



## FHA Standard Product Guidelines

Occupancy	Min Credit	Max DTI Ratio	Max Loan Amount	Transaction Type	Max LTV	Max CLTV	Mortgage Rating
Primary Residence	<b>CONFORMING &amp; HIGH BALANCE</b>			<b>Purchase</b>	96.5%*	96.50%	0x30 for 12 mos prior to case # assignment***
	620	Per AUS	Per FHA County Limit	<b>Rate/Term</b>	97.75%**	97.75%	0x30 for 12 mos prior to case # assignment***
	<b>CONFORMING ONLY</b>			<b>Simple Refinance</b>	97.75%	97.75%	0x30 for 12 mos prior to case # assignment***
	<b>580</b>	43%	\$417,000 (1 unit) / \$533,850 (2 unit)	<b>Cash Out Refinance</b>	85%	85%	0x30 for 12 mos prior to case # assignment***

*\*Identity of Interest transactions are limited to 85% LTV, unless meets 4000.1 guide to exceed.5 \*\*LTV is limited to 85% if the borrower has not occupied the subject property for the most recent 12 months, or if owned less than 12 months did not occupy the entire time. For properties acquired within the most recent 12 months; the maximum mortgage is based on the lesser of the appraised value or original sales price. \*\*\*Mortgages must remain current through the month prior to disbursement. If less than 12 months of history on the mortgage, all mortgage payments must be made within the month due.*

**580-619 only available for conforming loan amounts, 1-2 units only, VOR required regardless of AUS findings.**

<b>General Eligibility</b>	
Eligible Borrowers	U.S. Citizen, Permanent Residents, and Non-Permanent Residents with a valid EAD card. Maximum of 4 borrowers per transaction.
Ineligible Borrowers	Borrowers without a valid SSN, borrowers with a history of utilizing a SSN that was not legally obtained, borrowers with no credit score, Borrowers classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole.
Eligible	AUS/Total Scorecard Approve/Eligible, loans with Approve/Eligible in which manual downgrade is required per 4000.1 (manual underwriting only permitted in cases of FHA required downgrade), and Approve/Ineligible may acceptable in certain cases where DE Underwriter has determined eligibility is met.
Ineligible	Temporary rate buy downs, escrow waivers, Energy Efficient Mortgages (EEM), Mortgage Credit Certificates (MCC), AUS Refer decisions.
Minimum Loan Amt	\$50,000
Net Tangible Benefit	Every non-streamline refinance must meet RightStart's NTB requirements.
ARM	Must qualify at the note rate.
Maximum Loan Term	30 years.
Land Contracts	Transactions involving land contracts are not eligible.
Living Trusts	A copy of the trust agreement is required.
Power of Attorney	Cannot be used on the initial 1003 or disclosures, and must have a signed LOE from the borrower regarding the use of a POA with exception for borrowers in active Military Service overseas. Must be prior approved by management. Use of POA for non-military must be for travel overseas for work or family emergency.
Vesting	The new loan should close in the same manner as existing loan on refinance transactions. Borrowers name on 1003, credit, and FHAC connection should match the refinance authorization, and existing note unless there was a documented legal name change. Only borrowers, and their spouse/s may hold title.



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E-signature	E-signatures acceptable. E-signature must be validated with some type of authentication, tracking, or independent verification. Copy and pasted PDF signatures are NOT acceptable.
4506T	4506T authorization form required on all transactions. Transcripts are verified for all transactions. Borrower's with W2 income ONLY may process W2 transcripts. Borrowers with commission income >25% of their total earnings, or if any other type of income is used in qualifying; complete 1040 transcripts are required.
Occupancy	Employment documentation must support prior, and continued occupancy of the subject property. If employment documentation does not clearly support occupancy, utility bills may be required.
Non-Occupant Co-Borrower	Permitted for 1 unit properties only. Max LTV is 75% unless non-occupant is a family member as defined in 4000.1. Not permitted for cash out refi.
<b>Credit</b>	
<b>All Seasoning requirements are measured to the case number assignment of the new loan.</b>	
Social Security #	SSN must be fully validated on income documents. Discrepancies require processing of SSA-89. Non-borrowing spouse's SSN must be validated on the (NBS) credit report or other direct verification (SSA-89) in community property states. Credit must be pulled for borrowers with multiple valid SSN's, on each #.
Credit Report	Full trimerge credit report is required. Non-borrowing spouse credit report is also required in community property states.
Credit History	Per AUS unless manual downgrade is required. If manual downgrade is required, the borrower must meet FHA's definition of satisfactory credit. RightStart does not permit for reduced seasoning requirements on manual downgrades. Transactions requiring the use of extenuating circumstances not permitted. Refer to FHA Handbook 4000.1 for specific credit requirements on manually underwritten transactions.
Housing Rating	All mortgages must be rated on the credit report used to score the loan through AUS/TOTAL Scorecard in order to process the loan under TOTAL Scorecard guidelines, otherwise manual downgrade is required. Refer to FHA Handbook 4000.1 for specific credit requirements on manually underwritten transactions if downgrade is required. A VOR required on all transactions for borrowers with credit score between 580-619.
Payment Shock	Borrowers with 580-600 credit score: Maximum 100% payment shock.
Collections	<b>TOTAL Scorecard approved:</b> Per AUS approval. <b>Manually underwritten loans:</b> There can be no new collections in the most recent 24 months. Collections with an active balance require capacity analysis: If the aggregate balance of all open collections exceed \$2000, they must be paid in full, or a 5% payment will be included in qualifying ratios. Also see "Disputed Accounts".
Charge Offs	<b>TOTAL Scorecard approved:</b> Per AUS approval. <b>Manually underwritten loans:</b> There can be no charge offs in the most recent 24 months. Also see "Disputed Accounts".
Disputed Accounts	Disputed derogatory accounts require an LOE from the borrower, and documentation to support the basis of the dispute. Disputed derogatory accounts include all disputed collections, and charge offs (regardless of age), and disputed active accounts with late payments in the last 24 months. Disputed derogatory accounts with an aggregate balance in excess of \$1000 require downgrade to manual underwriting, or must be removed, and credit rescored.
Judgments	Judgments may remain unpaid if the borrower documents an existing repayment plan with at least 3 months of payments made prior to the date of the case number assignment. Payments cannot be prepaid to meet the 3 month requirement. Borrower must have a satisfactory repayment history. Otherwise judgments must be paid in full, and all funds used to satisfy the account must be sourced.



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Liens	Federal Tax Liens may remain unpaid if the borrower documents an existing repayment plan with at least 3 months of payments made prior to the date of the case number assignment. Payments cannot be prepaid to meet the 3 month requirement. Borrower must have a satisfactory repayment history. All other liens must be paid in full and satisfied.
Government Debt	Borrowers cannot have any outstanding delinquent Federal Debt or Obligation.
Modifications	<b>Subject property:</b> Eligible with 0x30 in the last 12 months, and no previous reduction in principal. FHA/HUD Partial Claim seconds can be subordinated to a new FHA insured mortgage. Rate/Term refinance only. Modified mortgages not eligible for cash out for 3 years unless borrower can document that the servicer solicited the modification. <b>Other REO:</b> Eligible, provided that the mortgage history meets requirements of 0x30 in last 12 months. If property is being retained, additional information may be required, and subject to underwriter review.
Foreclosure/Short Sale/Deed in Lieu	<b>AUS Approved:</b> 3 years from the date of title transfer due to foreclosure, short sale, or deed in lieu. <b>Manually underwritten:</b> No seasoning requirement for short sales as long as the borrower was current on the mortgage, and all other installment debt for the 12 months preceding the short sale.
Bankruptcy	<b>Chapter 7 and Chapter 13:</b> 2 years from the date of discharge.
Back to Work	Not permitted.
Credit Counseling	<b>TOTAL Scorecard approved:</b> Per AUS approval, <b>Manually Underwritten:</b> At least 1 year under the payout period has elapsed, all payments must have been made on time, and borrower must receive written permission from the counseling agency to enter into a new mortgage.
Non-Traditional	Non-traditional credit is not permitted. Borrowers must have at least 1 valid credit score.
Student Loans	Student loans must be considered in the DTI regardless of payment type, or status of payments. The monthly payment is calculated as <i>either</i> ; <b>A)</b> the greater of 1% of the outstanding balance, or the monthly payment on credit; <b>Or B)</b> The actual documented payment from the servicer as long as it will <b>fully amortize</b> the loan over its term. Income Based Repayment plans (IBR) are not acceptable.
Downgrades	AUS findings may be invalidated if any downgrade reason per HUD Handbook 4000.1 are present. In those cases, the loan must be manually underwritten in accordance with FHA Handbook 4000.1, and any additional requirements located in this matrix.
<b>Income &amp; Assets</b>	
Income	Full income documentation is required. Salaried borrowers require the borrower's most recent paystub with YTD earnings, W2s for the most recent 2 years, and a verbal verification of employment. Verbal re-verification also required within 10 days of the note, unless VOE is dated within 10 days of Note/Signing. Self Employed, commissioned, and borrowers with rental income require 2 most recent years federal tax returns. Documentation waivers not permitted. See FHA Handbook 4000.1 for documentation requirements on manually underwritten transactions.
Rental Income	Rental income may be used as effective income in accordance with FHA guidelines. Rental income from a borrower's departing residence may be considered with an appraisal documenting at least 25% equity in the property, and the borrower must be relocating to an area more than 100 miles from the current residence. A current lease with a term no shorter than 12 months, and evidence of receipt of a security deposit is required. Refer to FHA Handbook 4000.1 for comprehensive guidance, and additional documentation requirements on manually underwritten transactions.
Non-Taxable Income	Non-taxable income may be grossed up at the borrower's actual tax rate, not to exceed 115%.
Verification of Employment	Verbal re-verification of employment required for all wage earners within 10 days of the note. Self-employed borrowers must be verified by an acceptable third party. 411.com, Manta, Chamber of Commerce, or other website where business owners add their own information are not acceptable sources of verification.



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DTI	<b>Credit Scores <math>\geq</math> 620:</b> Per AUS approval, <b>TOTAL Scorecard Approved with Credit Scores 580-619:</b> Max 50%, <b>Manually underwritten loans:</b> 31%/43%, unless FHA approved compensating factors exist. Provided sufficient compensating factors are present, max is 40%/50%. Refer to chart on the last page of this matrix.
Assets	Funds to close must be documented. Two months' bank statements are required, and all funds must be sourced/seasoned. Large deposits in excess of 1% of the sales, price OR that are inconsistent with the borrower's typical transactions must be sourced.
Joint Accounts	Access letter for all joint accounts where any account holder is not a borrower on the loan.
Unacceptable Assets	Cash for which the source cannot be verified, funds from any party to the transaction other than eligible gift donors, unsecured borrowed funds.
Gift Funds	Permitted; must be documented in accordance with standard FHA guidelines. Cannot be used for reserves. Donors bank statement always required. Funds cannot come from an unallowable source, cash is not an acceptable source of gift funds.
Reserves	<b>3-4 units (all transactions):</b> 3 months PITI(A) reserves required. <b>1-2 Units:</b> Per AUS approval, and 1 month PITI(A) for manually underwritten transactions.
VOD	VOD's are not acceptable as a standalone asset verification. Bank statements are always required regardless of AUS findings.
Business Funds	CPA letter indicating the use of business assets will not materially affect the daily business operation. Limited to 50% of available funds.
Concessions	Interested party contributions for closing costs and prepaid expenses up to 6%. All other credits or inducements are subject to a dollar for dollar reduction in the sales price for determination of the maximum mortgage amount.
Down Payment Assistance	Permitted when provided in the form of a valid gift from a non-profit agency, and without any secondary market (specific investor) requirements.
Subordinate Financing	New subordinate financing not permitted, existing subordinate financing may remain in place subject to applicable loan limits, and CLTV requirements. A copy of the subordination agreement, note, and deed for the secondary financing must be provided.
<b>Collateral</b>	
Eligible Properties	Condos within an FHA Approved project, PUDs, SFR, 2-4 Units (minimum 620 credit score for 3-4 units).
Ineligible Properties	Condos without a current and valid FHA Project Approval as of the date of the case number assignment. Manufactured or mobile homes, Co-Ops, commercial or industrial properties, unique or irregular properties (dome/log/etc.), working farms, marijuana producing properties, properties secured by Illinois Land Trusts, properties located in a designated Coastal Barrier Resource System (CBRS), properties located in Wrightwood, CA, or properties located on Indian Reservations or Tribal Lands.
Land Subsidence	Properties with evidence of land subsidence (sinkholes, or equivalent activity) are ineligible.
Lava Zones	Lava Zones 1 & 2 are ineligible for FHA insured mortgages.
Hazard Insurance	Hazard insurance coverage (dwelling limit plus any extended replacement) must be sufficient to cover the "estimated cost new" on appraisal. Condo's and attached PUD's must provide master policy, and evidence of "walls-in" coverage, otherwise a separate HO-6 policy is required.
Property Flipping	Resales within 90 days of seller's acquisition are not permitted. Resales occurring between 91-180 days require a second full appraisal if the sales price as increased by 100% or more since the seller's acquisition.
Defective Paint	Properties with defective paint surfaces built prior to 1978 require correction by an EPA certified contractor. A copy of the contractors EPA certification is required. If homeowner will be completing the repairs, a letter from the homeowner is required stating that they completed all the work. Exterior exposed surfaces (wood) must be sealed, painted, or otherwise treated regardless of the year built.
Leased Equipment	Any type of lease or financing agreement must be reviewed by the underwriter for acceptability under FHA guidelines. The agreements cannot contain ANY restrictions on conveyance, or hinder FHA's first lien position. Payments must be included in DTI. HERO, PACE or other programs that include costs in the property taxes are unacceptable.
Deed Restrictions	Properties subject to deed restrictions, or any type of restriction on conveyance other than FHA acceptable age restricted communities (55+), are not eligible for FHA financing.



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Repair Escrow/ Holdbacks	Only permitted for HUD REO's, if borrower is financing cost of and for weather-related repairs. Cannot be health or safety repairs.
HUD REO's	The sales contract (line 4) must indicate Section 203(b) financing. Section 203(b) With Repair Escrow, and Section 203(K) not permitted. \$100 down payment is acceptable if indicated on the contract, Good Neighbor Next Door not permitted. Property must comply with all FHA Minimum Property Requirements.
<b>Transaction Specific</b>	
Purchases	Seller must be owner of record, and must have held title for at least 91 days prior to the date of the contract (see Property Flipping). Agents may not act in dual capacity (listing, or selling agent cannot be broker of record, or loan officer).
All Refinances	At least one borrower on the application must hold title at the time of case number assignment. If paying off an existing FHA insured mortgage, a refinance authorization from FHA Connection is required. Properties listed for sale at the time of application not eligible.
Rate/Term	Purchase money, or seasoned second lien payoffs may be included in the loan amount. Open ended second mortgages may have no draws in the most recent 12 months.
Simple Refinance	Used to payoff an existing FHA insured first mortgage. No secondary liens may be paid off with proceeds. Loan amount is limited compared to rate/term; see 4000.1 for complete details. Full documentation, including appraisal is required along with AUS approval. If existing FHA loan (being paid off) was endorsed prior to 5/31/2009, new loan is eligible for reduced MIP factors of 0.01%/0.55%.
Cash Out	Property must have been owned, and occupied by the borrower for at least 12 months prior to the case number assignment unless the property was acquired through inheritance. <b>The combined mortgage amount of the FHA first mortgage, and any subordinate liens cannot exceed the FHA County Loan Limit.</b> Properties listed for sale are not eligible for cash out. Property must be off the market for at least 6 months prior to the loan application, and borrower must provide an explanation for decision to retain property, and use of cash out.
Calculating CLTV	For closed end seconds, the remaining current balance must be used. For open ended seconds (HELOCs), the maximum accessible credit limit must be used to calculate the CLTV.
Texas	If prelim indicates any prior Texas 50(a)(6) refinances, property is ineligible for refinance. Cash out not permitted in Texas, borrower may not receive ANY funds back at closing (not even \$0.01). Any existing secondary financing must be subordinated with a recorded subordination agreement (automatic subordination not permitted).



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FHA Approved Compensating Factors Chart	
Max Qualifying Ratios	Acceptable Compensating Factors When Required
31%/43%	No Compensating factors are required
37%/47%	At least ONE compensating factor from the following list: <ul style="list-style-type: none"> <li>Verified, and documented cash reserves of at least 3 months for 1-2 units, or at least 6 months for 3-4 units</li> <li>Minimal increase in housing payment: the new total PITI cannot exceed the current total housing payment by more than \$100 or 5% whichever is less</li> <li>Residual income in excess of the standard requirement utilized by the VA</li> </ul>
40%/50%	At least TWO compensating factors from the following list: <ul style="list-style-type: none"> <li>Verified, and documented cash reserves of at least 3 months for 1-2 units, or at least 6 months for 3-4 units</li> <li>Minimal increase in housing payment: the new total PITI cannot exceed the current total housing payment by more than \$100 or 5% whichever is less</li> <li>Significant additional income not used in qualifying such as overtime, bonus, part-time, or seasonal income that has been received for at least one year, and is likely to continue; and the income, if had been included in qualifying would reduce the ratios to not more than 37/47%*</li> <li>Residual income in excess of the standard requirement utilized by the VA</li> </ul>

\*Income from a non-borrowing spouse or any other parties not obligated on the loan may not be considered as a compensating factor

Annual Mortgage Insurance Premium (MIP) Chart				
Term	Base Loan Amount	Loan To Value (LTV)	MIP Factor	Term/Duration
More than 15 years	Less than or equal to \$625,500	Less than or equal to 90%	0.80%	11 years (132 months)
		Greater than 90%, but less than or equal to 95%	0.80%	Mortgage Term
		Greater than 95%	0.85%	Mortgage Term
	Greater than \$625,500	Less than or equal to 90%	1.00%	11 years (132 months)
		Greater than 90%, but less than or equal to 95%	1.00%	Mortgage Term
		Greater than 95%	1.05%	Mortgage Term
Less than or equal to 15 years	Less than or equal to \$625,500	Less than or equal to 90%	0.45%	11 years (132 months)
		Greater than 90%	0.70%	Mortgage Term
	Greater than \$625,500	Less than or equal to 78%	0.45%	11 years (132 months)
		Greater than 78%, but less than or equal to 90%	0.70%	Mortgage Term
		Greater than 90%	0.95%	Mortgage Term