REMN WHOLESALE

FHA Streamlined 203(k) Program

Conforming and High Balance

Fixed Rate

Primary Residence Full Documentation					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [1]	***Credit Score*** [2,3]
Purchase	1	96.50%	105% [4]	FHA Limit	580
Limited Cash-Out	1	97.75%	97.75%	FHA Limit	580
Cash-Out	N/A	N/A	N/A	N/A	N/A

Footnotes:

1. Eligible conforming and high balance loan amounts by county and units can be found at: FHA Mortgage Limits
2. Borrowers with a credit score of 620-639 and the subject property is in a specified state are subject to additional requirements. Refer to the Credit Score 620-639 topic to view applicable states and additional requirements.
3. Borrowers with a credit score of 580-619 are subject to specific guidelines restrictions. Refer to the Credit Score 580-619 topic to view requirements.
4. 105% CLTV allowed with funds from a DPA that is a government entity (federal/state/local) only.

Refer to REMN Wholesale's FHA 203(k) Full Consultant matrix for Full Consultant guidelines

Complete HUD 203(k) guidelines can be found at HUD 4240.4

203(k) Streamlined Program Overview – Repair/Modify/Upgrade

The Streamlined 203 (k) program is designed for minor rehabilitation/renovation projects and allows a borrower to obtain a single loan to:

- Purchase a property or refinance an existing loan and complete repairs and improvements after loan closing using the "After-Improved" value of the property

General Parameters

- Repairs/renovation limited to a maximum of $35,000 (including **all** renovation costs, fees, contingency reserve, etc.). The total mortgage amount on the property including the cost of repairs, must fall within the FHA mortgage limit for the area where the property is located. There is no minimum renovation amount.
- All renovation work must start within 30 days of closing. The work cannot stop for more than 30 days during the rehab process and must be completed within 4 months of loan closing.
- An escrow account is established and funds are released as work is completed. A maximum of 2 draws are allowed. Generally, 50% is disbursed within 2-3 business days of receipt of the final signed doc package by REMN Wholesale Post Closing department and the remaining 50% is disbursed upon completion of all work, a final inspection has been done by the appraiser and the Final Title Update is complete.
- The mortgage amount is based on the projected value of the property with all work completed ("After-Improved" value)
- Hazard insurance must be in place for the after improvements value of the property at time of loan closing.
- Licensed contractors provide written work plans and cost estimates. REMN Wholesale does not allow "self-help" (borrower completes work); work must be completed by a contractor who is accepted by REMN Wholesale. A maximum of three (3) contractors are allowed to complete the repairs/renovations. Additionally, the borrower cannot pay for or supply materials

Mortgage Insurance Premium Factors				
Case Numbers Assigned Prior to April 9, 2012				
Loan Amount	**Loan Term**	**LTV**	**Annual MIP**	**Up-front MIP**
All	> 15 years	> 95%	1.15%	1.00%
	> 15 years	≤ 95%	1.10%	
	≤ 15 years	≥ 90.01%	0.50%	
	≤ 15 years	78.01% - 90%	0.25%	
	≤ 15 years	≤ 78%	N/A	
Case Numbers Assigned April 9, 2012 through June 10, 2012				
Loan Amount	**Loan Term**	**LTV**	**Annual MIP**	**Up-front MIP**
All	> 15 years	> 95%	1.25%	1.75%
	> 15 years	≤ 95%	1.20%	
	≤ 15 years	≥ 90.01%	0.60%	
	≤ 15 years	78.01% - 90%	0.35%	
	≤ 15 years	≤ 78%	N/A	
Case Numbers Assigned on or after June 11, 2012				
Loan Amount	**Loan Term**	**LTV**	**Annual MIP**	**Up-front MIP**
≤ $625,500	> 15 years	> 95%	1.25%	1.75%
> $625,500	> 15years	> 95%	1.50%	
≤ $625,500	> 15 years	≤ 95%	1.20%	
> $625,500	> 15 years	≤ 95%	1.45%	
≤ $625,500	≤ 15 years	≥ 90.01%	0.60%	
> $625,500	≤ 15 years	≥ 90.01%	0.85%	
≤ $625,500	≤ 15 years	78.01% - 90%	0.35%	
> $625,500	≤ 15 years	78.01% - 90%	0.60%	
≤ $625,500	≤ 15 years	≤78%	N/A	
> $625,500	≤ 15 years	≤78%	N/A	
Case Numbers Assigned on or after April 1, 2013 through June 2, 2013				
Loan Amount	**Loan Term**	**LTV**	**Annual MIP**	**Up-front MIP**
≤ $625,500	> 15 years	≤ 95%	1.30%	1.75%
≤ $625,500	> 15 years	> 95%	1.35%	
> $625,500	> 15 years	≤ 95%	1.50%	
> $625,500	> 15 years	> 95%	1.55%	
≤ $625,500	≤ 15 years	78.01% - 90%	0.45%	
≤ $625,500	≤ 15 years	> 90%	0.70%	
> $625,500	≤ 15 years	78.01% - 90%	0.70%	
> $625,500	≤ 15 years	> 90%	0.95%	
All	≤ 15 years	≤ 78%	N/A	

Continued on the following page for case numbers assigned on or after June 3, 2013.

Mortgage Insurance Premium Factors (cont.)					
Case Numbers Assigned on or after June 3, 2013					
Loan Amount	**Loan Term**	**LTV**	**Annual MIP**	**Up-front MIP**	**Annual MIP Assessment Period**
≤ $625,500	> 15 years	≤ 95%	1.30%	1.75%	≤ 90% LTV: 11 years > 90% LTV: Life of loan
≤ $625,500	> 15 years	> 95%	1.35%		Life of loan
> $625,500	> 15 years	≤ 95%	1.50%		≤ 90% LTV: 11 years > 90% LTV: Life of loan
> $625,500	> 15 years	> 95%	1.55%		Life of loan
≤ $625,500	≤ 15 years	78.01% - 90%	0.45%		11 years
≤ $625,500	≤ 15 years	> 90%	0.70%		Life of loan
> $625,500	≤ 15 years	78.01% - 90%	0.70%		11 years
> $625,500	≤ 15 years	> 90%	0.95%		Life of loan
All	≤ 15 years	≤ 78%	0.45%		11 years

Topic	Guideline
203(k) Forms and Documents	• 203(k) Maximum Mortgage Worksheet (HUD Form 92700) • 203(k) Borrower's Acknowledgement (HUD Form 92700-A) Borrower must complete the "Loan Requirements" section of the Acknowledgment form indicating how the interest earned on the Rehabilitation Escrow Account is to be applied after the Final Release Notice is issued. • Borrower Identity of Interest/Conflict of Interest Certification • Contractor Identity of Interest/Conflict of Interest Certification • Homeowner/Contractor Agreement – Streamlined (HUD Form 2420) • Homeowner/Contractor 203(k) Certification • Contractor Acknowledgement – Streamlined 203(k) Program • W-9 (if contractor not currently accepted by REMN Wholesale) • Contractor Profile (Fannie Mae Form 1202) Required if contractor not currently accepted by REMN Wholesale • Contractor bid(s) **NOTE:** If multiple contractors, **each contractor** is required to provide any documentation relating to contractors.
4506-T	• Signed 4506-T required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts for personal tax returns are processed per DU • 4506-T results must be validated against the income documentation • Broker provided processed 4506-T results are **not** eligible.
Age of Documents	All credit, income and asset documentation must be ≤ 120 days from the Note date. Appraisal is valid for 120 days from the effective date.
Appraisals	• Appraisals must be provided by a licensed FHA approved appraiser. • All 203(k) appraisals are completed "subject to" • Purchase transactions require **one** value: - An "After-Improved "value aka "As-Completed" value (value after improvements completed) **is always required**. - HUD **does not require** an "As-Is" value; HUD assumes the purchase price is the "As-Is" value. NOTE: The use of an "As-Is" value may cause processing delays and valuation issues. • Refinance transactions require **two** values: - An "As-Is" value is required and it is typically provided on the Addendum to the appraisal report, **and** - An "After-Improved" value that is provided in the Reconciliation section of the appraisal report. • The appraisal must include remarks in the Improvements section detailing the scope of work • The Reconciliation Section of the appraisal report must be completed as "subject to". • Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property. • Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos. • The street scene photo must include a portion of the subject property. • The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: - A Multiple Listing Service (MLS), or - MRIS (www.mris.com), or - Midwest Real Estate Dated (MRED) (www.mredllc.com), or - North Texas Real Estate Information Systems, Inc. NTREIS) at (www.ntreis.net), or - San Antonio Board of Realtors (www.sabor.com), or - GeoData at www.geodataplus.com , or - Comps Inc. at www.compsny.com . NOTE: Comparables from a public independent source are only eligible in the states of Vermont and Maine.

Appraisals (cont.)	• The comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable, however, the appraiser must include their own photos to document compliance with the Score of Work which requires the appraiser to inspect each comparable sale from the street. • Comparable sales for REO properties are subject to the following: - HUD prefers that REO sales and pre-foreclosure sales are **no**t used as comparable sales to establish the value for the REO property being appraised. If REO sales and pre-foreclosure sales are used, the appraiser must address their use in the appraisal report and identify the effect they have on the market and specifically the subject property. - Properties where the transfer to a mortgagee or entity owning the mortgage loan by deed of trust through foreclosure sale or sheriff's sale may **never** be used as a comparable sale (e.g. a property that was foreclosed on by a bank or the property was seized for payment of delinquent debt, such as property taxes and the bank or sheriff's department still has ownership of the property). • Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to: - Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal. The comparables must be as similar to the subject property as possible. - The appraisal must include, at minimum, two active listings or pending sales. • At minimum, REMN Wholesale requires the following on all properties: - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing - Any broken glass that is a health hazard must be removed and the opening closed. • The appraiser must indicate if the utilities were on or off at the time of the appraisal. Refer to the Utilities topic for specific requirements regarding utilities. • Appraisals are valid 120 days from the effective date. A 30 day extension is allowed provided there is a signed sales contract or the borrower has loan approval prior to the original appraisal expiration date. Loans with an appraisal extension must close within 150 days from the effective date of the appraisal report or a new appraisal and a new case number will be required. • Properties located in a Disaster Declaration area will be subject to additional appraisal review.

Appraisals – HUD REO (cont.)

- HUD REO properties: HUD requires a new full appraisal if any of the following conditions exist:

<table>
<tr><th>Condition</th><th>Maximum FHA Loan Amount*</th></tr>
<tr><td>1. DE u/w determines there are material deficiencies with the current appraisal</td><td rowspan="4">Based on the value of the property as determined by the new appraisal

Refer to Mortgagee Letter 2006-09 for REO appraisal requirements</td></tr>
<tr><td>2. The borrower is applying for a 203(k) loan and an “as-repaired” appraisal is required.</td></tr>
<tr><td>3. The sales contract was not approved within 120 days of the HUD REO appraisal’s effective date</td></tr>
<tr><td>4. The HUD ordered appraisal is no longer valid (i.e. older than 120 days and not eligible for 30 day extension)</td></tr>
<tr><td>5. The sales contract price is > the value of the HUD ordered appraisal and/or the “as-is” appraised value is not available.</td><td>Limited to the lesser of:
• The sales contract price, or
• The new appraised value, or
• The initial list price of the property
NOTE: The initial list price is available on the MLS and/or through the property listing agent.</td></tr>
</table>

*Subject to underwriting requirements for down payment, financing of closing costs, etc.

If a new appraisal is required based on the conditions above, the following applies:

- The original HUD ordered appraisal may **not** be used to underwrite the loan;
- HUD will **not** pay for the cost of the new appraisal. The borrower **may be charged** for the new appraisal as part of the borrower’s closing costs;
- A written justification for the new appraisal is required (documentation that one of the above conditions existed);
- Copies of all appraisals of the property must be retained in the loan file.
- HUD’s policy on establishing the market value for an REO policy is that the price should reflect the appropriate price for a property sold in a competitive and open market and comparables should be based on arm’s length transactions. Additionally, properties sold at market value are characterized by the following:
  - The buyer and seller are typically motivated,
  - Both parties are knowledgeable and are acting in their own best interest
  - The property was on the open market for a reasonable time,
  - Payment is made in cash or a mortgage loan,
  - The price represents the normal consideration for the property being sold and is not affected by special/creative financing or sales concessions granted by anyone associated with the transactions.
- Comparable sales for REO properties are subject to the following:
  - HUD prefers that REO sales and pre-foreclosure sales are **no**t used as comparable sales to establish the value for the REO property being appraised. If REO sales and pre-foreclosure sales are used, the appraiser must address their use in the appraisal report and identify the effect they have on the market and specifically the subject property.

Properties where the transfer to a mortgagee or entity owning the mortgage loan by deed of trust through foreclosure sale or sheriff’s sale may **never** be used as a comparable sale (e.g. a property that was foreclosed on by a bank or the property was seized for payment of delinquent debt, such as property taxes and the bank or sheriff’s department still has ownership of the property).

Appraisal Management Companies (AMC)	The following is a list of REMN Wholesale approved AMCs: • ACT Appraisal Management • AMC Settlement Services • Axis Management Solutions • Momentum Appraisal Group, Inc. (TEXAS ONLY) • Mortgage Management Consulting (MMC) • Nationwide Property & Appraisal Services When ordering the appraisal a copy of the contractor bid(s) must be provided. Purchase transactions also require the purchase contract be provided Click here to go the REMN Wholesale Order an Appraisal page on the REMN Wholesale website
Assets	• Loans with an "Approve/Eligible" Finding require at a minimum, one month's bank statements (all pages) NOTE: A fully completed VOD is only allowed as a supplement to verify the current balance on asset accounts that only provide annual or semi-annual statements • Verification and documentation of the deposit amount and source of funds is required, if the earnest money: - Exceeds 2% of the sales price, or - Appears to be excessive based on the borrower's history of accumulated savings. - Satisfactory documentation includes: - Copy of the cancelled check and a copy of the bank statement showing the withdrawal - Certification from the deposit holder acknowledging receipt of the funds - Bank statements (all pages) for the most recent 2 months. • Cash on hand and unsecured funds are ineligible sources for assets. • Verification and documentation for any recent large deposit(s), a deposit that exceeds 2% of the property's sales price on purchase transactions and 2% of the appraised value on refinance transactions (if assets required to close), is required.
Assumptions	Not allowed

AUS	REMN accepts the following AUS Findings on FHA loans:
	
	An "Approve/Eligible Finding, or
	A "Refer/Eligible Finding. "Refer/Eligible" will require a manual underwrite which is on an exception basis only. The loan cannot have layered risk and must have compensating factors.
	• A loan that receives an "Approve/Eligible" Finding but has additional information not considered in DU decision that affects the overall insurability or eligibility of the loan requires a downgrade to manual underwriting. The loan will be eligible for manual underwriting upon review by the underwriter and REMN management approval. Loans that are downgraded cannot have layered risk and must have compensating factors.
	Examples requiring a manual downgrade are:
	- Delinquent federal debt
	- CAIVRS alert
	- Suspended and debarred individuals
	- Previous foreclosure within the past 3 years
	- Bankruptcy (7 or 13) with the past 2 years
	NOTE: A mortgage payment is considered delinquent if it is not paid in the month due
	- If any mortgage loan, including HELOC payments, in the previous 12 months reflects
	  - Three or more payments > 30 days late
	  - One or more payments > 60 days late plus one or more 30 day late payments, or
	  - One payment > 90 days late
	- A short sale or short pay-off within the previous 12 months
	- Disputed/collection accounts and public records **except** as follows:
	  - A manual downgrade is not required on a disputed account if:
	    - The account has a zero balance, **or**
	    - Any late payments on the account are aged 24 months or more, **or**
	    - The account is current and paid as agreed.
	- Non-traditional and insufficient credit histories
	Refer to the Derogatory Credit topic for detailed derogatory credit guidelines.
	• Non-occupant co-borrower or co-signer are added to a purchase or rate/term transaction and the occupant borrower does not have a credit score due to insufficient or non-traditional credit history. The credit score of the non-occupant co-borrower or co-signer cannot be used to satisfy FHA requirements so manual underwriting is required.
	• Compensating factors **are required** on all loans downgraded to a manual underwrite. Refer to the Compensating Factors topic for a detailed description of compensating factors for acceptable compensating factors (DTI ≤ 31%/43%)
	Refer to the Manual Underwrites topic for a detailed description of compensating factors if the DTI exceeds 31%/43%

Available Markets	• All 50 states with the exception of Massachusetts and Nevada • Guam, Puerto Rico and the Virgin Islands are also ineligible.

Borrowers - Eligible	• U.S. citizens • Permanent resident aliens: - Permanent resident alien borrowers must hold an unexpired "Green Card" issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required. • Non-permanent resident aliens are eligible as follows: - Borrower has a valid Social Security number (cannot be used as evidence of eligible work status). - Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS. NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S. therefore an EAD is not required • All borrowers are required to have a social security number; a TIN is not acceptable.
Borrowers – Ineligible	• Foreign Nationals • Borrowers with diplomatic immunity • Borrowers without a social security number • Non-U.S. citizens with no lawful residency in the U.S.
Borrower Types	• **Borrower and Co-Borrower:** Owns the property and is liable for the debt. Signs all documents, including the application, Note and Mortgage/Deed of Trust and is on title. Income, assets and debt used in qualification. • **Non-Occupant Co-Borrower:** Owns the property and is liable for the debt, but does not live in the property. Signs the application, Note, Mortgage/Deed of Trust and is on title. Income, assets and debt are used in qualification for purchase and rate/term only • **Co-Signer:** Has no ownership interest in the property but is liable for the debt. Signs the application and Note, but no the Mortgage/Deed of Trust (no ownership interest). Income assets and debt are used in qualification. • **Co-Mortgagor**: Has ownership interest in the property but is **not** liable for the debt. Signs all collateral documents (Mortgage/Deed of Trust, TIL & Right to Rescind, as applicable). Signature is to subordinate their interest in the property to the lien. Income, assets and debts are not used in qualification. • **Non-Borrowing/Non Purchasing Spouse:** Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law.
CAIVRS/LDP/GSA	• **CAIVRS at CAIVRS** - All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. Borrowers identified on this site are generally ineligible for FHA financing. • **LDP / GSA LDP / GSA** - All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. - Borrower(s), - Broker, - Loan Agent, - Seller, - Real Estate Listing and Selling Agent(s), - Appraiser.

Case Numbers	• Case numbers requests must comply with HUD Mortgagee Letter 2011-10. To view the Mortgagee Letter in its entirety go to: HUD Mortgagee Letters • FHA requires certification that there is an active loan application for the subject borrower and property and the time the case number is requested • The borrower's name and social security number is required for all new construction (proposed construction and existing construction less than 1 year old) • Case numbers older than 6 months must be cancelled and a new case number obtained when there has been no activity during the 6 months the case number was open.
Compensating Factors Manual Underwriting DTI ≤ 31%/43%	Loans downgraded to a manual underwrite require compensating factors. FHA considers compensating factors as: • Housing expense payment decreasing • Down payment over minimum required • Accumulated savings • Previous acceptable credit history indicates the borrower has the ability to devote a higher portion of income to housing • Compensation or income not reflected in effective income • Minimal housing expense increase • Substantial cash reserves • Substantial non-taxable income • Potential for increased earnings Primary wage earner relocating and income from secondary wage earner, with prior work experience, not included

Contingent Liabilities	A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.
	• **Co-Signed Debt**
	- When the borrower is legally obligated on a debt, the debt must be included in the borrower's DTI ratio, even if another party is making the payment. The payment may only be excluded when the person making the payment is also legally obligated on the debt.
	- Personal debt, where the borrower is a co-signer, may be excluded from the DTI if:
	  - Documentation is provided verifying another borrower is responsible for the debt, and
	  - Copies of the cancelled checks (front and back) are provided from the party paying the debt for the most recent 12 consecutive payments, and
	  - The credit report indicates the account has no late payments.
	NOTE: If required documentation cannot be obtained management approval is required to exclude debt from the monthly DTI calculation
	• **Business Debt**
	- ***Sole Proprietorship or Partnership:*** The business is not an entity that can borrow and any debt used by the business is personal obligations regardless of how the debt is paid.
	  - This type of debt must be included in the borrower's DTI. The debt may be added back to the business income so the debt is not counted twice
	- ***Corporations (Includes Sub-S and most LLCs):*** A corporation is a legal entity that can be obligated for debts. Officers of the corporation or members of an LLC are often required to personally sign as additional guarantors for debts owed by the Corporation or LLC.
	  - Debts may be excluded from the DTI, if:
	    - A minimum of 12 consecutive most recent cancelled checks are provided by the corporation/LLC for payment on the debt, and
	    - Documentation is provided showing the corporation/LLC is a borrower on the loan.

Contingency Reserve	• A contingency reserve account is required to cover any unplanned health, safety expenses arising from the renovation (e.g. mold, termites, etc.). Contingency reserve funds are deposited into an interest bearing escrow account. The contingency reserve is subject to the following: • Reserve is 10% to 15% of the total rehabilitation cost as established by the contractor NOTE: 15% is **required** if the utilities are not on or not in good working order at time of appraisal • Contingency reserve funds **cannot** be used for change orders, or work not included in the original bid (i.e. unplanned work not resulting from a health or safety issue) • The contingency reserve may be financed or funded by the borrower from their own funds. NOTE: The maximum renovation/repair amount **cannot exceed $35,000** even if the borrower provides the funds for the contingency reserve from their own funds • When the contingency reserve funds are financed any funds remaining at the end of the renovation process must be applied as a principal reduction • When the contingency reserve funds are provided by the borrower, any funds remaining at the end of the renovation process are returned to the borrower. Borrower funded reserve funds must be indicated on line 1310 of the 2010 itemization.
Credit History	• Tradeline requirements per DU Findings. • Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history. • Borrowers with insufficient credit history, compensating factors are not applicable, and they are subject to the following DTI requirements: - DTI computed only on the borrowers who will be occupying the property and obligated on the loan, - DTI cannot exceed 31%/43% - Two months cash reserves from the borrowers own funds are required. Personal gifts are not eligible to satisfy reserve requirements.
Credit - Installment/Revolving Accounts	All debts are run through DU to ensure accurate DU Findings. • **Installment Debt** - Included in the DTI if > 10 months remaining, or - Included if ≤ 10 months remaining **AND** payment is > $100.00 and/or at underwriters discretion - Pay down of installment debt to < 10 months may be considered on an exception basis if the borrower has strong reserves, high credit score, no gifts or grants, and the debt ratio, with the debt(s) included is 43% or less. REMN Wholesale management approval is required. • **Revolving Debt** - Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of $10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying. • **Deferred Student Loans** - Payments deferred > 12 months from the Note date may be excluded from the DTI ratios - Payments in forbearance due to financial hardship must be included in the monthly DTI ratios

Credit Report/Scores **Refer to Credit Score 620-639 topic for state specific requirements.**	• Minimum credit score requirements are as follows: • 1-unit conforming and high balance minimum 580 credit score (limited to 90% LTV/CLTV); Refer to the Credit Score 580-619 topic all requirements. • Minimum credit score of 620 is eligible for maximum financing allowed by FHA. • A tri-merged credit report is required for all borrowers. • The primary borrower (the borrower with the highest income) must meet the minimum credit score requirement. • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used • When there are multiple borrowers on a loan, the lowest representative credit score of all borrowers is the decision credit score. *Example:* - Borrower 1: Credit scores are 640, 654, 660; representative score is 654 - Borrower 2: Credit scores are 625, 637; representative score is 625 The loan decision score is 625 which is the lowest representative score of all borrowers • The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). • REMN Wholesale will allow loans **where not all borrowers have a credit score subject to the following:** - Determine if a "primary borrower" exists. If a primary borrower exists (meets all of the requirements below) the loan may proceed without additional documentation. A primary borrower is defined as: - The individual who will be occupying the property, **and** - Has more than 50% of the qualifying income, **and** - Meets the minimum tradeline requirements (3 tradelines, each with 12 month history and 1 of the 3 must have been active within the past 24 months). - If a "primary borrower" cannot be established (no borrowers meet all of the above criteria), non-traditional credit requirements apply as detailed in HUD Mortgagee Letter 2008-11. - When none of the borrowers have a credit score they are subject to HUDs requirements for borrowers with non-traditional credit. Refer to HUD Mortgagee Letter 2008-11 issued April 29, 2008, for detailed information. Transactions where none of the borrowers have a credit score are considered on a case-by-case basis.

Credit Score 580-619	The following applies when the borrower's credit score is between 580-619:
	• Maximum LTV/CLTV:
	  - **Purchase transactions**: 90% LTV/CLTV. Minimum 12 months documented mortgage history, indicating 0x30 in 12 months is required. < 12 months mortgage history is ineligible. No gift or DPA funds allowed for down payment; all funds for down payment must be from borrower own funds.
	  - **Refinance transactions**:
	    - Rate/term: 90% LTV/CLTV
	    - Cash-out : 85% LTV/CLTV (HUD maximum)
	    - Minimum 2 year payment history on the current loan with 0x30 in previous 24 months is required on all refinance transactions
	• 1-unit properties only (attached/detached SFR, PUDs, condos)
	• Maximum DTI 31%/43%. Maximum applies to both ratios individually (i.e. if the DTI is 34%/42% the loan is ineligible). **No exceptions.**
	• No gifts or DPA funds allowed for down payment. Gift funds eligible for closing costs and/or to reduce LTV only after 10% borrower own funds for down payment requirement is met.
	  - Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date
	  - A letter, signed by all borrowers, stating that all funds used for the 10% down payment requirement are borrower own funds, will be required.
	• Purchase transactions require a twelve (12) month mortgage history with 0x30 in previous 12 months verified by an in-file credit report. Borrowers without a mortgage history (currently renting or living rent free) or with < 12 months mortgage history are **ineligible**.
	• Maximum payment shock is 100%. Payment shock > 50% - 100% is subject to the following:
	  - Standard **residual income requirement must be doubled** (i.e. if VA normally requires residual income of $350 a minimum of $700 would be required).
	• Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible.
	Additionally, the requirements under the Credit Score 620-639 topic apply when the property is located in one of the states identified

Credit Score 580-619 (cont.)

Residual income requirements*:

Loan Amounts ≤ 79,999				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$390	$382	$382	$425
2	$654	$641	$641	$713
3	$788	$772	$772	$859
4	$888	$868	$868	$967
5	$921	$902	$902	$1,004
Over 5	Add $75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$450	$441	$441	$491
2	$755	$738	$738	$823
3	$909	$889	$889	$990
4	$1,025	$1,003	$1003	$1,117
5	$1,062	$1,039	$1,039	$1,158
Over 5	Add $80.00 for each additional family member up to 7			

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

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

Credit Score 620-639	If the subject property is located in **Alabama, Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Missouri, New Jersey, New Mexico, New York, Oklahoma, Rhode Island, South Carolina, or Tennessee, AND the borrower has a credit score of 620-639,** the following applies: • No major derogatory credit in the past 24 months(judgments, tax liens, non-medical collections, 60 day+ installment/revolving) • Gifts are not permitted for minimum down payment. Grants and DPA program funds are eligible. • 0x30 in past 12 months housing history required • Borrowers without prior 12 months housing history maximum 90% LTV. Acceptable documentation for housing history acceptable documentation is copies of12 months cancelled checks/money orders. Borrowers with multiple residences in previous 12 months, a VOR is acceptable from a **previous** landlord only; current housing must be documented with checks/money orders. • Borrowers with 12 months documented housing are eligible up to the maximum LTV NOTE: The additional requirements detailed above **do not apply** to borrowers with a credit score ≥ 640 even if the property is located in one of the states identified above **or** to borrowers with a 620-639 credit score and the subject property is **not** in one of the states above.
Derogatory Credit	**Bankruptcy** Bankruptcy does not automatically disqualify the borrower from obtaining FHA insurance subject to the following guidelines. • ***Chapter 13*** ***Currently in Chapter 13*** - Borrower has completed 1 year of the payout period, and - Borrower has made all required payment on time, and - The borrower has received written permission from the bankruptcy court to enter into a mortgage transaction. ***Discharged with DU "Approve" Finding*** - A minimum of 2 years have elapsed since discharge date, **no exceptions**. • ***Chapter 7*** - Two years has elapsed since discharge date to application date (1 year with documented extenuating circumstances), and - Borrower has re-established good credit and shown an ability to manage credit, and - Provide letter of explanation for bankruptcy filing. **Consumer Credit Counseling** • One year of payout under the plan has elapsed • All payments have been made on time • The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction • If an "Approve/Eligible" Finding is received, no explanation or other documentation is required from the borrower. **Delinquent Child Support** Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review. **Foreclosure** • Borrowers are generally not eligible for new FHA financing if a foreclosure or deed-in-lieu has occurred in the previous 3 years. • If ≥ 3 years from the foreclosure settlement date to the application date the borrower is eligible subject to the following: - Borrower must have re-established credit - No late housing or installment payments after the foreclosure, and - A letter of explanation as to the reason for foreclosure. NOTE: If the foreclosure was included in a Chapter 7 bankruptcy, the date of the foreclosure deed is used for determining the foreclosure date.

Derogatory Credit (cont.)	**Collection/Charge-off/Judgments** Loans that do not receive an "Approve/Eligible" Finding, the borrower is required to provide a letter of explanation for all collection, charge-off accounts and judgments for each outstanding account and/or judgment. The letter must document that the collection and/or judgment was not due to the borrower's disregard of their financial obligation or their ability to manage debt. **Collections/Charge Offs** The underwriter must consider the borrower's ability to repay the mortgage when the cumulative balance for all borrowers of collection/charge-off account(s) is > $2,000 (including any collection accounts of a non-purchasing spouse in community property states unless excluded by state law) on both manual underwrites and loans with a DU Finding. All medical collection accounts and all charge-off accounts (medical and non-medical) **are excluded** from the collection/charge-off guidance. All non-medical collection accounts **must be included.** • **Accounts Cumulative ≥ $2,000** One of the following is required: 1. Payment in full prior to or at closing. Source of funds for payoff must be documented, **or** 2. If borrower currently in a payment plan (no minimum time required) the payment must be included in the DTI, **or** 3. If a payment plan not established, calculate 5% of the outstanding balance and include in the DTI calculation. • **Accounts Cumulative < $2,000** No action required. Accounts cannot be paid down to < $2,000. **Judgments** • Judgments are required to be paid off, **including** judgments against a non-purchasing spouse in community property states (unless excluded by state law) **and** medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor subject to: - A copy of the agreement is provided, and - The borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required. - Payments must be included in the DTI calculation NOTE: The borrower **cannot** prepay scheduled payments to satisfy the 3 month requirement. **Disputed Accounts – Derogatory** A derogatory disputed account is defined as: • A disputed collection account, or • A disputed charge-off account, or • Disputed accounts (revolving, installment, etc.) with late payments in the previous 24 months. A letter of explanation is required from the borrower whenever a derogatory disputed account is indicated on the credit report regardless of the cumulative balance. • Disputed accounts **not required** in cumulative total: - Disputed medical accounts, - Disputed accounts that are the result of documented identity theft. If documentation cannot be provided (e.g. police report) to substantiate the claim the amount must be included in the cumulative total, - Disputed derogatory credit account of a non-purchasing spouse in a community property state, - Non-derogatory disputed accounts.

Derogatory Credit (cont.)	**Disputed Accounts – Derogatory** (cont.) • ***Disputed Accounts ≥ $1,000 (cumulative for all borrowers)*** - Loans with an "Approve/Eligible" Finding must be downgraded to a manual underwrite if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for **all** borrowers) is ≥ $1,000. - The underwriter determines if the disputed account(s) must be considered in the credit decision and at underwriter discretion, the account may be required to be resolved prior to loan closing. • ***Disputed Accounts < $1,000 (cumulative for all borrowers)*** - A downgrade to a manual underwrite is not required if the cumulative total of all disputed accounts is < $1,000. **Disputed Accounts – Non-Derogatory** Non-derogatory disputed accounts are: • A disputed account with a zero balance, or • A disputed account with late payments aged 24 months or greater, or • A disputed account that is paid as agreed. Non-derogatory accounts are not included in the cumulative total, however the underwriter must address when considering the borrower's ability to repay the loan including the impact to the DTI. **Tax Liens** Tax liens must be paid or subordinate to REMN Wholesale's 1st lien and must have a 0x30 in 12 months payment history. **Short Sale** Borrower(s) are **not** eligible for a new FHA insured mortgage if they pursued a short sale agreement on their primary residence to strategically take advantage of declining market conditions to purchase a similar or superior property within a reasonable commuting distance from the short sale property at a reduced price as compared to current market value. Borrowers with a short sale may be eligible for a new FHA insured mortgage subject to the following: • ***Borrower Current at Time of Short Sale*** - Mortgage payments due on the prior mortgage were made within the month due for the 12 months preceding the short sale, and - Installment debt payments for the same time period were also made within the month due • ***Borrower in Default at Time of Short Sale*** - A borrower in default on their mortgage payment at the time of the short sale (or pre-foreclosure sale) or a borrower is not eligible for a new FHA insured mortgage for 3 years from the date of the pre-foreclosure sale. - A borrower who sold their property under FHA's pre-foreclosure sale program is not eligible for a new FHA insured mortgage for 3 years from the date that FHA paid the claim associated with the pre-foreclosure sale. - An exception to the above may be made if the default was due to extenuating circumstances, such as death of the primary wage earner or a long term un-insured illness. A review of the credit report must indicate satisfactory credit prior to the extenuating circumstances that cause the default.

Derogatory Credit (cont.)	• ***Short Payoff/Modified/Restructured Loans*** - Borrowers are eligible for an FHA rate/term refinance when the existing Note holder(s) will write off the amount of the indebtedness that cannot be refinanced in the new FHA insured mortgage subject to the following: - The borrower is current on their existing mortgage, and - There is insufficient equity in the home based on its current appraised value, and/or - The borrower experienced a reduction in income and does not have the capacity to repay the existing mortgage on the property. In cases where the existing Note holder(s) is reluctant, or not willing, to write down the indebtedness, a new subordinate lien may be obtained for the amount of which the payoff is short. If payments on the new subordinate financing are required, they must be included in the qualifying ratios unless the payment has been deferred for a minimum of 36 months.
Down Payment	The minimum down payment requirement is 3.5% from the borrower's own funds or from an acceptable gift/donor, grant or DPA program.
Down Payment Assistance Programs / Grants	• Funds from a DPA / grant program are eligible for down payment, closing costs, etc. • DPA / grant program must be eligible Community Seconds as allowed per HUD; any non-profit organization must be HUD Approved. • Borrowers with a credit score of 580-169 must meet 10% down payment from own funds; DPA eligible for closing costs, etc. after 10% borrower own fund requirement is met.
DTI	• Maximum DTI for loans with a credit score of 580-619 is 31%/43%, **no exceptions**. • Maximum DTI for loans with a credit score of 620 - 639 is 45% based on occupant borrower only • Maximum DTI for loans with a credit score of 640 – 659 is 50%. Exceptions to the DTI may be granted on a case-by-case basis. • Maximum DTI per DU/Total Scorecard with a credit score ≥ 660 • Loans that received a "Refer" Finding from DU/TOTAL Scorecard and require manual underwriting or have been downgraded to manual underwriting after a DU/Total Scorecard "Approve/Eligible" Finding, the maximum DTI is 31%/43% unless HUD requirements are met. Refer to the Manual Underwrites topic for maximum DTI and acceptable compensating factors as required by HUD. • Illinois 2-4 units, NJ and NY 3-4 units the maximum DTI 45% • The debt-to income ratio includes the following: - Monthly housing expense, and - Additional recurring charges extending 10 months or more, such as - Installment accounts, - Child support or separate maintenance payments, - Revolving accounts, and - Alimony • Monthly payments on revolving or open-end accounts, regardless of their balances, are counted in the DTI for qualifying purposes even if the account may be paid off within 10 months or less. • Debts with less than 10 months remaining must be included in the DTI if the amount of the debt will affect the borrower's ability to pay the mortgage in the months immediately following loan closing particularly if the borrower has limited or no reserves.

Employment/Income	• A two year employment history is required for both wage earners and self-employed borrowers. • A verbal verification of employment (VVOE) is required within10 calendar days of the Note date for salaried borrowers and 30 days for self-employed borrowers NOTE: A fully completed VOE is only acceptable as a supplement to the VVOE to further explain the type of income earned (e.g. breakdown of base, OT, bonus, commission, etc.) • A current paystub with YTD of at least one month, and W-2s for prior 2 years or per DU Findings. • A borrower who has returned to work after an extended absence (6 months or more) will be allowed to use their current income if: - The borrower has been employed in their current job for 6 months or longer, and - A 2 year work history, prior to the absence from employment, can be documented (e.g. copies of W-2s or paystubs from previous job required). • **Self-employed borrowers** - Self- employed borrowers are individuals who have 25% or greater ownership interest in a business. - Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, and Business License). - FHA considers income from self-employed borrowers to be stable if the borrower has been self-employed for 2 or more years. Borrowers with 1-2 years self-employment history may be eligible subject to the following: - Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or - A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable. NOTE: < 1 year of income from self-employment is not considered effective income - Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines. - Income must not be declining more than 10% per year. If income declining more than 10% the lowest income must be used to qualify. - Depreciation and/or depletion may be added back - Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years are required. - Corporations, S-Corporation or partnership are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules. **Effective with case numbers issued on or after April 2012** • Year-to-date Profit & Loss (P&L) statement and balance sheet are 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 - Additionally, if the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required. - Borrowers who do not use a CPA or Tax Service Professional may supply an unaudited P&L or quarterly tax returns obtained from the IRS - An example of a situation of when an unaudited P&L would be acceptable is a borrower who owns a small business where the borrower self-prepares their tax returns or they engage a CPA/Tax preparer they only do on an annual basis - Regardless of who prepares the unaudited P&L cannot be used in the income calculation. - A business credit report is required for corporations and S-corporations. NOTE: A business credit report is not required if the loan receives a TOTAL Scorecard "Approve" recommendation.

Employment/Income (cont.)	**Employed by Family Business** • In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes; - Copies of signed personal tax returns, or - Signed copies of the corporate tax returns showing ownership percentage. **Automated Underwriting Findings** • If TOTAL Scorecard returns an "Approve" recommendation, the borrower will not be required to provide business tax returns if all of the following requirements are met: - Individual federal tax returns show increasing self-employment income over the past 2 years - Funds to close are not coming from business accounts, and - The proposed FHA insured mortgage is not a cash-out refinance. **Other Income** • ***Rental Income*** - Subject - Rent received from units not being renovated is acceptable income for qualifying if REMN Wholesale can document the stability of the rental income. Acceptable documentation includes: - A current lease agreement , or - Rental history of the previous 12 months that is free of unexplained gaps > 3 months - 1040's are required unless the property was purchased within the previous 12 months. - Other Real Estate Owned - Rent received for properties owned by the borrower is acceptable income for qualifying as long as the lender can document the stability of the rental income. Acceptable documentation includes: - A current lease agreement to lease or, or - Rental history of the previous 12 months that is free of unexplained gaps > 3 months - 1040s required unless property purchased within the past 12 months - Conversion of Current Residence - Rental income from a principal residence that is being vacated will **not** be considered for qualifying purposes **except as follows**: Rental income from the property being vacated can be used to qualify as long as the appropriate vacancy factor is used (determined by the applicable HOC) provided the reason for the relocation is acceptable or the sufficient equity requirement is met as detailed below. - ***Relocations*** - The borrower is relocating due to new job or job transfer to an area not within reasonable/locally recognized commuting distance - An executed lease agreement, for a minimum of 1 year, is required. Evidence of the security deposit and/or one months' rent is recommended. - ***Sufficient Equity in the Property*** - The borrower has an LTV of 75% or less as documented by: - An appraisal that is no more than 6 months old, or - An Exterior-Only appraisal (2055) or (1075).

Employment/Income (cont.)	**Projected Income from New Job** Projected income from a new job that the borrower is scheduled to start is eligible subject to REMN Wholesale management approval and the following: • The borrower must be scheduled to start the new position within 30 days of loan closing, • The borrower's previous employment and income history must be documented • A non-revocable, guaranteed employment contract is required. • Borrower must have sufficient other income or cash reserves to pay the mortgage and all other obligations from loan closing to the start of the new job. • A letter, signed by the borrower(s) is required, certifying that a paystub or other acceptable documentation to validate the borrower has started employment will be provided as soon as received by the borrower. **Social Security Income Documentation Requirements** Income received from the Social Security Administration (e.g. social security, Supplemental Security Income (SSI), disability, etc.) is eligible for qualifying the borrower when the income can be verified and it is likely to continue form a minimum of three (3) years from the date of the mortgage application. NOTE: Income that will not continue for a minimum of three (3) years may only be considered as a compensating factor. ***Verifying SSA Income***: Any of the following is acceptable: • Federal tax returns, • Social Security Award Letter (aka Benefits Letter/Budget Letter), • Social Security Benefits statement (SSA 1099/1042S), or • Most recent bank statement evidencing receipt of the income from SSA. ***Verifying Continuance of SSA Income***: To document the continuance of the SSA income for three (3) years obtain the most recent Notice of Award Letter or equivalent documentation. If an expiration date is not stated it can be considered likely to continue. Additional information is **not** required to establish length of receipt. Additionally, **never** request documentation concerning the nature of disability or medical condition and evidence of a pending or current re-evaluation of medical eligibility **should not** be considered an indication the benefits will not continue. The income stated on an initial Notice of Award Letter (or equivalent) ,which indicates the borrower will be receiving benefits, may be used as effective income as of the start date of the income as stated on the Award Letter. The borrower must have other income to qualify for the mortgage until the start date of the benefit. ***Other Long-Term Disability Income:*** Other long term disability income (workers compensation, private insurance) may also be used for qualifying income following the guidelines above.
Escrow/Impound Account	Required on all loans, no exceptions.

Fees and Charges (included in rehab costs)	The following fees and charges apply, as applicable: • Labor and materials cost for the rehab/renovation • Contingency reserve (10% to 15% of the total renovation cost) • Appraisal fee • Inspection fee(s) • Permit fee(s) (if applicable must be included in the contractor bid) • Final Title Update fee • Discount points on repair costs and fees
Financed Properties	• Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. Exceptions may be granted on a case-by-case basis with REMN Wholesale management approval. A price adjustment may apply. • No multiple simultaneous loan submissions allowed if contingent to qualify. • REMN limits its exposure to a maximum of 4 loans per borrower.
Fund Disbursement	Funds are disbursed as follows: • Maximum of 2 disbursements (draws). 10% is withheld from each draw. • 50% of the funds are disbursed within 2-3 business days of receipt of the final signed doc package by REMN Wholesale Post Closing department. The remaining 50% is disbursed once all work/repairs are complete, a final inspection has been done by the appraiser, and a Final Title Update is complete. Any funds remaining at project completion will be applied to the principal balance of the loan. If the borrower funded the contingency reserve from their own funds, any residual funds may be released to the borrower or applied to the principal balance. Financed unused contingency reserve may never be used to purchase appliances or complete additional work that was not part of the original work write up.
Gift Funds	• **Gift funds are ineligible for the minimum down payment if the borrower has a credit score of 620-639 AND the property is located in Alabama, Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Missouri, New Jersey, New Mexico, New York, Oklahoma, Rhode Island, South Carolina, or Tennessee.** Grants and funds from a HUD Approved, non-profit down payment assistance (DPA) program & community seconds are eligible. • With the exception of the above restrictions, gift funds, grants and DPA funds are eligible for down payment, closing costs and reserve requirements if required. There must be no expected or implied repayment requirement of the gift funds. • A gift is acceptable if the donor is: - A relative of the borrower, - A close friend with a clearly defined and documented interest in the borrower, - The borrower's employer or labor union - A charitable organization approved by FHA, - A government agency or public entity that has a program providing home ownership assistance to low and moderate income families or fist-time homebuyers. • Gift funds must be evidenced by a gift letter, signed by the donor and it must: - Specify the dollar amount, - Be signed by the donor and the borrower, - Specify the date the funds were transferred and source of funds, - Indicate the donor(s) name, address, phone number, and relationship to borrower, and - Include a statement by the donor that no repayment of the gift funds is expected. • The gift donor may **no**t be a person or entity with an interest in the sale of the property including: - Seller - Real estate agent or broker - Builder or associated entity Gifts from these sources are considered "inducements to purchase" and must be subtracted from the sales price. • Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds.

<table>
<tr><td>Gift Funds (cont.)</td><td>

Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below:

Gift funds provided prior to closing

Copy of the donor's cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement/print out verifying the deposit.
Certified check from donor's account: Document with the bank statement showing the withdrawal and a copy of the certified check.
Bank check (cashier's check, money order): Document with withdrawal slip or cancelled check from the donor's personal account for the amount of the gift
Wire transfer: Document with copy of wire transfer.

NOTE. When a bank statement is used to document funds, the donor may be required to document large deposits to ensure the funds did not come from an interested third party.

Gift funds are not allowed at closing; may be considered on an exception basis only.
FHA allows donors to borrow gift funds from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift. Written evidence that the funds were borrowed from an acceptable source and not from a party to the transactions is required OR copy of the loan document verifying the loan is in the name of the donor and borrower is not responsible for repayment. A copy of the deposit slip verifying the deposit and bank statement/print out indicating deposit.

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<tr><td>Gift of Equity</td><td>Not allowed</td></tr>
<tr><td>HUD REO $100 Down Payment</td><td>
Buyers must be approved by HUD for the $100.00 Down Payment program. Approved buyers may finance the cost of the UFMIP provided, the total mortgage amount, including UFMIP, does not exceed 100% of the "As-Is" appraised value. The following also applies:

The total loan amount (prior to repairs) cannot exceed 100% of the appraised value of the property minus the $100 down payment. If the UFMIP exceeds the appraised value, it cannot be financed and the borrower will be required to bring funds to closing.
Borrowers acquiring HUD REO properties using the $100 Down Payment program are not eligible to finance prepaid expenses and closing costs.
The maximum LTV, including repairs, is limited to 110% LTV. Refer to Mortgagee Letter 2000-27
The 203(k) box on line 4 of the Sales Contract the 203(k) must be checked on HUD REO purchase transactions.
A 15% contingency reserve is required if the utilities are not on and in proper working order.
A copy of the original HUD REO appraisal is required. If the appraisal is current (dated within 120 days of the date of the executed purchase contract). The lower of the purchase price or the "As-Is" value on the HUD REO appraisal is used to determine the maximum mortgage amount.
A second appraisal is permitted to establish value if the original HUD REO appraisal is insufficient to support the "After-Improved" value; See HUD REO Appraisals topic for additional guidelines.
If the original HUD REO appraisal is expired (> 120 days from the date of the purchase contract), a new appraisal is required to support the "As-Is" value and "After-Improved" value based upon the completed renovation work.
A copy of the original HUD REO appraisal is required in the loan file even it was expired.
If the borrower overbids resulting in a higher purchase price, the borrower is required to provide the funds for the difference between the "As-Is" value and the purchase price.
A new appraisal cannot be ordered to support the amount of overbid. The loan amount must be based on the lesser of the appraised value or purchase price.
Closing costs and prepaid items cannot be financed on a HUD REO purchase transaction.

Refer to the HUD REO Q & A topic for additional information.
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HUD REO Q & A	
	Q: What happens when a borrower overbids on a property? Can the amount of overbid ever be financed? A: When a Borrower overbids on a property, they must pay the difference and it can never be financed (even on the 203k programs). A new appraisal cannot be ordered to support the amount of overbid. The loan amount must be based on the lesser of the appraised value or purchase price. Q: What value is used when the listing value has expired (beyond 120 days) as it pertains to new appraisal (i.e. original list as-is value $70,000 (expired appraisal), borrower over bids and pays $72,000 for property, new as-is value from new appraisal is $73,000 and after-improved value is $100,000). Refer to the HUD REO Appraisal topic for additional requirements $70,000 Q: When should a second appraisal be ordered? A: A second appraisal can be ordered if the current HUD REO appraisal has expired or if there are material deficiencies with the current appraisal report as determined by the DE Underwriter. The second appraisal can list both the as-is value and the after-improved value (two appraisals are not required). The maximum FHA insurable mortgage (subject to underwriting requirements for down payment, financing of closing costs, etc.) will be based on the value of the property as determined by the new appraisal when an as repaired appraisal is required. Refer to HUD Mortgagee Letter 2013-44 Q: Once the HUD REO appraisal has expired, who is responsible for ordering a new appraisal? A: REO appraisals are valid for 120 days from the effective date of the appraisal. The buyer must have a valid ratified contract within 120 days of the appraisal effective date or the mortgagee must order a new appraisal in accordance with guidance provided in ML 2009-51. Lender to order a new appraisal once the HUD REO appraisal is expired and the buyer may be charged for it. Should the new appraisal result in a lower than as-is value or higher than as-is value, the sales/list price will not be adjusted. Refer to ML 2000-27. The original appraisal must be in the loan file to verify appraisal has expired. Q: If the contract between the buyer and the Asset Manager was ratified within the appraisal effective period, does this mean that the original HUD REO appraisal is good indefinitely? A: No. All appraisals are good for 120 days from the effective date of the appraisal report unless otherwise extended as per the previous guidance. The contract ratification is a separate issue- if an executed agreement to purchase was not complete during the appraisal effective period; a new appraisal is required. Q: How can the expiration date of an REO appraisal be extended? A: If the contract is still valid, and the original REO appraisal has not yet expired, the underwriter may grant a 30 day extension to accommodate closing OR order an appraisal update report. The appraisal update must be received prior to the original appraisal expiring. If the underwriter is going to extend the appraisal expiration for an additional 30 days, closing must occur within 150 days of the effective date of the original report. This is done by adjusting the expiration date on the Conditional Commitment HUD form 92800.5b. An appraisal update report extends the validity period of the appraisal for an additional 90 days. Q: If the HUD REO appraisal has expired and there is a repair escrow requirement involved, what if the new appraisal does not show the same repairs as previously negotiated? A: The lender can provide a copy of the Property Condition Report (PCR) from the REO appraisal to the new appraiser. Lenders can also suggest to appraisers that when completing the new report in as-is condition they can add comments that "this appraisal is for a current HUD REO property with repair escrow". Please refer to ML 2000-27. Underwriters are to resolve issues between original appraisal and new appraisal. Q: Can repairs be included in the loan amount calculation on the $100 down payment program? A: Yes, repairs can be included in the loan amount calculation and escrowed on the $100 down payment program with a maximum LTV of 110%. Q: Can the UFMIP be financed into the loan amount on the $100 down payment program? A: The total loan amount (prior to repairs) cannot exceed 100% of the appraised value of the property less the $100 down. If the UFMIP exceed the appraised value, then it cannot be financed and the borrower must bring the funds to closing. Once the loan amount is calculated, the repairs can still be added to the loan amount. Refer to HUD Mortgagee Letter 2011-19

Identity of Interest / Conflict of Interest	Defined as the purchase of a primary residence between parties with a family or business relationship/business affiliates. • The borrower cannot have any familial or business relationship/affiliation with **any party** to the 203(k) transactions including: - Seller, - Consultant, - Contractor(s), - Inspector, - Appraiser, - Broker/Lender, - Realtor, - Closing agent/title company. • No broker owned escrow or title allowed. • Closing agent cannot have any identity of interest between the originating lender, mortgagee of record, mortgagor or any officer, employee, director or authorized representative of the lender. • Both the borrower(s) and consultant must sign an Identity of Interest Certification stating there is no relationship between them and **any party** to the transaction. • Chain of title evidence is required if the property was sold within the previous year to determine no identity of interest.
Improvements - Eligible	The Streamlined program is designed to finance repairs/replacement, modifications and upgrades. All health, safety and energy conservation items must be addressed prior to completing general home improvements. Items eligible for 203(k) funds include, but are not limited to: • Changes to improve function/modernization (bath/kitchen remodel). Cannot include structural changes • Elimination of health/safety hazards (lead base paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing, • Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems, • Repair/replace flooring, • Repair/ replace appliances, • Window and door replacement, • Interior/exterior painting, • Weatherization including storm windows/doors, insulation, weather stripping, • Repair/replace roofing, gutters and down spouts, • Enhancing accessibility for a disabled person • Repair of existing driveway and/or fencing • Repair of decks, patios, porch • Basement finishing and/or remodeling and water proofing (cannot include structural repairs) • Well/septic repair work only. Must be completed prior to beginning of other repairs. - Generally properties with either a separate septic or well require a minimum of .5 acre - Properties with both a well and septic require a minimum of 1 acre.

Improvements - Ineligible	Major renovation/rehabilitation that requires: • New construction • Room additions • Relocation of load bearing walls, • Repairs to structural damage • Major landscaping improvements • Architectural plans and/or exhibits Additionally, luxury items and improvements that do not become part of the real property are not eligible as a cost of rehabilitation. Examples of items not eligible as an improvement or for repair, include, but are not limited to: • Barbeque pits, outdoor fireplaces or hearths • Exterior hot tubs, saunas, spas or whirlpool baths • Swimming pool repair or installation • Tennis courts • Television satellite dishes/antennas • Dumbwaiters • Photo murals • Additions or alterations to allow for commercial use • Generator
Inspections	• The following inspections, if required by the appraiser, must be completed: - Termite/pest - Well or septic certification - Additional HVAC or system certifications

Manual Underwrites AND DTI Exceeds 31%/43% **(Applies to case numbers assigned on or after 4/21/14)**	Manual underwrites are subject to the following HUD requirements. The table below identifies the maximum eligible DTI as determined by the applicable compensating factor. Detailed compensating factor requirements follow.

Credit Score/ Compensating Factor(s)*	Maximum DTI	Requirements
620+ No Compensating Factor	31% / 43%	• Max DTI cannot be exceeded per HUD new requirements; underwriter discretion no longer allowed • Must meet HUDs new manual underwriting cash reserve requirement: - 1-2 units: Minimum 1 month reserves - 3-4 units: Minimum 3 months reserves
620+ **and** One Compensating Factor	37% / 47%	Compensating factor **must be one** of the following: • Additional cash reserves - 1-2 units: Minimum 3 months reserves - 3-4 units: Minimum 6 months reserves • Minimal housing increase* • Residual income* • Additional income not used for qualification*
620+ **and** Two Compensating Factors	40% / 50%	Compensating factors **must be two** of the following: • Additional cash reserves - 1-2 units: Minimum 3 months reserves - 3-4 units: Minimum 6 months reserves • Minimal housing increase* • Residual income* • Additional income not used for qualification*
620+ **and** No Discretionary Debt	40% / 40%	• All requirements under the “No Discretionary Debt” topic must be met. • Must meet manual underwriting cash reserve requirement: - 1-2 units: Minimum 1 month reserves - 3-4 units: Minimum 3 months reserves

*Minimum reserve requirements for manually underwritten loans must still be met

- 1 unit: Minimum 1 month reserves

<table>
<tr><td>Manual Underwrites AND DTI Exceeds 31%/43%

(Applies to case numbers assigned on or after 4/21/14</td>
<td>Eligible Compensating Factors:
<table>
<tr><th>Compensating Factor</th><th>Requirement</th></tr>
<tr><td>Additional Cash Reserves</td><td>• 1 and 2 units: 3 months or more of the total monthly mortgage payment (PITI + MIP)
• 3 and 4 units: 6 months or more of the total monthly mortgage payment (PITI + MIP)
Retirement accounts (IRA, 401K, Keogh, etc.) are eligible to satisfy reserve requirements subject to:
• Maximum 60% of the vested account, minus any outstanding loan balance(s) may be used (any funds used for loan settlement must be excluded)
• The account allows for withdrawals other than for retirement, death or employment termination. If not, the funds are ineligible towards reserves.
The following are ineligible to meet reserve requirements:
• Any cash-back from the transaction
• Gift or borrowed funds
• Equity in other real estate owned</td></tr>
<tr><td>Minimal Housing Increase</td><td>Minimal housing increase defined as:
• New monthly mortgage payment (PITI + MIP) does not exceed the current housing payment by the lesser of:
- $100, or
- 5% of the current housing payment, and
• Borrower must have a documented 12 month housing history; if 12 months housing cannot be documented the minimal housing increase cannot be used as a compensating factor. The following applies to the required housing history:
- Purchase and rate/term refinance transactions:
- Maximum 1x30 in previous12 months
- Cash-out transactions: 0x30 in previous 12 months</td></tr>
<tr><td>No Discretionary Debt</td><td>May be considered a compensating factor when:
• The only open account with an outstanding balance that is not paid off monthly is the borrower's mortgage (N/A to purchase borrowers who currently rent), and
• The borrower's credit report indicates established tradelines, open for a minimum of 6 months, in the borrower's name (authorized user accounts not eligible), and
• The borrower has paid any account balances in full for the previous 6 months (documentation of payment is required)</td></tr>
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Manual Underwrites AND DTI Exceeds 31%/43% (Applies to case numbers assigned on or after 4/21/14)	Eligible Compensating Factors (cont.)

Compensating Factor	Requirement
Additional Income (income that was not used to qualify for the loan)	The following additional income is eligible, if not used for qualification: • Bonus, • Overtime, • Part-time/seasonal The borrower must be able to document receipt of the income for a minimum of 1 year but < 2 years and is likely to continue **AND** if the income had been used for qualifying the DTI would not be more than 37%/47%. Eligible as follows: • If DTI will **not** exceed 37%/47% may be used as the only compensating factor; no additional compensating factor required. • If DTI exceeds 37%/47% but is not more than 40%/50% another compensating factor, in addition to additional income, is required. NOTE: Income from anyone not a borrower on the loan may **not** be used (non-borrowing spouse, domestic partner, etc.)
Residual Income	Eligible subject to VA residual income guidelines. • **All** of the borrower's household members are counted regardless of the relationship to the borrower or if they will be on the loan with the exception of "self-sufficient" household members (i.e. the household member who fully supports themselves, with verifiable income, and that income was not used for qualifying) • Residual income is determined by taking the **gross** monthly income of all occupying borrowers and **deducting** the following: - Federal and state taxes, social security, - Proposed housing payment - Fixed monthly expenses (revolving/installment debt, child support/alimony obligations, child care expenses, and - Home maintenance costs (calculated at 14¢ per square foot) NOTE: Grossed-up income **cannot** be used to meet residual income Requirements.

Manual Underwrites AND DTI Exceeds 31%/43%

(Applies to case numbers assigned on or after 4/21/14)

Residual income requirements:

Loan Amounts ≤ 79,999				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$390	$382	$382	$425
2	$654	$641	$641	$713
3	$788	$772	$772	$859
4	$888	$868	$868	$967
5	$921	$902	$902	$1,004
Over 5	Add $75.00 for each additional family member up to 7.			

Loan Amounts ≥ 80,000				
Family Size	**Northeast**	**Midwest**	**South**	**West**
1	$450	$441	$441	$491
2	$755	$738	$738	$823
3	$909	$889	$889	$990
4	$1,025	$1,003	$1003	$1,117
5	$1,062	$1,039	$1,039	$1,158
Over 5	Add $80.00 for each additional family member up to 7			

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

Maximum Mortgage Amount	**Purchase Transactions** • Maximum 96.50% LTV • Total loan amount cannot exceed the county limits established by FHA • LTV is calculated using the lesser of: - The total acquisition cost (sales price plus total renovation cost minus excess seller contributions), **or** - 110% of the "After-Improved" value (condos limited to 100% LTV), **or** - "As-is" value + total renovation costs. **Refinance Transactions** • Maximum 97.75% LTV • Total loan amount cannot exceed the county limits established by FHA • LTV is calculated using the lesser of: - Existing debt* plus rehabilitation costs plus closing costs/prepaids, **or** - 110% of the "After-Improved" appraised value multiplied by 97.75%, **or** - "As-Is" appraised value plus rehabilitation costs multiplied by 97.75% * If subject property owned less than one year, use the lesser of the existing debt (outstanding loan balance) or purchase price
Mortgage/Rental History	• Credit score of 580-619 requires the following: - **Purchase transactions:** A minimum 12 month documented mortgage history with 0x30 in previous 12 months verified by in-file credit report is required. Borrowers without a 12 month mortgage history (currently renting or living rent-free with family) are **ineligible**. - **Refinance transactions:** Minimum 2 year payment history on the current loan with 0x30 in previous 24 months required; < 2 year payment history the loan is ineligible. • Credit score ≥ 620 requirements per DU Findings • 0x30 in the previous 12 months on loans downgraded to a manual underwrite • 1x30 in the previous 12 months may be eligible on purchase or rate/term refinance transactions for extenuating circumstances at underwriter discretion. • Mortgage must be current for the month closing. • Mortgage history must be verified for the previous 12 months if it does not appear on the credit report as follows: - Copies of rent checks or money orders to document rental payment history are required per DU Findings. In lieu of rent checks/money orders, at the underwriter's discretion a direct verification of rent (VOR) provided by a professional management company may be acceptable. VORs from private individuals are not eligible.

Multiple FHA Loans	• Generally a borrower is only allowed to have one FHA loan and is not eligible to acquire another FHA mortgage until they have paid off the mortgage or terminated ownership.
	• More than one FHA loan is allowed under very specific circumstances as detailed below.
	- ***Relocations***
	  - Borrower is relocating and establishing residency in an area outside a reasonable commuting distance from his/her current primary residence. The relocation is not required to be employer mandated.
	- ***Increase in Family Size***
	  - Borrower is required to provide evidence of the increase in family size and the current properties failure to no longer meet the family's needs, and
	  - The LTV ratio of the current property must be 75% LTV or less, based on the outstanding mortgage balance and an appraisal. If not, the borrower must pay the current loan down to 75% LTV or less.
	- ***Vacating a Jointly Owned Property***
	  - The residence will remain occupied by a co-borrower
	- ***Non-Occupying Co-Borrower***
	  - Eligible

Non-Occupying Co-Borrower	• Maximum 75% LTV (1-unit)
	• The 75% LTV may be exceeded up to the maximum allowable LTV on a 1-unit property only if the non-occupant co-borrower is:
	- Related by blood, marriage or law (i.e. spouses, parent-child, siblings, step-children, aunt, uncle, etc.)
	NOTE: If a parent is selling to a child, and the parent will be the non-occupying co-borrower, the maximum LTV is limited to 75%.
	- An unrelated individual that can document evidence of a family-type, longstanding and substantial relationship not arising out of the loan transaction.
	• Additionally the following applies:
	- All borrowers, regardless of occupancy status, must sign the security instrument and Note. Co-signers do not execute the security instrument or take title, but they must sign the Note.
	- Occupying borrowers with insufficient credit are subject to the following:
	  - When the occupying borrower has insufficient credit DTI may not exceed 31%/43% and apply only the borrowers occupying the property and obligated on the loan.
	  - Compensating factors are not applicable for borrowers
	  - Occupying borrowers are required to have 2 months cash reserves from their own funds. Cash gifts from any source are ineligible to be used to meet reserve requirements.
	  - Refer to HUD Mortgagee Letter 2008-11 for detailed requirements regarding borrowers with insufficient credit. Mortgagee Letters

Non-Purchasing Spouse	The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if: • The borrowers reside in a community property state, or • The property being purchased is located in a community property state NOTE: The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A credit report for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI.
Occupancy	1-unit owner-occupied primary residence
Prepayment Penalty	Not permitted
Products	15 and 30 year fixed rate 3/1 and 5/1 ARM
Properties – Eligible	Eligible properties must be existing and completed for a minimum of 1 year. All health and safety issues must be addressed. • Single family residences • PUDs (attached/detached) • Condos (Specific requirements apply. Refer to Property Eligibility – Condos topic for details) • Demolished or "tear down" homes are eligible provided a portion of the original foundation remains in place.
Properties - Ineligible	• 2-4 units • New Construction (Certificate of Occupancy was issued within the previous 12 months) • Properties not completed • Properties that will be completely torn down during the rehab process (eligible if some of existing foundation remains in place) • Properties currently boarded up, condemned and uninhabitable • Cooperative projects • Modular homes • Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. **Manufactured homes are ineligible even if the towing hitch, wheels and axles have been removed**. • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Farms, orchards, ranches • Commercial property

Property Eligibility - Condos	Condos are subject to the following: • Condo must be located in a condominium project approved by HUD at time of case number assignment. • Maximum mortgage cannot exceed 100% of the "After-Improved" value • Rehabilitation limited to the interior of the unit. Rehabilitation of the exterior of the condo, or any area that is the responsibility of the condominium association is not allowed with the exception of installation of firewalls in the attic for the unit. • Rehab at any one time or limited to the lesser of: - 5 units, or - 25% of the total number of units in the project. • The individual condo **building** cannot have more than 4 units in the subject property building. HUD allows greater than 4 units in a building only when the renovation reduces the number of units to 4 or less. The project **as a whole** can have more than 4 units (i.e. the project consists of 5 buildings, each with 4 units, for a total of 20 units in the project). • Projects made up of attached townhomes are not subject to the 4 unit per building restriction. HUD considers each townhome an individual building as long as each unit is separated by a firewall that reaches from the foundation to the roof and is rated 1 ½ hours.

Property Flips	The time frame for determining a property flip is measured from the date the seller acquired the property to the date of the purchase contract. • The following is required on all properties sold 91-360 days from the date the seller originally acquired the property (properties sold <90 days from the date the seller originally acquired the property are ineligible for financing with REMN Wholesale). - The purchase contract must indicate the seller is the current owner of record. The transaction may not involve any sale or assignment of the contract. - All sales must be arm's length transactions. - Chain of title for previous year required. Ownership must be reviewed for identity-of-interest transactions. - The 203(k) mortgage must be based on the lowest sales price in the previous year. - The following sellers are exempt from FHA's property flipping rules: - HUD, VA, FNMA, FHLMC and other Government Agencies - Banks and/or mortgage companies - Properties acquired through inheritance - Relocation firms - Properties acquired by non-profits under agreements with state/local government agencies, and - Builders selling a new built (i.e. not previously occupied) home. • Property flip restrictions: • 1-unit single family property flip transactions, except as noted above, are eligible subject to all of the following guidelines. **Property Re-Sold 0-90 Days from Acquisition is ineligible for financing with REMN Wholesale** **Property Re-Sold 91 to 180 Days from Acquisition** • Two appraisals are required if the sales price is an increase greater than100% of the acquisition cost. At underwriter discretion, a second appraisal may be required when the increase is < 100%. The borrower cannot be charged for the second appraisal. **Property Re-Sold 181-360 Days from Acquisition** • Second appraisal only required at under writer discretion. The borrower cannot be charged if a second appraisal is required.

Properties Listed for Sale Within the Previous 12 months	• Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date. • A property listed for sale is eligible for a rate/term refinance if taken off market prior to application. • The appraised value should be, at minimum, 10% below the lowest list price. If the appraised value is not 10% below the lowest list price, the underwriter will consider the relationship between the previous list price and the current appraised value. Any variance must be satisfactorily addressed by the appraiser.
Purchase Agreements Amended / Re-negotiated	• Not eligible if the sales price was increased **after** the original appraisal was completed if: - The appraised value is higher than the originally contracted sales price that was provided to the appraiser**, and** - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, **and** - The only change to the purchase agreement was the sales price. • If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the **lower** of the original purchase price or the appraised value, unless: - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or - The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
Refinance Transactions	• Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced. **Refinance Transactions** • Maximum 97.75% LTV • Total loan amount cannot exceed the county limits established by FHA • LTV is calculated using the lesser of: - Existing debt* plus rehabilitation costs plus closing costs/prepaids, **or** - 110% of the “After-Improved” appraised value multiplied by 97.75% - “As-Is” appraised value plus rehabilitation costs multiplied by 97.75% , **or** * If subject property owned less than one year, use the lesser of the existing debt (outstanding loan balance) or purchase price
Reserves	• Not required with “Approve/Eligible” Finding • 1 month PITI if manual underwrite (loans downgraded or with a “Refer/Eligible” Finding). • Borrower with non-traditional/insufficient credit 2 months PITI reserves required (cannot be from gift funds).

Seller Contributions	• Seller and other third party contributions are limited to 6% of the sales price. • Certain expenses, paid by the seller and/or other interested 3rd party on behalf of the borrower, are considered "inducements to purchase". A dollar-for-dollar reduction to the lesser of the sales price or appraised value to the property is required prior to applying the appropriate LTV factor. - These expenses include: - Contributions exceeding 6% of the sales price, - Contributions exceeding the actual costs of prepaid expenses, - Discount points and other financing concessions, - Decorating allowances, - Moving costs, - Repair allowances, and - Other costs as determined by the applicable Homeownership Center (HOC) • FHA also considers the payment of consumer debt by third parties as "inducement to purchase". When someone other than a family member has paid off debts or other expenses on behalf of the borrower: - The funds must be treated as an inducement to purchase, and - There must be a dollar for dollar reduction to the sales price when calculating the maximum insurable mortgage. NOTE: The dollar for dollar reduction to the sales price also applies to gift funds not meeting the requirements that the gift be for down payment assistance and provided by an acceptable source.
Subordinate Financing	• Eligible subject to the CLTV limits on the matrix located on page 1. • If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the CLTV. • FHA has specific subordinate financing requirements. Subordinate financing is eligible from the following parties: - Government agencies/entities - Non-profit organizations - Private individuals or other organizations - Family members • Documentation of all subordinate financing terms and loan instruments must be provided • Costs incurred for participating in a down payment assistance program may only be included in the amount of the second lien • The combined loan amount of the first and second lien cannot exceed 100% of the lesser of the appraised value or sales price plus normal closing costs, prepaids and discount points. • The combined loan amounts cannot exceed the borrower's reasonable ability to repay. Complete HUD guidelines regarding subordinate financing can be found in HUDs Handbook 4155.1 Chapter 5.C.1
Temporary Buydowns	Not allowed.

Transactions - Eligible	• Purchase and rate/term transactions • Transactions secured by 1- unit owner-occupied properties • Transactions where the work will require ≤ 4 months to complete • Transactions involving bank or Agency owned properties
Transactions – Ineligible	• Cash-out • Transactions secured by 2-4 units, second home and investment transactions • Transactions where the work will require longer than 4 months to complete • Renovations requiring more than two (2) draws for payment • Renovations that involve structural changes/additions • Transactions involving the movement of one dwelling to another location • FHA Secure • Hope for Homeowners • MCC (Mortgage Credit Certificates) • FHA Section 8 loans • FHA Energy Efficient Mortgage (EEM) • No test case loans • <90 day flip properties
Utilities	• Utilities must be inspected to ensure they are in proper working order. • If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% contingency reserve must be established (including homes that have been “winterized”) • When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required. **Utilities on at Time of Appraisal/Inspection** • Appraiser or other licensed professional (contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order. **Utilities NOT on at time of Appraisal Inspection** • If utilities were not on at the time of the appraisal and the contractor bid(s) do not include repairs to the utilities, REMN Wholesale will accept alternative documentation to validate condition of utilities. - If home was winterized, a winterization certification indicating all utilities were working properly when turned off. - A certification by a licensed professional (contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order. - If bank or Agency owned (no HUD REOs) a copy of the home inspection from the listing report • If the utility inspection reveals utilities are not in good working order, the contractor bid(s) must include detailed required repairs.