



FHA Underwriting Changes

Effective for case numbers issued on and after
September 14, 2015

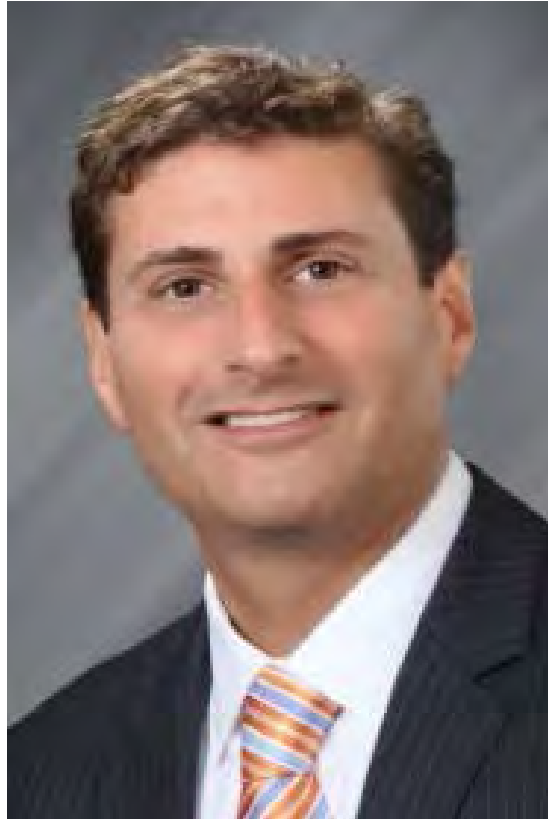
Same Day Turn Times, Everyday

Housekeeping



- All attendees are in “listen only” mode
- This seminar is being recorded and will be available at www.remnwholesale.com/webinars
- Questions
 - May be asked **DURING** the seminar by typing them in the chat section of the Go To Webinar control panel. We will answer as many as time permits.
 - May be asked **AFTER** the seminar by sending an email to fhaquestions@remn.com
 - Questions are limited to specific questions about the FHA guideline change and should not be used for underwriting scenarios. Underwriting scenarios should continue to be directed to the REMNM Underwriting Help Desk ticketing system found on www.remnwholesale.com

Today's Speakers



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Today's Presentation



- Overview of the most substantive changes to the FHA single family handbook.
- Not realistic to hit every change, as there has been an entire consolidation of all manuals and mortgagee letters issued by FHA over the past several DECADES.
 - Approximately 450 handbooks, mortgagee letters and other policy statements have been consolidated into the new handbook.
 - **The new manual is 806 pages.**
 - The “4155” is gone and there is now only the “4000.1”
- New guidelines are effective for CASE NUMBERS issued on and after September 14, 2015. Lenders MAY NOT use any of the new guidelines prior to implementation.
- **Still several items needing clarification from FHA. Additional information may follow.**

Knowledge is Power



Our Top 10 List



1. Student loan considerations
2. New refinance definition
3. Grossing up of non-taxable income
4. 100 mile rule
5. Authorized user of credit card requirement
6. Streamline financing changes
7. Cash out refinance with derogatory credit
8. Self-employed borrower changes
9. Expanded criteria for individuals with offer letters
10. Definition of “family member”

Why do I need to know this?



- Informed about changes to the FHA guidelines and how it impacts potential buyer's "purchasing power".
- Understand changes in refinance transactions, which will impact potential buyer's ability to obtain equity from their home to purchase second home and/or investment properties.
- **Pre-approvals: existing potential buyers who are pre-approved, may no longer qualify after changes**



Where is the information available?



http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1

A screenshot of the HUD.GOV website. The browser address bar shows the URL: portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1. The page header includes the date 'WEDNESDAY, AUGUST 12, 2015' and the HUD.GOV logo. The main navigation menu includes links for HOME, PRESS ROOM, AUDIENCES, STATE INFO, PROGRAM OFFICES, TOPIC AREAS, ABOUT HUD, RESOURCES, and CONTACT US. A secondary navigation bar lists: Housing Home | About Us | Single Family | Healthcare Programs | Multifamily | Housing Counseling | Online Systems | Risk Management. The breadcrumb trail reads: HUD > Program Offices > Housing > Single Family > Handbook 4000-1. The main heading is 'Single Family Housing Policy Handbook (HUD Handbook 4000.1) Information Page'. Below this, a section titled 'Claims and Disposition Section Posted to Drafting Table' contains a paragraph: 'On August 5, 2015, the Federal Home Administration (FHA) posted its draft Claims and Disposition section on the **FHA DraftingTable**. FHA invites all stakeholders to review the draft content documents and to provide feedback from August 5 through September 4, 2015. This posting is a continuation of FHA's progress toward a consolidated, authoritative SF Handbook that will make it easier for stakeholders to do business with FHA.' To the right of the text, there is a 'Print Friendly Version' link and a 'SHARE' button. Below the text, there is a yellow box with the title 'SF Policy Handbook 4000.1' and a link to 'Access the Online SF Handbook' with a small image of the handbook cover.

Changes to Dual or Outside Employment



- **Authorizes** dual employment in real estate and mortgage industry
- **Prohibits** having multiple roles in a single FHA-insured transaction
- **Prohibits** multiple sources of compensation from a single family transaction

REMEMBER: Individual lenders may still impose restrictions in order to insure compliance with the two prohibitions.

Transaction Types



- Purchase
- Refinance
 - Cash Out
 - No Cash Out
 - Rate & Term: Existing lien is NOT an FHA loan.
 - **Simple Refinance: FHA to FHA only.** The loan must be fully credit qualified with an appraisal. The only advantage is reduced MIP cost.
 - Both types of no-cash out refinances can be underwritten using “total scorecard” or a manual underwrite.
 - **Streamline Refinance**
 - **FHA to FHA only**
 - **Appraisal is not required**
 - **Loan limits do not apply**
 - **No CLTV limit**
 - Credit qualified – or non-credit qualified. Credit qualified required if dropping a borrower, otherwise Non-credit qualified.
 - Manual underwriting only. Total scorecard not applicable.
- **ALL SUBORDINATE FINANCING FOR ALL TRANSACTIONS EXCEPT STREAMLINE ARE SUBJECT TO THE COUNTY LIMITS**

Refinance Comparison



	Ownership Seasoning	Existing Lien	Borrower Restriction	Run thru DU/Total Scorecard	Maximum LTV	Maximum CLTV	Cash Back	Maximum Mortgage	Payment History
No Cash Out Rate/Term Refinance	No minimum, but value is:	Any	Owner Occupied Only	Yes	97.75% with 12 or more months owner occupied 85% with less than 12 months owner occupied	97.75%	\$500.00	UPB of 1 st + 2 nd Liens > 12 months + Closing Costs + Prepaid	Manual downgrade required if: 3 or more payments greater than 30 days 1 or more payments of 60 days PLUS one or more 30 day 1 payment greater than 90 days
No Cash Out Simple Refinance	Owned less than 12 months value is lesser of purchase price plus documented cost, or appraisal 12 months or more - appraisal	FHA to FHA Refinance			97.75%				
Cash Out Refinance	Owned and Occupied as principal residence for previous 12 months	Any	Owner Occupied Only If non-occupant co-borrower on transaction, cannot use any of their income to qualify. Debts and assets must be considered	Yes	85.00%	85.00%	Unlimited	NA – up to maximum LTV	Must have made a minimum of 6 payments on current mortgage Manual downgrade if any delinquency past 12 months. Must meet extenuating circumstance to be eligible.
Streamline Non Credit Qualifying No Appraisal	NA	FHA to FHA	ALL Same Borrowers See 4000.1 for exceptions allowed by FHA O/O – Fixed or ARM Investment – Fixed	No	N/A	Unlimited	\$500.00	UPB + Interest + UFMIP	6 Payments made + 210 Days
Streamline Credit Qualifying No Appraisal			At least 1 borrower on existing note must be on HBFS note						

Receipt of Documents



- New guidelines prohibit use of documents transmitted through equipment of interested parties or unknown parties.
- Lender must identify source of ALL electronic transmission including fax transmission and e-mail transmission



Borrower's Authorization and Social Security Requirements



- Mortgagees MUST obtain borrower's authorization to verify information needed to process the loan application.
- **Mortgagees MUST obtain a non-borrowing spouse's consent and authorization, where necessary, for the Mortgagee to verify specific information to process the application, including the non-borrowing spouse's consent for the mortgagee to verify their SSN with the Social Security Administration.**
 - If necessary to perfect a valid first lien under state law, a non-borrowing spouse may also be required to execute either the security instrument or documentation indicating they relinquish all rights to the property.
 - Credit report required for non-borrowing spouse if the subject property is located in a community property State. The non-borrowing spouse social security number must be verified with the Social Security Administration
 - **NOTE: If the non-purchasing spouse does not have a social security number, the credit report must contain the non-borrowing spouse name, date of birth and addresses for the past 2 years.**
- **Mortgagees MUST resolve any inconsistencies or multiple social security number for individual borrowers revealed during the processing of the loan. This includes verifying the social security number with the Social Security administration.**

Contract of Sale



- **All purchasers listed on the contract of sale must be borrowers.**
 - A “family member” of a purchaser, who is not a borrower, may be listed on the contract of sale.
- An addendum may be used to remove or correct any provisions not met, in lieu of a new contract.
- FHA amendatory clause still required, unless covered by the following exemption:
 - HUD REO
 - Seller is FNMA, FHLMC, VA, USDA, Mortgagee disposing of a REO or seller at foreclosure sale.
- Real estate certification still required.
- Lead base paint notice still required for dwellings built before 1978.
- For your protection a home inspection (HUD 92564 CN) is still required.

FHA Case Number



- Can only be ordered with an active mortgage application for a borrower and a property.
 - Cannot “pre-order” a FHA case number
- Automatically cancelled if no activity for 6 months
- Transfer of case number from one lender to another must be done upon request from the borrower, within 5 business days of the request. A fee for the case number transfer cannot be charged. (Mortgagee may negotiate a fee to transfer processing documents).
- **Secure your case numbers by Friday, September 11, 2015**



Borrower Eligibility



Active Deployed Military Personnel:

- ✓ If deployed more than 100 miles from the subject property, it can still be considered owner occupied if a family member will reside.
- ✓ If a family member will not reside, the mortgagee must obtain statement from borrower confirming their intent to owner occupy upon discharge.

Borrowers with delinquent federal non-tax debt, including deficiencies and debts associated with past FHA mortgages:

- ✓ **Ineligible** until the delinquency is resolved.
- ✓ Mortgagee must verify the validity and delinquency status by contacting the creditor.
- ✓ Mortgagees are prohibited from denying solely on the basis of CAVIARS information.

Borrowers currently delinquent on any FHA insured mortgage:

- ✓ **Ineligible** until the delinquency is resolved.

Borrowers with delinquent federal tax debt:

- ✓ **Ineligible**, unless they are in a valid repayment plan.
- ✓ Borrower must have made at least three payments and cannot pay in advance to satisfy this requirement. (Awaiting clarification on timing of 3 month waiting period.)
- ✓ Tax lien may remain in place.

Borrower Types



Borrower Type	Liability for debt (signs the Note)	Ownership in property (On the contract and deed)	Income, assets, debts considered in qualifying ratios	Miscellaneous
Borrower/co-borrower	Yes	Yes	Yes	Must occupy the property (unless streamline refinance)
Co-signor	Yes	No	Yes	Must be a US citizen or have a principal residence in the US
Non-occupying co-borrower	Yes	Yes	Yes	<p>Must be a US citizen or have a principal residence in the US</p> <p>Standard LTV is 75%. Can be increased to maximum financing for a 1 family unit, provided a family member is not selling to another family member who will be the non-occupant co-borrower. (Long standing relationship has been removed)</p> <p>LTV limited to 75% on all 2-4 family properties</p> <p>Not eligible for cash-out transactions</p> <p>Not eligible if the occupying borrower or co-borrower has no credit score</p>
Co-mortgagor	No	Only on title	No	ONLY ACCEPTABLE CO-MORTGAGOR IS A "FAMILY MEMBER" OF THE BORROWER

Multiple FHA Mortgages and Occupancy



- Only one FHA loan permitted. Exceptions are:
 - **Relocation: for employment related reasons AND the new residence is at least 100 miles from the borrower's current residence.**
 - Increase in family size: must provide satisfactory explanation AND their existing primary residence has an LTV of 75% or less based upon the current balance and a current appraisal.
 - Vacating a jointly owned property: provided the other borrower remains
 - Non-occupant co-borrower: Now purchasing their own primary residence
- Investment Occupancy: Only permitted for streamline refinances

Family Member

The following constitute a “family member,” regardless of sexual orientation, gender identity or marital status:

- ✓ Child, Parent or Grandparent: including “step” or “foster”
- ✓ Domestic Partner or Spouse
- ✓ Siblings: Including “step” or “in-law”
- ✓ Aunts/Uncles: including “step” or “in-law”
- ✓ **NOTE:**
 - ✓ COUSINS have been REMOVED from definition
 - ✓ IN-LAWS are now INCLUDED in the definition

Applicable for several underwriting criteria, including “identity of interest,” “gift of equity” and “non-occupant co-borrower” requirements.



Identity of Interest



- LTV is restricted to 85% when sales is between parties with an existing business relationship or family member. This INCLUDES tenant-landlord relationships unless covered by exception below.
- Exceptions to 85% limitation are:
 - **FAMILY MEMBER:** If purchasing the family member's primary residence – OR – borrower has been a tenant in family member's dwelling for at least 6 months prior to execution of the contract of sale. Must provide lease or other evidence to support occupancy.
 - **BUILDER/EMPLOYEE:** If purchasing a new construction home, including model.
 - **CORPORATE EMPLOYEE:** Transferring employee (borrower) buys the home of another employee.
 - **TENANT PURCHASE:** Borrower has been a tenant for 6 months prior to execution of contract of sale. Must provide lease or other evidence to support occupancy.

WHAT DO YOU MEAN WE
NEED MORE DOCUMENTS?!?!



Requirement to downgrade to a “manual” underwrite regardless of DU finding.



- The file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard – OR - additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage;
- Disputed Derogatory Credit Accounts : 1,000 or more collectively.
- Bankruptcy: Less than two years from discharge date to case number assignment date.
- Foreclosure, Pre-Foreclosure Sale, Short Sale or Deed-in-Lieu: Less than three years from deed transfer to case number assignment date.
- Mortgage Payment- Purchase or No cash out: If any mortgage trade line reflects the following in the most recent 12 months:
 - 3 or more payments greater than 30 days
 - 1 or more payments of 60 days PLUS one or more 30 day
 - 1 payment greater than 90 days
- Mortgage Payment – Cash Out
 - A current delinquency or
 - Any delinquency within 12 months of cash assignment (**SPECIAL NOTE: MUST MEET EXTENUATING CIRCUMSTANCE TO BE ELIGIBLE.**)
- Undisclosed mortgage debt.
- Businessincome shows a greater than 20 percent decline over the analysis period.

Manual Underwriting Rules



- **Minimum reserves, regardless of ratios:**
 - 1 and 2 units: 1 month
 - 3 and 4 units: 3 months
 - Cannot come from cash back in a refinance transactions, gift funds, equity in other property and/or any borrowed funds.
 - Retirement funds can be considered at 60% of vested amount (less loans)
- **Maximum ratios when the ratios exceed 31.00% and 43.00%:**
 - Maximum ratios and compensating (defined) factors dependent upon FICO score
 - When reserves are used as a compensating factor, it must be over and above the minimum reserves required as noted above.
 - Ratios must be met individually
 - Under NO circumstances can ratios ever exceed 40.00% and 50.00%. May be less, refer to next slide.
- **Acceptable Compensating Factors (defined):**
 - Reserves in excess of minimum
 - Minimal increase in housing
 - No discretionary debt
 - Additional income not used to qualify the loan
 - VA residual method

Maximum Ratios and Compensating Factor



FICO SCORE	MAX RATIOS	REQUIREMENT
No FICO – OR 580+ and NO compensating factors REMN OVERLAYS MAY APPLY – CONTACT YOUR AE	31.00% 43.00%	<input type="checkbox"/> Minimum reserves
580+ and ONE compensating factor REMN OVERLAYS MAY APPLY – CONTACT YOUR AE	37.00% 47.00%	<input type="checkbox"/> At one of the following compensating factors: <ul style="list-style-type: none"> ✓ Cash reserves of 3 months (1&2 unit) or 6 months (3&4 unit). This is in addition to standard ✓ Minimal housing increase ✓ Residual income <input type="checkbox"/> Minimum reserves
580+ and TWO compensating factors REMN OVERLAYS MAY APPLY – CONTACT YOUR AE	40.00% 50.00%	<input type="checkbox"/> At least two compensating factors <input type="checkbox"/> Minimum reserves
580 and no discretionary debt REMN OVERLAYS MAY APPLY – CONTACT YOUR AE	40.00% 40.00%	<input type="checkbox"/> Meet no discretionary debt requirement <ul style="list-style-type: none"> ✓ Cash reserves of 3 months (1&2 unit) or 6 months (3&4 unit). This is in addition to standard ✓ Minimal housing increase ✓ Residual income ✓ Additional income from borrower not considered in underwriting <input type="checkbox"/> Minimum reserves



Wait Periods and Scorecard



EVENT	WAIT PERIOD	WAIT PERIOD WITH Extenuating CIRCUMSTANCES
Chapter 7 or 11	2 years	<p>Less than 2 years but greater than 1: downgrade to a manual</p> <p>Extenuating circumstances include death or serious illness of a wage earner Divorce is not an extenuating circumstance</p>
Chapter 13	2 years	<p>At least 1 year since payout</p> <p>Extenuating circumstances include death or serious illness of a wage earner Divorce is not an extenuating circumstance</p>
Foreclosure, Deed-in-Lieu, Pre-foreclosure and Short Sales that were delinquent at time of sale	3 years	<p>Less than 3 years downgrade to manual</p> <p>Extenuating circumstances include death or serious illness of a wage earner Divorce is not an extenuating circumstance, unless delinquency occurred after borrower was no longer awarded the property and mortgage was current prior to divorce.</p> <p>Inability to sell the property is not an extenuating circumstance.</p>
Short Sale that was current at time of sale	No restriction provided all mortgage payments were made on time for the 12 months preceding the short sale. In additional all installment debt during the same period were made on time.	

Evaluating Liabilities and Debt



- **Authorized User Accounts**
 - Must consider payments unless documentation to show account holder has made ALL required payments for the 12 months preceding the case number issuance date. If documentation cannot be obtained, debt must be included in borrower's DTI ratio.
- **Installment Debt**
 - Close-end installment debts does not have to be considered if it will be paid in 10 months PROVIDED:
 - Cumulative payment of all such debt is less than or equal to 5% of the borrower's gross monthly income
 - The borrower may not pay down the debt in order to meet the 10 month requirements.
- **Negative Income**
 - Subtracted from borrower's gross monthly income and not treated as a reoccurring debt, unless otherwise noted.

Evaluating Liabilities and Debt



- Alimony and/or child support paid
 - Must obtain borrower's paystub covering no less than 28 consecutive days to verify not subject to any garnishment
 - Payment is greater of what is shown on legal documents or the amount of monthly garnishment
- Deferred debt, including student loans
 - If loan is in deferment: 2% of outstanding balance. Example: \$50,000 outstanding balance x 2% = \$1,000. That is the payment used.
 - If loan is in repayment: actual payment
 - If loan is in income-based repayment plan: if payment is zero use 0. Otherwise use actual payment.
 - If graduated payment plan: use current payment
- Time-share
 - A loan secured by a time-share is considered an installment debt.

Evaluating Liabilities and Debt



- Revolving (does not require payment in full)
 - Amount listed on credit report. If payment not on credit report, obtain current statement or use 5% of outstanding balance.
- 30-day account (payment in full required each month)
 - Do not need to reoccur PROVIDED:
 - Document account paid in full, on time, every month for the past 12 months (12 months statement required)
 - If statements not available, not paid in full every month for 12 months and/or late charge any time during 12 months must use 5% of outstanding balance.
 - Must deduct balance from available assets

Evaluating Liabilities and Debt



- Contingent Liability
 - An individual can be held responsible for repayment of a debt if another legally obligated party defaults. This can include co-signer liabilities and liabilities resulting from mortgage assumption.
 - Must be reoccurred unless:
 - Verification obtained that there is no possibility debt holder will pursue collection from the borrower if the other party defaults.
 - Other legally obligated party has made 12 months of timely repayment.
 - Documentation required in order not to reoccur debt:
 - Co-signed debt: evidence other party has made 12 payments on time. Someone other than the borrower must also be on the Note. If someone else is making the payments for the borrower, but they are not obligated on the Note, this is not a co-signed debt and the debt must be considered in the borrower's DTI ratio.
 - Court ordered due to divorce: decree ordering spouse to make payments.

Business Debt



- Definition
 - When a debt in the borrower's name is paid by the borrower's business.
 - Available for any type of self employed business (Schedule C; 1065; 1120)
- Qualification
 - Must be included in borrower's DTI ratio unless evidence business pays the debt.
 - Must be considered in business cash flow
 - Business tax returns should reflect obligation
 - **NOTE: required timeframe not noted by FHA. Additional details to follow**



Income and Employment



- Hourly
 - If hours do not vary, currently rate used to calculate income.
 - If hours do vary, must average over past 2 years. If lender can document increase in pay, the mortgagee may use the most recent 12 month average of hours at the current pay rate.
- Part time
 - Must be uninterrupted for the past 2 years in order to consider.
 - Average over the past 2 years. If lender can document increase in pay, the mortgagee may use the most recent 12 month average of hours at the current pay rate.
- Overtime and Bonus
 - Must be earned for 2 years.
 - Lender may consider if earned for 1 year if likely to continue.
 - If less than 1 year, cannot be considered.

Income and Employment



- Commission Income
 - If less than 25%, use traditional documentation
 - If 25% or more, tax returns required
 - If earned less than 1 year, not eligible. This includes situations where change from salary to commission.
 - If earned 1 year or more calculation of income is the lesser of:
 - Average net earned over the previous 2 years or the length of time since commissioned provided at least 1 year – OR
 - Average net earned over the previous 1 year
 - Unreimbursed expenses must be deducted from commission income.
- Family Owned Business
 - Income earned by the borrower from a business owned by the borrower's family and the borrower is not an owner
 - Must obtain business documents and/or tax returns to verify no-ownership

Self-Employed Borrowers



- Must be self-employed 2 years.
- If the borrower has been self-employed between one and two years, the income may only be considered if the borrower was previously employed in the same line of work. (**Education training exception eliminated**). If self-employed less than 1 year, INELGIBLE.
- **If there is a greater than 20% decline over the analysis period, the loan must be downgraded to a manual underwrite.**
- Year to date P&L and balance sheet required if more than one calendar quarter has elapsed since the most recent tax return.
 - **Balance sheet not required if borrower files schedule c**
 - If the income used to qualify exceeds the 2 year tax return average, the P&L must be audited.

- Temporary Income Reduction
 - Short Term Disability, maternity leave, etc.
 - Letter from borrower on intend to return including date
 - Letter from employer confirming right to return and date
- Qualifying Income
 - If they will return on or before 1st payment: pre-leave salary.
 - If they will return after 1st payment:
 - CURRENT income, plus available surplus reserves (over and above required reserves) to supplement, up to the amount of the pre-leave income.

Alimony and Child Support Income



- **Length of receipt:**
 - Divorce Decree, Legal Separation and/or Court Order
 - Must be receiving for at least 3 months
 - Voluntary Agreement
 - Must be receiving for at least 12 months
- **Qualifying Income:**
 - Income is paid in timely manner over past 6 months
 - Alimony/Child Support: Current Payment
 - Voluntary can use most recent 6 month average
 - **Income is not paid in timely manner:**
 - **Average over the past 2 years (or since inception if less than 2 years)**

Expected Income Increase and Non-Taxable



- Cost of living, performance raise, new job and/or retirement
 - Now permitted to consider if received within 60 days of closing
 - Not eligible for individuals employed by family owned business



- Non-taxable Income (grossing up)

- Some portion of Social Security
- Some retirement plans
- Some disability plans
- Child support



- Cannot exceed the greater of **15%** or the appropriate tax rate for the income, based upon the borrower's prior tax return – if tax returns filed.
- **15%** if tax returns do not need to be filed.

Rental Income – Subject Property



- No history of rental income
 - Verify proposed rent via appraisal form
 - Income is the lesser of:
 - The monthly operating income reported on Freddie Mac Form 998 – or
 - 75% of the lesser of fair market rent reported by appraiser – or lease.
- History of rental income
 - 2 years tax returns
 - If owned less than 2 years, document acquisition date
 - Income is the average of net Schedule E income
 - Depreciation, interest, taxes, insurance and HOA can be added back in

Rental Income

Other Real Estate Owned



- If derived from the property being vacated, the borrower must be relocating to an area more than 100 miles, otherwise income cannot be considered. In addition must have 25% equity
- **No history since previous tax filing:**
 - **One unit:** Appraisal report plus rental schedule
 - **Two-four unit:** Appraisal report plus income/operating statement
 - Income determined by deducting the PITI from the lesser of:
 - Monthly income from FHLMC form 998 – OR
 - 75% of the lesser of fair market rent – or lease
- **History of rental income:**
 - 2 year tax return. If less than 2 years, document acquisition.
 - Income determined by adding back depreciation
 - If positive result add to income
 - If negative result add to debt



Assets

- **Minimum cash investment CANNOT come from:**
 - Seller
 - Any interested party
 - Anyone reimbursed by either the seller or an interested party
- **Earnest money deposit**
 - Verify if exceeds 1% of sales price or excessive based upon borrower's savings history.
- **Large deposit**
 - Defined as more than 1% of adjusted value



Gift Funds



- Donor for cash gifts:
 - “Family Member” (defined)
 - Employer
 - A close friend with clearly defined interest
 - Charitable organization
 - Government agency
- Donor for gift of equity:
 - “Family Member” (defined) are the only permitted individuals
- **Gifts CANNOT be used for reserve requirements**
- Regardless of when gift funds are available, the mortgagee must make a reasonable determination that it is not provided from an unacceptable source.
 - **Effectively this means the mortgagee has the right to “source” gift funds if large deposit into a donor’s account.**

Gift Transfer



- Gift funds IN the borrower's account
 - Gift letter
 - Donor's bank statement showing the withdrawal
 - Deposit slip to borrower's account
- Gift funds NOT in the borrower's account
 - Gift letter
 - Evidence of certified check, money order, cashier's check or wire transfer
 - Donor's bank statement showing the withdrawal
- Gift funds paid directly to settlement agent
 - Gift letter
 - Verify agent received the funds from the donor's bank account
 - Evidence received from acceptable source (must see the donor's bank statement to effectively verify this)

Interested Party Contributions



- Seller, Real Estate Agents, Builders, Developers or any other party with an interest in the transaction.
 - Up to 6%
 - Can include origination fees, other closing costs and discount points, permanent or temporary buy down costs, UFMIP
- May NOT be used for borrower's minimum investment
- Items must be itemized either the HUD or Closing Disclosure

Questions



**REMINDER: TYPE YOUR QUESTIONS IN THE CHAT BOX IN THE “GOTO WEBINAR”
PANEL OR EMAIL FHAQUESTIONS@REM N.COM**

