.</p> <ul style="list-style-type: none"> <li>• 5% Lifetime Cap - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%. The floor is the margin.</li> </ul>
<b>INTEREST RATE CHANGES</b>	<ul style="list-style-type: none"> <li>• Interest Rate - The initial interest rate will be set at time of lock-in and will remain constant for the first 5 years of the loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin rounded to the nearest .125%, subject to the interest rate caps. On the second interest rate adjustment date and thereafter, the interest rate will be the sum of the index plus the required margin rounded to the nearest .125% subject to the interest rate caps.</li> <li>• Interest Rate Adjustment Date - Initial note rate is in effect for 60 to 66 months; thereafter the annual adjustment cap begins with the first adjustment</li> </ul>
<b>MINIMUM FLOOR</b>	<ul style="list-style-type: none"> <li>• Margin</li> </ul>

## Texas Addendum

***The following guidelines refer to loans in Texas only. If a topic is not addressed in this addendum, the standard Agency guidelines above should be followed. Also, please note that no underwriting exceptions are allowed on properties located in Texas.***

<b>PURCHASE</b>	<ul style="list-style-type: none"> <li>○ Allowed</li> </ul>
<b>RATE/TERM REFINANCE OR SIMPLE REFINANCE</b>	<ul style="list-style-type: none"> <li>○ Proceeds from a rate/term or simple refinances may only pay off the following:             <ul style="list-style-type: none"> <li>○ 1<sup>st</sup> liens that are not considered Section (a)(6) and Second liens used entirely for the purchase of the property.</li> <li>○ When a prepayment penalty fee is assessed on an existing NON Section 50 (a) (6) loan and is included in the payoff amount, the new loan can be considered a rate/term or simple refinance if the title company agrees and issues a new title policy for the full loan amount (including prepayment penalty fees)</li> <li>○ HOA dues may be paid off if the title company requires them to be paid. If the title company does not require them to be paid, the borrower must pay the dues outside of closing, and they must NOT be included in the loan amount.</li> </ul> </li> <li>○ Proceeds from a rate/term or simple refinances may NOT pay off the following:             <ul style="list-style-type: none"> <li>● Any loan that is considered a Section (a) (6) loan unless the below requirements are met that make it a Section (f)(2) transaction. Section (f)2 transactions are eligible with application dates on or after 1/1/18.                 <ul style="list-style-type: none"> <li>○ Any loan that the borrower received cash back on</li> <li>○ Federal tax debt liens</li> <li>○ Liens for delinquent property taxes on the property securing the new loan</li> </ul> </li> <li>● Any previous Section 50(a)(6) must be processed as a Section 50(a)(6) unless the following requirements are met to make it a Section 50(f)(2) transaction:                 <ul style="list-style-type: none"> <li>● Application dated on or after 1/1/18</li> <li>● The refinance will be closed no less than one year from the closing of the previously funded home equity loan;</li> <li>● The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower);</li> <li>● The loan proceeds cannot be used to pay off other debts;</li> <li>● The refinanced loan cannot exceed 80% loan to value;</li> <li>● The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing.</li> <li>● Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date</li> </ul> </li> </ul> </li> <li>○ Rate/term or simple refinances may NOT receive any cash back to the borrower, even incidental cash. Limited cash out refinances that allow the lesser of 2% of the loan amount or \$2,000 are NOT eligible under the Texas rate/term or simple refinance program.</li> <li>● Incidental cash back to the borrower at Closing is not allowed, including incidental cash back as result of POC fees being refunded to borrower. Additionally, incidental cash back must either be handled by reducing/curtailing principal or reducing the loan amount and having the documents re-drawn.</li> <li>● For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program unless the above requirements are met that make it a Section (f)(2)</li> </ul>

transaction. Section (f)2 transactions are eligible with application dates on or after 1/1/18.

- In addition to standard rate/term or simple refinance guidelines, the following guidelines apply to all rate/term or simple refinances secured by Owner Occupied, Homestead properties in the state of Texas: Total financed Closing costs are limited to 10% of the new loan amount and are limited to those costs that are reasonable and actually required to close the transaction. Prepaids/escrows can't be financed into the new loan when grossed up in loan payoff. POC Fees can't be financed into the loan amount. Special title insurance coverage must be obtained when impounds for prepaid expenses\* are included in the new loan amount. The following must be included as a Schedule B Exception: Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage. \*Prepaids are defined as funds collected for the payment of real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves), hazard insurance premiums, and monthly MI premiums covering any period after the settlement date.
- The following P-39 Express Insurance Coverage endorsement is recommended: "Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest."
- Documentation is required (title insurance binder, Mortgage/Deed of Trust, and/or HUD-1) which verifies that a home equity/cash out Loan {Section 50(a)(6)} has not previously been originated on the subject property. If the purpose of the Loan is not clearly identified on the title binder, it will be necessary to provide the previous Deed of Trust or Hud-1 settlement statement for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan.
- If any subordinate financing exists, its purpose must be verified. Documentation (title insurance binder, Mortgage/Deed of Trust, and/or HUD-1) which verifies the purpose of the subordinate financing is required. If that purpose is not clearly identified on the title binder, it will be necessary to provide the previous Mortgage/Deed of Trust and/or HUD-1 settlement statement for each transaction originated on or after 1/1/98 to verify the purpose of the existing subordinate financing. Depending on the purpose of the subordinate Loan, the following options are available: (1) If the subordinate Loan was used for purchase of the home, the HUD-1 settlement statement from that transaction must be provided as evidence and the title binder may not reflect that Loan was originated as a home equity/cash out {Section 50 (a)(6)} Loan. (2) If the subordinate Loan was used for home improvements, it must have been originally closed with the purpose to use the entire amount for home improvements as evidenced by a Mechanics' or Materialmen's lien on the title binder. Documenting the home improvements by obtaining canceled checks, invoices, receipts, lien waivers, etc. is not acceptable. In either of those situations, the financing may be paid off, paid down, or re-subordinated as a rate/term or simple refinances provided the first mortgage was not originated as a home equity/cash out {Section 50 (a)(6)} Loan. If the borrower received any cash back from the subordinate financing and the Loan is being paid off or paid down, the lien is subject to Texas Equity provisions and considered a home equity/cash out {Section 50 (a)(6)}and therefore ineligible. If the subordinate lien was used for a purpose other than the purchase of the home or home improvements, then it must be re-subordinated. The subordinate financing may not be paid off or paid down with the proceeds of the refinance since the entire transaction

	would then be considered a cash-out/home equity transaction which is ineligible for purchase by Wells Fargo. The first mortgage may not have been originated as a home equity/ cash out {Section 50 (a)(6)} Loan.
<b>CASH OUT REFINANCE</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> </ul>
<b>ELIGIBLE COSTS</b>	<ul style="list-style-type: none"> <li>• A rate/term or simple refinance of a primary residence may include only the following costs: <ul style="list-style-type: none"> <li>• Pay off of the old loan plus points</li> <li>• Pre-paid items, such as escrow funds and interest (See Additional Documentation section below)</li> <li>• Taxes due</li> </ul> </li> <li>• The closing costs, whose total may not exceed 5% of the loan amount, must be deemed “necessary and reasonable”. Closing costs that may be included are noted below: <ul style="list-style-type: none"> <li>• Loan Origination</li> <li>• Tax Service</li> <li>• Recording</li> <li>• Escrow Waiver</li> <li>• Processing</li> <li>• Appraisal</li> <li>• Credit Report</li> <li>• Final Inspection</li> <li>• Underwriting</li> <li>• Application</li> <li>• Survey</li> <li>• Title Insurance Premiums (Lender Policy)</li> <li>• Commitment</li> <li>• Express Mail</li> <li>• Flood Certification</li> <li>• Closing</li> </ul> </li> </ul>
<b>ADDITIONAL DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>• All rate/term or simple refinances require a completed Texas Refinance Worksheet (See Exhibit A)</li> <li>• All rate/term or simple refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing.</li> <li>• If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception.</li> <li>• For rate/term or simple refinances, a copy of the commitment for title insurance, mortgage/deed of trust, or HUD-1 is required in order to verify that a Section 50 (a) (6) loan has not previously been originated against the subject property.</li> </ul>

Exhibit A

**TEXAS REFINANCE  
Worksheet**

1. Is the loan being refinanced a “low-rate home loan\*?” **Y/N**
  - If yes, continue.
  - If no, stop. This worksheet is not required.
  
2. Did a government or non-profit lender make the “low-rate home loan?” **Y/N**
  - If yes, continue.
  - If no, stop. This worksheet is not required.
  
3. When was the “low-rate home loan” closed? \_\_\_\_\_ (Anniversary Date)
  - If the anniversary date is less than seven years, continue.
  - If the anniversary date is equal to or greater than seven years, stop. This worksheet is not required.
  
4. What was the initial interest rate on the “low-rate home loan?” \_\_\_\_\_ %
  - A. In the case of a loan with a discounted introductory rate, what was the initial fully indexed rate? \_\_\_\_\_ %
  - B. Is the interest rate on the new loan less than the rate referenced in 4A? **Y/N**
    - If yes, continue.
    - If no, this loan is not eligible.
  
5. A. What were the total points and fees paid by the borrower on the “low-rate home loan?” \$ \_\_\_\_\_
  - B. Are the points and fees being paid by the borrower on the new loan less than the points and fees referenced in 5A? **Y/N**
    - If yes, this loan is eligible.
    - If no, the loan is not eligible.

***\*A “low-rate home loan” is a loan with an initial rate that is two percentage points or more below the yield on treasury securities with maturities comparable to the loan term. If the loan had a discounted introductory rate, then the fully indexed rate should be used to determine whether the loan is a “low-rate home loan”.***

Exhibit B

**TEXAS REFINANCE  
Borrower Acknowledgement**

Borrower's Name: \_\_\_\_\_ Loan #: \_\_\_\_\_

**BORROWER ACKNOWLEDGEMENT**

The undersigned acknowledge(s) that any refund check received as part of today's real estate settlement is a partial or full reimbursement of funds paid to the lender prior to or at the closing of the loan and does not constitute proceeds of the loan from lender.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date