REMN WHOLESALE FHA PRODUCT GUIDELINES

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REMN WHOLESALE FHA PRODUCT GUIDELINES

PRODUCT OVERVIEW				
LTV/CLTV CREDIT SCORE MATRIX **Full Doc Primary Residence 1-4 Units**				
Purpose	**Max LTV**	**Max CLTV**	**Loan Amount**	**Minimum Credit Score**
Purchase	96.50%	N/A[1]	FHA Mortgage Limits	580[4,5]
No Cash-Out (Rate/Term & Simple Refinance)	97.75%[2]	97.75%		580[4,5]
Cash-Out	80.00%	80.00%		580[4,5]
Credit Qualified Streamline[3]	N/A	N/A		580[5]
Non-Credit Qualified Streamline[3]	N/A	N/A		580[5]

Footnotes

[1] CTLV's >100.00% are limited to government approved programs (i.e. Federal, State or Local governmental agencies). When secondary provided by government agencies, the secondary lien must be made or held by the eligible government body or instrumentality.
- » See Secondary and Subordinate Financing section for additional details
- » The combined maximum mortgage amount of the 1st and any subordinate liens cannot exceed the FHA Maximum Mortgage Limits.
- » CLTV may not exceed 100.00% when financing provided by an individual or financial institution.

[2] RATE/TERM limited to a maximum of 85% LTV for a borrower who has occupied as their principal residence less than twelve (12) months prior to the case assignment; or,
If owned less than twelve (12) months, has not occupied the property for the entire period of ownership.

[3] Streamline transactions must be manually underwritten; this is applicable for both Credit Qualifying and Non-Credit Qualifying. Do not run through DU for TOTAL Scorecard Findings. A credit score is required for all Non-REMN to REMN Streamline transactions, and Credit-Qualifying REMN to REMN transactions. See REMN to REMN Streamline for additional details.

[4] Borrowers with no credit score are eligible with manual underwriting only. See Manual Underwriting, Non-Traditional Credit, and Approvable Ratio sections for additional details.

[5] Minimum credit score for properties located in the state of New York is 600.

REMN WHOLESALE FHA PRODUCT GUIDELINES

<table>
<tr><td>Program Overview</td><td>➢ REMN WS follows the FHA Single Family Housing Policy Handbook 4000.1 except as stated in these guidelines; if silent follow the 4000.1.</td></tr>
<tr><td>FHA Loan Limits 2025-2026

(Case number issued in calendar year)</td><td>
<table>
<tr><th colspan="3">Low Cost Area “Floor”</th><th colspan="3">High Cost Area “Ceiling”</th></tr>
<tr><th></th><th>2026</th><th>2025</th><th></th><th>2026</th><th>2025</th></tr>
<tr><td>1 Unit</td><td>$541,287</td><td>$524,225</td><td>1 Unit</td><td>$1,249,125</td><td>$1,209,750</td></tr>
<tr><td>2 Unit</td><td>$693,050</td><td>$671,200</td><td>2 Unit</td><td>$1,599,375</td><td>$1,548,975</td></tr>
<tr><td>3 Unit</td><td>$837,700</td><td>$811,275</td><td>2 Unit</td><td>$1,933,200</td><td>$1,872,225</td></tr>
<tr><td>4 Unit</td><td>$1,041,125</td><td>$1,008,300</td><td>4 Unit</td><td>$2,402,625</td><td>$2,326,875</td></tr>
</table>
➢ 2026 FHA Loan Limits are effective for new case numbers issued on or after January 1st, 2026.
➢ Loan Limits are based upon the year the case number was issued. Loans closing in 2026 that had a case number issued in 2025 should use the 2025 loan limit.
➢ The amount listed in the High Cost Area Ceiling is the maximum ceiling. REMN must refer to the County-by-County chart for the subject property to determine the maximum loan amounts. See lookup tool for details.
</td></tr>
<tr><td>FHA Loan Limit Exceptions</td><td>➢ Alaska, Hawaii, Guam & Virgin Islands: Please refer to FHA Mortgage Limit Tool to review 1–4 unit loan limits by county.</td></tr>
<tr><td>At Closing Principal Reduction</td><td>➢ An excessive loan amount occurs when REMN WS closes a loan in an amount higher than allowed by FHA. Reduction must occur at closing and be reflected on the CD. Any amounts in excess of $2,000 must be elevated to the Chief Credit Officer for evaluation of principal reduction or re-close the loan.</td></tr>
<tr><td>Allowable Sections of the Housing Act</td><td>➢ 203B: Owner Occupied 1-4 Family & Detached Condos (Detached Condo ADP Code 734)
➢ 234C: Condo
➢ 203K: (Standard & Limited) see FHA FICO Overlay Matrix located at www.remnwholesale.com
➢ 203H: Disaster Victims – see 203(h) Disaster Victims
➢ 251: Adjustable Rate Mortgages
➢ Sections of the Housing Act NOT listed are ineligible.</td></tr>
<tr><td>Eligible Transactions</td><td>➢ Per the FHA Single Family Housing Handbook 4000.1 except those shown ineligible in these guidelines.
➢ REO $100 Down transactions.</td></tr>
<tr><td>Ineligible Transactions</td><td>➢ Hope for Homeowners
➢ Proposed Construction
➢ MCC (Mortgage Credit Certificate)
» Borrower can complete MCC after closing; however, MCC cannot be used to qualify.
➢ Land Trusts and Community Land Trusts
➢ See Number of Properties Owned/Financed with REMN WS
➢ Texas Home Equity 50(a)(6) transactions
➢ Negative Equity Refinance transactions (including short pay off of subject property)
➢ Loans with PACE or HERO programs as a secondary/subordinate financing option (all states)
➢ Energy Efficient Mortgages (EEM)
➢ Loans with the Chenoa program as a secondary/subordinate financing option
➢ Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on Federal law.</td></tr>
<tr><td>ARM’s</td><td>➢ 3- & 5-Year ARMs will be qualified at the initial interest rate regardless of LTV.</td></tr>
<tr><td>CEMA</td><td>Properties located in the state of New York may be structured as a Consolidation, Extension & Modification Agreement (CEMA) transaction (refinances only). The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided:
➢ New York Consolidation, Extension and Modification Agreement (Form 3172)
➢ Original Note(s) – Original documents signed by the applicant
➢ Gap Note and Gap Mortgage, if applicable
➢ Consolidated Note – Original documents signed by the borrower
➢ Exhibit A – Listing of all Notes & Mortgages being consolidated, extended and modified
➢ Exhibit B – Legal description of the subject property
➢ Exhibit C – Copy of the consolidated Note
➢ Exhibit D – Copy of the consolidated Mortgage
Lost Note Affidavits are not acceptable.</td></tr>
</table>

REMN WHOLESALE FHA PRODUCT GUIDELINES

Eligible Properties	➢ 1 to 4-unit properties
	➢ Condominiums (Must be FHA Approved at time of case number assignment; HRAP)
	➢ Townhomes – PUD's (Attached/Detached)
	➢ Manufactured Homes (in all states except for New York and when located within a Condo/PUD) – see Manufactured Home Product Compare on www.remnwholesale.com for detailed guidelines/criteria.
	➢ TBD (To Be Determined) Properties
	➢ Mixed Use
	  ➢ Additional FHA guidelines apply as detailed in FHA Handbook 4000.1
	  ➢ All appraisals must be reviewed by either the Chief Appraiser or the Chief Credit Officer to determine the acceptability of the collateral and neighborhood.

Ineligible Properties	➢ Non-FHA-approved condominium projects ➢ Cooperative projects ➢ Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) ➢ Unique properties ➢ Farms, orchards, ranches ➢ Rural property with > 10 acres ➢ Commercial property ➢ Manufactured homes located in the state of New York ➢

REMN WHOLESALE FHA PRODUCT GUIDELINES

PRODUCT OVERVIEW	
Occupancy	➢ Owner Occupied Primary Residence ➢ Investment – Streamline transactions ONLY ➢ All No Cash-Out Rate/Term & Simple Refinance Transactions must be owner-occupied properties
Assumption	➢ Permitted
Prepayment Penalties	➢ Not Permitted
Escrow Impounds	➢ Required
203(K) Loan	➢ See REMN Wholesale 203k Product Description located at www.remnwholesale.com
Handling of Documents	REMN WS must not accept or use documents relating to the employment, income, assets, or credit of Borrowers that have been handled by, or transmitted from or through the equipment of unknown parties or Interested Parties. REMN WS may use a third party vendor to independently verify information in a loan application or otherwise required for loan approval. Third Party Verification can be used to verify employment, income, assets, credit, and occupancy. **Information Sent to REMN WS Electronically** ➢ REMN WS must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header or the sender's email address) or contacting the source of the document by telephone to verify the document's validity. ➢ REMN WS must document the name and telephone number of the individual with whom the Mortgagee verified the validity of the document. **Information Obtained via Internet** ➢ REMN WS must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet ➢ Documentation obtained through the Internet must contain the same information as would be found in an original hard copy of the document.
Lava Zone Properties	➢ Not eligible for properties located in Lava Zones 1 & 2 ➢ No restrictions for properties located in Lava Zone 3 or higher.
Accessory Dwelling Unit (ADU)	➢ An Accessory Dwelling Unit (ADU) refers to a single habitable living unit with means of separate ingress and egress that meets the minimum requirements for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. ➢ A Single Family residential one-unit Property with a single ADU remains a one-unit Property. For any Single Family residential Property with two or more units, a separate additional Dwelling Unit must be considered as an additional unit.
Eligibility of FHA-Insured Financing	➢ Mandatory Rejection of Borrower » A borrower is not eligible to participate in FHA-insured mortgages if he/she is suspended, debarred or otherwise excluded from participating in the HUD Programs. REMN WS must reject the borrower from participation if the borrower is on: ▪ HUD Limited Denial or Participation (LDP) list, ▪ US General Services Administration (GSA) List of Parties Excluded from Federal Procurement or Non-Procurement Programs; and/or, ▪ HUD's Credit Alert Interactive Voice Response System (CAIVRS), unless an exception exists as noted in Borrowers Delinquent on Federal Non-Tax Debt.
Excluded Party Lists	➢ REMN WS requires that a DataVerify DRIVE report be generated and analyzed for all loans at approval and updated prior to underwriting clearance.
CAIVRS	➢ CAIVRS must be ordered for all FHA, VA, and USDA loans. » CAIVRS is not required on Streamline Refinance transactions.

PRODUCT OVERVIEW	
Borrowers with Delinquent Federal Tax Debt resulting in a tax lien	Standard ➢ Borrowers with delinquent Federal Tax Debt are ineligible. ➢ If the borrower has an open tax lien, they may be eligible for FHA financing subject to the following: » Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. » The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. » The Borrower must provide acceptable documentation from the IRS evidencing the repayment agreement and verification of payments made. » REMN WS must include the payment amount in the agreement in the calculation of the Borrower's Debt-to-Income (DTI) ratio. ➢ REMN WS must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their property for a debt owed to the federal government.
Borrowers with Delinquent Federal Tax Debt not resulting in a tax lien	Standard ➢ Borrowers who owe taxes that have NOT resulted in a lien status prior to closing are eligible for FHA financing. The borrower must provide evidence of a satisfactory repayment plan with the IRS. ➢ The payment must be included in the borrower's DTI ratio. ➢ As long as the debt has not resulted in a lien prior to closing, there is no minimum required number of payments.
Borrowers with Delinquent Federal Non-Tax Debt	Standard ➢ REMN WS is prohibited from processing an application for an FHA-insured Mortgage for Borrowers with delinquent federal non-tax debt, including deficiency judgments and other debt associated with past FHA-insured Mortgages. ➢ REMN WS is required to determine whether the Borrowers have delinquent federal non-tax debt. REMN WS may obtain information on delinquent Federal Debts from public records, credit reports or equivalent, and must check all Borrowers against the Credit Alert Verification Reporting System (CAIVRS). Verification ➢ If a delinquent Federal Debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, REMN WS must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed. If the debt was identified through CAIVRS, REMN WS must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report. ➢ If the creditor agency confirms that the debt is valid and in delinquent status as defined by the Debt Collection Improvement Act, then the Borrower is ineligible for an FHA-insured Mortgage until the Borrower resolves the debt with the creditor agency. ➢ REMN WS may not deny a Mortgage solely on the basis of CAIVRS information that has not been verified by REMN WS. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the Mortgagee may continue to process the mortgage application. Resolution ➢ In order for a Borrower with verified delinquent Federal Debt to become eligible, the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act. ➢ The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act. Required Documentation ➢ REMN WS must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, REMN WS may obtain evidence of resolution by obtaining a clear CAIVRS report.

Borrower Required Investment	➢ In order for FHA to insure the maximum loan amount, the borrower must make a required investment of at least 3.5% of the lesser of the appraised value or the sales price of the property ➢ Proposed/New Construction » The Borrower may utilize any cash investment in the Acquisition Cost of the Property or land equity to satisfy the Minimum Required Investment (MRI) in accordance with Calculating Maximum Mortgage Amount. ➢ Closing Costs as Required Investment » Closing costs (non-recurring closing costs, prepaid expenses and discount points) may not be used to help meet the borrower's minimum required investment). ➢ Credit Card Payment for Appraisal/Credit Report » The borrower may use a credit card to pay for the appraisal and/or credit report. These costs cannot be considered to help meet the required investment.
Tax Exemptions, Abatements	➢ There can be no uncertainty about whether the borrower qualifies for the homestead, abatement or other tax exemption or reduction. ➢ For the lower amount to be used for qualifying purposes, evidence the abatement, homestead or exception is unconditionally approved prior to the first mortgage payment for a purchase transaction or is in effect for a refinance transaction and remains in place for am minimum of three (3) years after closing is required.

<table>
<tr><th colspan="3">PRODUCT OVERVIEW</th></tr>
<tr><td>203(h) Disaster Victims</td><td colspan="2">➢ Section 203(h) of the National Housing Act authorizes FHA to insure Mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a Single-Family property.
➢ Mortgages to be insured under Section 203(h) must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) programs. Where 203(b) program guidance conflicts with the specific requirements on Section 203(h) Mortgages (see below), the below requirements will apply:</td></tr>
<tr><td></td><td>203(h) Eligibility Requirements</td><td>➢ <u>Borrower Eligibility</u>
– Application Deadline
▪ The FHA case number must be assigned within one (1) year of the date the PDMDA is declared, unless an additional period of eligibility is provided.
– Principal Residence
▪ The mortgaged property must be the borrower's principal residence.
➢ <u>Property Eligibility</u>
– The previous residence (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary. A list of affected counties and cities and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA).
– The purchased or reconstructed property must be a Single-Family Property or a unit in an FHA-approved Condominium project.
➢ <u>Minimum Required Investment/Maximum Loan-to-Value</u>
– The borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100% of the Adjusted Value.
▪ If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV ratio applies.
➢ <u>Underwriting</u>
– REMN WS is required to make every effort to obtain traditional documentation regarding employment, assets and credit, and must document their attempts. Where traditional documentation is unavailable, then alternative documentation may be used (as outlined below). If specific requirements are not provided below, REMN WS may use alternative documentation that is reasonable and prudent to rely upon in underwriting a Mortgage
▪ <u>Credit</u> – For borrowers with derogatory credit, REMN WS may consider the Borrower a satisfactory credit risk if the credit report indicates satisfactory credit prior to a disaster, and any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster.
▪ <u>Income</u> – If prior employment cannot be verified because records were destroyed by the disaster, and the borrower is in the same/similar field, then FHA will accept W-2's and tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income.
o REMN WS may also include short-term employment obtained following the disaster in the calculation of Effective Income
▪ <u>Liabilities</u> – when a borrower is purchasing a new home, REMN WS may exclude the mortgage payment on the destroyed residence located in the PDMDA from the borrower's liabilities. To exclude the mortgage payment from the liabilities, REMN WS must;
o Obtain information that the borrower is working with the servicer to appropriately address their mortgage obligation: and
o Apply any property insurance proceeds to the mortgage of the damaged house.
▪ <u>Assets</u> – If traditional asset documentation is not available, REMN WS may use statements downloaded from the borrower's financial institution website to confirm the borrower has sufficient assets to close the Mortgage.
▪ <u>Housing Payment History</u> – 0x30 (i.e. no mortgage lates) payment history prior to the disaster event. REMN WS OVERLAY
o <u>Note</u>: This applies only in cases where the mortgage history is known from the credit report and/or when a housing history is obtained based on underwriting criteria (e.g. lower FICO buckets, manual underwrites, etc.).</td></tr>
</table>

	203(h) Eligibility Documentation Requirements	➢ REMN WS must document and verify that the Borrower's previous residence was in the disaster area and was destroyed or damaged to such an extent that reconstruction or replacement is necessary. ➢ Documentation attesting to the damage of the previous house must accompany the mortgage application. ➢ If purchasing a new house, the house need not be located in the area where the previous house was located.
	203(h) Refinancing Policy	➢ Refinancing is permitted in conjunction with rehabilitation.
	Using Section 203(k) with 203(h) for Rehabilitation	➢ Damaged residences located in a PDMDA are eligible for Section 203(k) mortgage insurance, regardless of the age of the property. The residence only needs to have been completed and ready for occupancy for eligibility under Section 203(k). All other Section 203(k) policies must be followed.

<table>
<tr><th colspan="3">PRODUCT OVERVIEW</th></tr>
<tr><td>Temporary Buydowns</td><td colspan="2">
➢ REMN must use the Note Rate when calculating principal and interest for Mortgages that involve a temporary interest rate buydown
➢ 1/0, 1/1, 1/1/1, 2/1 or 3/2/1 buydown is available
➢ All temporary buydowns must be Lender, Listing Agent, Seller, or Selling Agent funded – <u>No Exceptions</u>
➢ Buyer funded buydowns are not eligible
➢ Note: Buydowns may be funded by <u>only one</u> of the above eligible parties. Buydowns may not be split or funded by more than one party.
➢ Buydown agreement is required
➢ An escrow account must be established for temporary buydowns
➢ Buydowns are not permitted with:
➢ Refinance transactions
➢ ARM programs
➢ Interested party contributions apply
➢ Buydown fees cannot be claimed as a “reasonable cost of sale” against the net appreciation of the property, except for transactions where there are no discount points allowed
➢ If there are no discount points allowed, the buydown fee can be claimed against the appreciation of the property
</td></tr>
<tr><td>Texas Home Equity 50(a)(6)</td><td colspan="2">
➢ Article XVI, Section 50 (a)(6) of the Texas Constitution allows first or second mortgages secured by a homestead property for the purpose of taking out equity. A mortgage originated under this Section is referred to as a “Texas Equity Loan” or “Texas Section 50(a)(6) Loan”.
➢ There are two (2) scenarios that legally classify a mortgage as a Texas Home Equity (a)(6) loan;
» A new loan is originated for the purpose of taking equity (cash-out); or,
» An existing Texas Home Equity (a)(6) loan; regardless of whether the borrower receives any cash at closing.
➢ There cannot be more than one (1) Texas Home Equity (a)(6) loan on a property at any one (1) time.
➢ Only one (1) Texas Home Equity 50(a)(6) loan may be closed in any 12-month period.
➢ Texas Home Equity 50(a)(6) are not eligible under FHA financing.
</td></tr>
<tr><td rowspan="3">Power of Attorney</td><td colspan="2">➢ The initial mortgage application <u>may not</u> be executed by using a power of attorney, except in circumstances as indicated in the table below.</td></tr>
<tr><td>Permissible Use of a POA for Loan Application</td><td>Policy Description</td></tr>
<tr><td>Military Personnel</td><td>
➢ For military personnel, a power of attorney may be used for either or both applications (initial or final):
» When the service member is on overseas duty or on an unaccompanied tour;
» When REMN WS is unable to obtain the absent Borrower’s signature on the application by mail or via fax; and
» Where the attorney-in-fact has specific authority to encumber the property and to obligate the Borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.
</td></tr>
<tr><td>Incapacitated Borrowers</td><td>
➢ For incapacitated Borrowers, a power of attorney may be used where:
» A Borrower is incapacitated and unable to sign the mortgage application;
» The incapacitated individual will occupy the Property to be insured; and
» Where the attorney-in-fact has specific authority to encumber the property and to obligate the Borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.
</td></tr>
</table>

	➢ A Borrower may designate an attorney-in-fact to use a Power of Attorney (POA) to sign documents on their behalf at closing, including page 4 of the final HUD-92900-A, HUD/VA Addendum to Uniform Residential Loan Application and the final Fannie Mae Form1003/Freddie Mac Form 65, Uniform Residential Loan Application (URLA). ➢ Unless required by applicable state law, or as stated in the Exception below, or they are the Borrower's Family Member, none of the following persons connected to the transaction may sign the security instrument or Note as the attorney-in-fact under a POA: » Mortgagee, or any employee or Affiliate; » Loan originator, or employer or employee; » Title insurance company providing the title insurance policy, the title agent closing the Mortgage, or any of their Affiliates; or » Any real estate agent or any person affiliated with such real estate agent.
Case Numbers >6 Months	➢ Case numbers older than six (6) months must be canceled and a new case number obtained when there has been no activity during the six (6) months. ➢ Pull a case number query in FHA Connection to verify your case number is active.
Case Number Request	➢ REMN WS must comply with FHA guidelines concerning Case Numbers. » Request case numbers only when there is an active loan for the subject borrower and property. » Certify at the time of requesting a case number that there is an active loan application for the subject borrower and property; and, » Provide the subject borrower(s) name and social security number for all new construction (proposed construction and existing construction less than one (1) year old). ➢ If a loan was part of another lender's "test cases" that were submitted to HUD and conditionally approved (or rejected), the transfer of the file should **not** be accepted. » Case Type status would reflect "**Direct Endorsement Preclosing Review (ADP Code 703)**" in these instances.

Automatic Case Number Cancellations	➢ Case numbers without an appraisal logged into FHAC are automatically cancelled after six (6) months if one of the following actions is not performed as a last action: » Firm Commitment issued by FHA: » Insurance application received an subsequent updates; or » Note of Return (NOR) or resubmissions. ➢ Cases with an appraisal logged are not subject to automatic cancellation for one year from the appraisal effective date. ➢ Updates to the Borrower's name or property address, an appraisal update, or a transmission of the Upfront Mortgage Insurance Premium (UFMIP) do not constitute Last Action Taken.
Reinstatement of Case Numbers	➢ Reinstatement of canceled case numbers may be requested with a submission to the FHA Resource Center using the Case Reinstatement Request Template. ➢ Case numbers that were automatically canceled will be reinstated only if the mortgagee provides evidence that the subject mortgage closed prior to cancellation of the case number, such as a Closing Disclosure or similar legal document.
Transactions Affecting Maximum Mortgage	➢ Certain types of loan transactions affect the amount of financing available to a borrower and how the maximum mortgage amount is calculated. These transactions include; » Identity-of-Interest, » Non-Occupying Co-Borrowers, » 3-4 Unit Properties, » Build on Own Land – Properties where a house will be constructed by a borrower, ▪ On his/her own land; and/or ▪ As a licensed General Contractor » Paying Off Land Contracts; and, » New Construction ▪ Under Construction; or, ▪ Less than one (1) year old » Refinance transactions for properties owned and occupied less than twelve (12) months.
Paying Off Land Contracts	➢ When the purpose of the new mortgage is to pay off an outstanding recorded land contract, the unpaid principal balance shall be deemed to be the outstanding balance of the recorded land contract. ➢ Properties to be acquired through an unrecorded land contract must be treated as a purchase.

3-4 Unit Properties	➢ The maximum mortgage amount for 3-4-unit properties is limited so that the ratio of the monthly mortgage payment, divided by the monthly net rental income does not exceed 100% ➢ Form HUD 92561 Borrowers Contract with Respect to Hotel and Transient Use of Property is required at application for all multi-unit properties. ➢ Self-Sufficiency Rental Income Eligibility » Net Self-Sufficiency Rental Income refers to the Rental Income produced by the subject property over and above the total Mortgage Payment. The total Mortgage Payment includes: ▪ Principal and Interest ▪ Real Estate Taxes ▪ Hazard Insurance ▪ Flood Insurance (as applicable) ▪ MIP ▪ HOA or Condominium Association fees/expenses ▪ Ground Rent ▪ Special Assessments ▪ Payments for any acceptable secondary financing; and ▪ Any other escrow payments. » The PITI divided by the monthly Net Self-Sufficiency Rental Income may not exceed 100 percent for 3-4 unit properties. » Net Self-Sufficiency Rental Income is calculated by using the Appraiser's estimate of fair market rent from all units, including the unit the Borrower chooses for occupancy, and subtracting the greater of the Appraiser's estimate for vacancies and maintenance, or 25% of the fair market rent. ➢ The borrower must still qualify for the mortgage based on; » Credit, income, cash to close and projected rents received from the remaining units. ➢ Projected rent may only be considered gross income for qualifying purposes. It cannot be used to offset the monthly mortgage payment. ➢ Reserves » The borrower must have personal reserves equivalent to three (3) months PITI payments after closing. » Incidental cash back or borrowed funds cannot be used to meet reserve requirements.

Build on Own Land	➢ Building on Own Land refers to the permanent financing of a newly constructed dwelling on land owned by the borrower and may include the extinguishing of any construction loans. ➢ A borrower is eligible for financing if he/she; » Has contracted with a builder to construct the dwelling. The builder must be a licensed general contractor. The Borrower may act as the general contractor, only if the Borrower is also a licensed general contractor. ➢ Calculating Maximum Mortgage Amount » REMN WS must use the lesser of the appraised value or the documented Acquisition Cost to determine the Adjusted Value. » The maximum mortgage amount is calculated using the appropriate purchase LTV percentage of the lesser of the appraised value or the documented Acquisition Cost. » Documented Acquisition Cost of the Property includes; ▪ Builder's price or sum of all subcontractor bids and materials; ▪ Borrower-paid options and construction costs not included in the builder's price to build. ▪ Interest and other costs association with any construction loan obtained by the borrower to fund the construction of the property, if applicable; and ▪ Either of the following: ○ The lesser of the cost of the land, or appraised value of the land, if the land is owned six (6) months or less at case number assignment; **or** ○ The appraised value of the land if the land has been owned for greater than six (6) months at case number assignment or was received as an acceptable gift » For Manufactured Housing, the builder's price to build includes the sum of the cost of the unit(s), the cost to transport the unit from the dealer's lot to the installation site, and all on-site installation costs. ➢ Minimum Required Investment » The borrower may utilize any cash investment in the Acquisition Cost of the Property or land equity to satisfy the MRI in accordance with Calculating Maximum Mortgage Amount. » REMN WS must document the cash investment was from an acceptable source of funds in accordance with TOTAL or Manual underwriting requirements as applicable ▪ If the land was given as a gift to the borrower, REMN WS must verify that the donor was not a prohibited source. ▪ REMN WS must obtain standard gift documentation for any gift of land. ➢ Borrower's Additional Equity in the Property » The borrower may not receive cash back from the additional equity in the Property, but the borrower may replenish their own cash expenditures for any borrower-paid extras over and above the contract specifications and any out-of-pocket expenses not included in the builder's price. REMN WS must obtain an itemization of the extras and expenses and the cost of each item. ➢ Required Documentation » REMN WS must document the date of purchase of the land by obtaining the Closing Disclosure or similar legal document » REMN WS must obtain evidence that the funds used to pay borrower paid options were derived from an acceptable source. REMN WS must obtain an itemization of the options, expenses, and cost of each item. » REMN WS must comply with New Construction requirements.
New Construction – Documents to be provided to Appraiser at Assignment	➢ The Appraiser must be provided with a fully executed form HUD-92541, signed and dated no more than 30 days prior to the date the appraisal was ordered. ➢ Properties 90% completed or less, a copy of the floor plan, plot plan, and any other exhibits necessary to allow the Appraiser to determine the size and level of finish of the house they are appraising must be provided. ➢ Properties greater than 90% but less than 100% completed, the Appraiser must be provided with a list of components to be installed or completed after the date of inspection.

PRODUCT OVERVIEW	
New Construction – Proposed, Under Construction, Existing (<1-year-old)	➢ Properties that are proposed, under construction, or were completed within one (1) year as defined below: » Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing and placement of rebar is not considered permanent. **These are not eligible for financing with REMN WS.** » Under Construction refers to the period from the first placement of permanent material to 100% completion with no Certificate of Occupancy (CO) or equivalent. » Existing for Less than One Year refers to a property that is 100% complete and have been completed less than one (1) year from the date of the issuance of the CO or equivalent. The property must have never been occupied. ➢ Pre-Approval refers to properties that are less than one (1) year old and meet one of the following requirements: » The Property was appraised, and the Mortgagee issued form HUD-92800.5B, Conditional Commitment Direct Endorsement Statement of Appraised Value, before construction started; » A building permit or its equivalent has been issued by a local jurisdiction (not applicable to Manufactured Housing); or » The Mortgagee issued an Early Start Letter. ➢ Inspections or Warranties for Maximum Financing: » Proposed Construction – **These are not eligible for financing with REMN WS.** » Under Construction – REMN WS must obtain: ▪ Copies of the building permit and CO (or equivalent) ▪ A final inspection issued by the local authority with jurisdiction over the Property or an ICC RCI or CI. » Existing for Less Than One Year (100% Complete) – REMN WS must obtain: ▪ Copies of the building permit and CO (or equivalent); or ▪ A final inspection issued by the local authority with jurisdiction over the Property or an ICC RCI or CI.
New Construction – Required Documentation for Maximum Financing	REMN WS must obtain and include the following documents in the case binder: ➢ Form HUD-92541, *Builder's Certification of Plans, Specifications, and Site*; ➢ Form HUD 92544, Warranty *of Completion of Construction* executed by the builder and the buyer; ➢ Evidence that the Property was pre-approved: » Evidence of pre-approval is the Early Start Letter or copy of the building permit issued by the local authority prior to start of construction ➢ Required inspections; ➢ Wood Infestation Report, unless the property is located in a county listed as not required on HUD's Termite Treatment Exception Areas list; » Form HUD-NPMA-99-A, *Subterranean Termite Protection Builder's Guarantee*, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. REMN WS must ensure that the builder notes on the form that the construction is masonry, steel, or concrete. » Form HUD-NPMA-99-B, *New Construction Subterranean Termite Service Record*, is required when the proposed Property is treated with a soil chemical termiticide. REMN WS must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation ➢ Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.

New Construction – Financing LTV Limit	➢ Properties that are Under Construction or Existing for Less than One Year are limited to a 90 percent LTV unless they meet the Pre-Approval requirements and the Required Documentation for Maximum Financing. ➢ For Mortgage with an LTV of 90% or less, REMN WS must obtain: » Form HUD-92541, *Builder's Certification of Plans, Specifications, and Site*; » Final inspection or appraisal, if the Property is 100 percent complete; » Wood Infestation Report, unless the property is located in an area of no-to-slight infestation as indicated in HUD's "Termite Treatment Exception Areas" list; ▪ Form HUD-NPMA-99-A, Subterranean Termite Protection Builder's Guarantee, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. REMN WS must ensure that the builder notes that the construction is masonry, steel, or concrete. ▪ Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the proposed Property is treated with a soil chemical termiticide. REMN WS must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation. » Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority.
New Construction – Manufactured Homes	➢ In addition to all other applicable new construction requirements, newly constructed manufactured homes require: » HUD-92541 (Builder's Cert) » HUD-92544 (Warranty of Completion) » Evidence of enrollment in 1-year warranty » Final Inspection by FHA Roster Inspector or certifying engineer » Wood Infestation Report

HUD REO	**Insured HUD REO Property Purchase Programs** ➢ Section 203(b) With Repair Escrow – The HUD REO Property does not meet HUD's MPR in its as-is condition, but if repairs of no more than $10,000 are completed, the HUD REO Property would meet HUD's MPR. An escrow account to complete the repairs necessary to meet MPR after closing is required. ➢ Section 203(k) – The HUD REO Property does not qualify for Section 203(b) or Section 203(b) with Repair Escrow and is eligible for FHA-insured financing only under Section 203(k). ➢ $100 Down – The $100 Down sales incentive permits a Borrower to purchase a HUD REO Property with FHA-insured financing with a minimum down payment of $100. $100 Down purchases may be processed as Section 203(b), Section 203(b) with Repair Escrow, or Section 203(k). **Contract Sales Terms** Line 4 of the sales contract will specify the Insured HUD REO Property Purchase Program under which the Borrower is applying, the down payment, and the mortgage amount. Regardless of the Insured HUD REO Property Purchase Program entered on Line 4 of form HUD-9548, REMN WS must determine the eligibility of the Property, the eligibility of the Borrower, and the specific Insured HUD REO Property Purchase Program that must be used to finance the purchase. **$100 Down** Where the Borrower has been approved for the $100 Down sales incentive, the amount of the cash down payment specified on Line 4 will be $100. **Closing Costs and Sales Commissions Paid by HUD** The amount on Line 5 specifies the amount of closing costs that HUD will pay on behalf of the Borrower. The amounts on Line 6a and 6b represent the sales commissions HUD will pay to the selling and listing broker. Contributions by HUD toward the Borrower's closing costs are not defined as Interested Party Contributions (TOTAL or Manual) or Inducements to Purchase (TOTAL or Manual). **Section 203(b) and Section 203(b) With Repair Escrow** ➢ REMN WS must select "Real Estate Owned w/Appraisal" for Processing Type and enter the case number of the HUD REO Property in the Prior Case Number field. The HUD REO Property case number can be found on the top right-hand corner of form HUD-9548. ➢ REMN WS must select "Real Estate Owned w/Appraisal" for Processing Type and enter the case number of the HUD REO Property in the Prior Case Number field. The HUD REO Property case number can be found on the top right-hand corner of form HUD-9548. **Maximum Mortgage Amounts** ➢ REMN WS must calculate the maximum mortgage amount in accordance with the requirements of calculating maximum mortgage amounts for purchasing with a maximum LTV of 96.50%. ➢ Section 203(b) with Repair Escrow – The maximum mortgage amount is initially calculated in accordance with the requirements for a purchase transaction, then we must add the amount resulting from the calculation of the amount of an escrow account for the completion of the repairs after closing. » The maximum escrow amount must be based on the sum of the repairs required to meet the intent of HUD's MPR, plus a ten (10%) percent contingency, must not exceed $11,000.00

<table>
<tr><td>Good Neighbor Next Door (GNND) Sales Program</td><td>
Overview
Law enforcement officers, pre-Kindergarten through 12th grade teachers, firefighters, and emergency medical technicians can contribute to community revitalization while becoming homeowners through HUD's Good Neighbor Next Door Sales Program. This program offers a substantial incentive in the form of a discount of 50% from the list price of the home. In return the borrower must commit to live in the property for 36 months as their sole residence.
How to Participate
➢ The borrower checks the GNND State Listings for eligible properties and follows the instructions to submit their interest in purchasing a specific home. If more than one person submits an offer on a single home a selection will be made by random lottery. The borrower must meet the requirements for a law enforcement officer, teacher, firefighter or emergency medical technician outlined below and comply with HUD's regulations for the program.
➢ HUD requires that the borrower sign a second mortgage and note for the discount amount. No interest or payments are required on this "silent second" provided that the borrower fulfills the three-year occupancy requirement.
➢ The number of properties available is limited and the list of available properties changes weekly.
Participation Requirements
➢ Law Enforcement
➢ Employed full-time by a law enforcement agency of the federal government, a state, a unit of general local government, or an Indian tribal government;
➢ In carrying out such full-time employment, the person is sworn to uphold, and make arrests for violations of, federal, state, tribal, county, township, or municipal laws and
➢ The full-time employment must, in the normal course of business, directly serve the locality in which the home is located.
➢ Teachers
➢ Employed as a full-time teacher by a state-accredited public school or private school that provides direct services to students in grades pre-kindergarten through 12; and
➢ The full-time employment must, in the normal course of business, serve students from the locality where the home is located.
➢ Firefighter or Emergency Medical Technicians
➢ Employed full-time as a firefighter or emergency medical technician by a fire department or emergency medical services responder unit of the Federal Government, a State, unit of general local government, or an Indian tribal government; and
The full-time employment must, in the normal course of business, directly serve the locality where the home is located.
</td></tr>
<tr><td>More than one FHA Loan</td><td>
➢ In all cases other than those listed below, the borrower is not eligible to acquire another FHA insured mortgage until he/she has either
» Paid off the FHA-insured mortgage on the previous residence; or,
» Terminated ownership of that residence.
NOTE: The table below describes the only circumstances in which a borrower with an existing FHA-insured mortgage for a Principal Residence may obtain an additional FHA-insured mortgage on a new Principal Residence.
<table>
<tr><td>Relocation</td><td>
➢ A borrower may be eligible to obtain another FHA-insured mortgage without being required to sell an existing property covered by an FHA-insured mortgage, if the borrower is;
» Relocating or has relocated due to an employment-related reason, and
» Establishing or has established a new principal residence in an area outside of 100 miles from his/her current principal residence.
» If the borrower subsequently returns to the area where he/she owns a property with an FHA-insured mortgage, his/she is not required to re-establish primary residence in that property in order to be eligible for another FHA-insured mortgage on a new principal residence provided the criteria in the two bullet-points above have been met.
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	Increase in Family Size	➢ A borrower may be eligible for another home with an FHA-insured mortgage if the number of his/her legal dependents increases to the point the present house no longer meets the family's needs. ➢ The borrower must provide satisfactory evidence of; » The increase in dependents and the property's failure to meet family needs; and, » That the LTV ratio equals 75% or less, based on the outstanding mortgage balance and a current appraisal. If not, the borrower must pay the loan down to 75% or less. **NOTE**: A current residential appraisal must be used to determine LTV compliance. Tax assessments and market analysis by real estate brokers are <u>not</u> acceptable proof of LTV compliance.
	Vacating a Jointly Owned Property	➢ A borrower may be eligible for another FHA-insured mortgage if he/she is vacating a residence (with no intent to return) that will remain occupied by an existing co-borrower. Example: A couple is divorcing, and the vacating ex-spouse will purchase another home.
	Non-Occupying Co-Borrower	➢ A Non-Occupying Co-Borrower on an existing FHA-insured mortgage may qualify for an FHA-insured mortgage on a new property to be their own principal residence. ➢ An individual can be a non-occupying co-borrower on as many FHA loans as they qualify for.

PRODUCT OVERVIEW	
Adjusted Value	➢ Under most programs, the maximum Mortgage is the lesser of the Nationwide Mortgage Limit for the area, or a percentage of the Adjusted Value. ➢ For purchase transactions, the Adjusted Value is the lesser of: » Purchase price less any inducements to purchase, or » The Property Value ➢ For refinance transactions: » For Properties acquired by the borrower within twelve (12) months of the case number assignment date, the Adjusted Value is the lesser of: • The Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or • The Property Value. » Properties acquired by the Borrower within twelve (12) months of case number assignment by inheritance, through a gift from a Family Member, or through a non-monetary transaction* may utilize the calculation of Adjusted Value for properties purchased 12 months or greater. o *Effective with Case Numbers assigned on or after August 16, 2024. ➢ For properties acquired by the Borrower greater than or equal to twelve (12) months prior to the case number assignment date, the Adjusted Value is the Property Value.
Purchase	➢ Mortgage Amount Limited to: 96.50% LTV of the lesser of sales price or appraised value. ➢ If the subject property is purchased at auction, the buyer's premium may be included in the calculation of the final sales price, so long as the amount of the buyer's premium is reasonable and customary (i.e. amount that is consistent with a typical auction transaction in the area).
No Cash-Out Refinance	A No Cash-Out refinance is a refinance of any mortgage in which the mortgage proceeds are limited to the purpose of extinguishing the existing debt and costs associated with the transaction. ➢ Three (3) types of No Cash-Out Refinance – Rate/Term, Simple and Streamline ➢ REMN WS to REMN WS rate/term refinance; there are no credit overlays, follow straight agency guides.

Rate/Term Refinance	Permitted on owner-occupied principal residences only. ➢ REMN WS must review the Borrower's employment documentation or obtain utilities bills to evidence the Borrower currently occupies the property and determine the length of time the borrower has occupied the subject property as their Principal Residence. Manually Underwritten Mortgages: ➢ Less than six (6) months of mortgage payment history, the Borrower must have made all payments within the month due. ➢ Greater than six (6) months of mortgage payment history, the Borrower must have made all mortgage payments within the month due for six (6) months prior to case number assignment and have no more than one (1) 30-day late payment for the previous six (6) months for all mortgages. ➢ Borrowers granted Mortgage Payment Forbearance – see Borrowers in Forbearance row on the Refinance Matrix. ➢ The Borrower must have made the payments for all mortgages secured by the subject property for the month prior to REMN WS disbursement. ➢ If the mortgage on the subject property is not reported in the Borrower's credit report, REMN WS must obtain a verification of mortgage to evidence payment history for the previous twelve (12) months. Mortgage Amount limited to the following: ➢ 97.75% LTV/CLTV if property has been owned and occupied as a primary residence for twelve (12) months, or owner-occupied since acquisition if acquired within 12 months, at time of new case number assignment ➢ 85% LTV/CLTV if subject property has been occupied as a primary residence for less than 12mos from date of new case number assignment; or if owned less than 12mos, it has not been occupied for that entire ownership period. ➢ 85% for all HUD-approved Secondary Residences Maximum Mortgage Amount for Rate/Term Refinance: ➢ The Lesser of: » The FHA Loan Limits; » The maximum LTV based on the LTV ratio above; or » The sum of existing debt and costs associated with the transaction as follows; » Existing debt includes: • The unpaid principal balance of the first mortgage as of the month prior to REMN WS disbursement; • The unpaid principal balance of any purchase monthly junior mortgages as of the month prior to REMN WS disbursement; ○ Payoff of a Property Assessed Clean Energy (PACE) loan can be included in a rate-term refinance. • The unpaid principal balance of any junior liens over twelve (12) months old as of the date of REMN WS disbursement. If the balance or any portion of an equity line of credit in excess of $1,000 was advanced within the past twelve (12) months and was for purposes other than repairs and rehabilitation of the property, the portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new mortgage; • Ex-spouse or Co-Borrower equity; as described in Refinancing to Buy out Title-Holder Equity; • Interest due on the existing mortgage(s); • Mortgage Insurance Premium (MIP) on the existing mortgage; • Any prepayment penalties assessed; • Late charges; and • Escrow shortages. » Allowed costs include all Borrower paid costs associated with the new mortgage; and » Any Borrower – paid repairs required by the appraisal. » Less any refund of the Upfront Mortgage Insurance Premium (UFMIP), if financed in the original mortgage. » HELOC must use the maximum accessible credit limit of the subordinate lien to calculate the CLTV ratio. ➢ Cash back to the borrower cannot exceed $500; additional restrictions apply in the state of Texas. » Cash Back funds in excess of $500 may be used to reduce the principal balance on the subject loan to satisfy the $500 requirement. In this instance, REMN WS must submit the mortgage for endorsement at the reduced principal amount.

Simple Refinance	➢ Simple Refinance refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject property and costs associated with that transaction. ➢ Borrowers granted Mortgage Payment Forbearance – see Borrowers in Forbearance row on the Refinance Matrix. ➢ Mortgage Amount for a Simple Refinance: » The maximum LTV/CLTV ratio for Simple Refinance, based on Adjusted Value, is: • 97.75% for Primary Residence; and • 85% for HUD-approved Secondary Residences ➢ Calculating Maximum Mortgage Amount for Simple Refinance Transactions » The lesser of: • The FHA Loan Limits • The maximum LTV ratio from above; or • The sum of existing debt and costs associated with the transactions as follows: ○ Existing debts includes: ▪ Unpaid principal balance of the FHA-insured first mortgage as of the month prior to mortgage disbursement; ▪ Interest due on the existing mortgage; ▪ The unpaid principal balance of any PACE obligation; ▪ MIP due on existing mortgage; ▪ Late changes; and ▪ Escrow shortages ○ Allowed costs include all borrower paid costs associated with the new Mortgage; and ○ Borrower-paid repairs required by the appraisal » Less any refund of UFMIP. ➢ Cash back to the borrower cannot exceed $500; additional restrictions apply in the state of Texas. » Cash Back funds in excess of $500 may be used to reduce the principal balance on the subject loan to satisfy the $500 requirement. In this instance, REMN WS must submit the mortgage for endorsement at the reduced principal amount. ➢ REMN WS must obtain the payoff statement for the existing Mortgage being refinanced. FHA will not issue a new case number for any FHA to FHA refinance where the existing mortgage to be paid off has a repair or rehabilitation escrow account that the Escrow Closeout Certification has not been completed in FHA Connection.

Cash-Out Refinance	A cash-out refinance is a refinance of any mortgage or a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes. ➢ Mortgage Amount Limited to 80% LTV/CLTV ➢ Cash-out refinance transactions are only permitted on owner-occupied principal residences. ➢ Nonprofit agencies, state and local government agencies, and Instrumentalities of Government are not eligible for cash-out refinances. ➢ Income from a non-occupant co-borrower may not be used to qualify for a cash-out refinance ➢ If the subject property is a one-unit with an accessory dwelling unit (ADU), rental income from the ADU cannot be used as effective income to qualify for a cash-out refinance. ➢ The Property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment. The Property securing the cash-out refinance must have been owned and occupied by at least one Borrower as their Principal Residence for the 12 months prior to the date of case number assignment. » Inheritance exception – The borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an investment property at any point since inheritance of the property. If the borrower rents the property following inheritance, the Borrower is not eligible for a cash-out refinance until the Borrower has occupied the property as a principal residence for at least 12 months. ➢ REMN WS must review the Borrower's employment documentation or obtain utilities bills to evidence the borrower has occupied the subject property as their principal residence for the 12 months prior to case number assignment. ➢ For both manual and approved/eligible loans, the borrower must have made all payments on time during the previous 12 months or since inception, whichever is lesser. » This applies to all loans, including those in forbearance and/or modification. » If a loan was in forbearance, there is a 12-month waiting period from the completion of the forbearance before the borrower is eligible for a cash-out transaction. ➢ Payoff of a Property Assessed Clean Energy (PACE) loan can be included in a cash-out refinance. ➢ REMN WS must document that the borrower has made all payments for all their mortgages within the month due for the previous 12 months or since the borrower obtained the mortgages, whichever is less. ➢ Additionally, the payments for all mortgages secured by the subject property must have been paid within the month due for the month prior to REMN WS mortgage disbursement. » A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. ➢ Properties with mortgage must have a minimum of six (6) months of mortgage payments. » Properties owned free and clear may be refinanced as cash-out transactions. » Pay the current unpaid principal balance of the existing first mortgage, closing costs, points, pre-paid items, subordinate liens and additional cash to the borrower. » Subordinate liens – No seasoning requirement. » Borrower(s) currently delinquent are not eligible. » 0x30 in the past twelve (12) months. NO Exceptions. REMN WS must document that the borrower has made all payments for all their mortgages within the month due for the previous 12 months or since the borrower obtained the mortgages, whichever is less. » A minimum six (6) months payment history of payments made and posted with the servicer is required on the existing mortgage. ▪ If there is a private mortgage, there must be six (6) payments made. If there are no payments due, the loan is not eligible. ➢ Borrowers granted Mortgage Payment Forbearance – see *Borrowers in Forbearance* row on the Refinance Matrix. ➢ A minimum of 210 (calendar) days must have passed between the 1st payment date of the new refinance (subject property) and the 1st payment date of the loan being refinanced. FHA does not have a 210 (calendar) day requirement, however, in order to securitize loans, this GNMA guidance must be followed. The GNMA seasoning requirement applies to all loan types being paid off – Conv, Gov, etc. » As per GNMA, subject properties that are owned free & clear (no liens) are not subject to GNMA minimum seasoning requirements for cash-out refinance transactions. This applies to FHA loans only. » **NOTE**: In cases where the loan being paid-off has been officially **modified** by the existing servicer (as reflected by the mortgage only credit report or the mortgage payment history), the 210 day

	seasoning test must be based off GNMA guidelines, which require that the seasoning test start with the **LATER OF**: ➢ Co-borrowers or co-signers added to the Note or currently on the Note must occupy the property securing the new FHA-insurance mortgage » Non-occupant co-borrowers or co-signers may not be added to the Note to meet credit underwriting guidelines. ▪ A borrower may request a non-occupant co-borrower be added to the loan. However, no income, assets, or credit are being used to qualify the borrower occupying the property. » Value determination if the property is based on the current appraised value.
Refinancing to Buy Out Title-Holder Equity	➢ When the purpose of the new mortgage is to refinance an existing mortgage to buy out an existing title-holder's equity, the specified equity to be paid is considered property-related indebtedness and eligible to be included in the new mortgage calculation. ➢ REMN WS must obtain the divorce decree, settlement agreement or other legally enforceable equity agreement to document the equity awarded to the title-holder.
REMN WS to REMN WS Refinance Transactions	➢ REMN WS Overlays do not apply on rate/term REMN to REMN refinances; they do apply on cash out REMN to REMN refinances. ➢ **Note:** If at any time prior to the loan closing for a Rate-Term Refinance, Global Teller reflects the loan was sold and REMN WS/REMN is no longer the servicer, then the loan is no longer a REMN to REMN refinance and the underwriter must underwrite the loan using REMN WS credit overlays. For all other purposes the loan should not be considered a REMN to REMN refinance as REMN WS is not the existing servicer. ➢ For complete information on Internal Refinances/REMN to REMN, see REMN WS Bulletin 2015-07. ➢ Non-Credit Qualifying Streamline – Credit report is not required; therefore options are: » Mortgage Only Credit Report (no FICO score necessary) – OR – » If serviced by REMN, satisfactory payment history and loan information from REMN; if serviced by ServiceMac, satisfactory payment history and loan information from ServiceMac.
Subordinate Financing	➢ The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the FHA Mortgage Limits. ➢ Rate/Term Refinance – maximum CLTV ratio for a Rate/Term refinance is 97.75%. » HELOC – Use the maximum accessible credit limit to calculate the CLTV ratio. ➢ Streamline – existing subordinate financing, in place at the time of case number assignment, must be re-subordinated to the Streamline Refinance » New subordinate financing is permitted only where the proceeds of the subordinate financing are used to: ▪ Reduce the principal amount of the existing FHA-insured mortgage; or ▪ Finance the origination fees, other closing costs or discount points associated with the refinance. » Partial Claim Liens – REMN WS will permit the lien to be subordinated on Credit Qualifying & Non-Credit Qualifying Streamlines subject to the following: ▪ The existing first mortgage being refinanced must be an FHA mortgage ▪ The existing partial claim must be with a government entity (copy of the Note is required) ▪ No cash-back to the Borrower is allowed ▪ Subordination agreement must be approved by the following: o Subordination requests and documents are to be sent to HUD's Secretary-Held Assets Servicing Contractor: o Novad Management Consulting, Shepherd Mall 2401 NW 23rd Street, Suite 1A1 Oklahoma City, OK 73107 Fax Number: (800) 489-1733 » There is no maximum CLTV for a Streamline Refinance. ➢ See Secondary Financing for additional information.
Credit Qualifying to Non-Credit Qualifying Conversion	➢ There is no restriction or prohibition for converting a Credit Qualifying streamline loan to a Non-Credit Qualifying loan, so long as the loan file meets Non-Credit Qualifying eligibility criteria.

Streamline Borrower Eligibility

Credit Qualifying

- At least one (1) Borrower from the existing mortgage must remain as a Borrower on the new mortgage.

Non-Credit Qualifying

- Individuals may be added to the title and mortgage on Non-Credit Qualifying Streamline Refinances without a creditworthiness review.
- A Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing mortgage remain as Borrowers on the new mortgage.
- Mortgages that have been assumed are eligible provided the previous Borrower was released from liability.
  - Exception – A borrower on the mortgage to be paid may be removed from title and new mortgage in cases of divorce, legal separation or death when:
    - The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining borrower, if applicable; and
    - The remaining borrower can demonstrate that they have made the mortgage payments for a minimum of six (6) months prior to case number assignment.

Streamline Net Tangible Benefit

- A net tangible benefit is a reduced Combined Rate, a change from and ARM to a Fixed Rate Mortgage, and/or a reduced term that results in a financial benefit to the borrower.
  - Reduction in term refers to the reduction of the remaining amortization period of the existing mortgage.

Standard for Refinances Without a Term Reduction or with a Term Reduction of Less Than Three Years

- REMN WS must determine that there is a net tangible benefit to the borrower meeting the standards in the chart below for all Streamline Refinance transactions without a reduction in term or with a reduction in term of less than three years.

From ↓ / To →	Fixed Rate New Combined Rate*	One-Year ARM New Combined Rate*	Hybrid ARM New Combined Rate*
Fixed Rate	At least 0.5% below the prior Combined Rate	At least 2% below the prior Combined Rate	At least 2% below the prior Combined Rate
Any ARM with less than 15 months to next Payment Change Date	No more than 2% above the prior Combined Rate	At least 1% below the prior Combined Rate	At least 1% below the prior Combined Rate
Any ARM with greater than or equal to 15 months to next Payment Change Date	No more than 2% above the prior Combined Rate	At least 2% below the prior Combined Rate	At least 1% below the prior Combined Rate

Standard for Refinances with a Term Reduction of Three Years or More

- REMN WS must determine that there is a net tangible benefit to the borrower meeting the standards in the chart below for all Streamline Refinance transactions with a reduction in term of three years or more.
- Additionally, the combined principal, interest and MIP payment of the new Mortgage must not exceed the combined principal, interest, and MIP payment of the refinanced Mortgage by more than $50.

From ↓ / To →	Fixed Rate New Combined Rate*	One-Year ARM New Combined Rate*	Hybrid ARM New Combined Rate*
Fixed Rate	Below the prior Combined Rate	N/A	N/A
Any ARM with less than 15 months to next Payment Change Date	No more than 2% above the prior Combined Rate	N/A	N/A
Any ARM with greater than or equal to 15 months to next Payment Change Date	No more than 2% above the prior Combined Rate	N/A	N/A

* Combined Rate refers to the interest rate on the mortgage plus the MIP rate (see Case Query or Refinance Authorization.

Streamline Maximum Mortgage Calculation

Owner Occupied Principal Residences, the maximum Base Loan Amount is:
The LESSER of:

- The Outstanding Principal Balance of the existing mortgage as of the month prior to REMN WS Disbursement Date; PLUS:
  - Interest due on the existing Mortgage; and,

	» MIP due on the existing Mortgage; OR ➢ The Original Principal Balance of the existing Mortgage (including financed UFMIP); ➢ Less any refund of UFMIP (if financed in original Mortgage) **Non-Owner-Occupied Investment Properties**, the maximum Base Loan Amount is: ➢ The LESSER of: » The Outstanding Principal Balance of the existing Mortgage as of the month prior to REMN WS Disbursement Date; or, » The Original Principal Balance of the existing Mortgage (including financed UFMIP); ➢ Less any refund of UFMIP (if financed in original Mortgage). REMN WS must obtain a payoff statement on the existing Mortgage.
Streamline Refinance	➢ REMN WS to REMN WS streamline refinance; there are no credit overlays, follow straight FHA guides. ➢ Streamline Refinances may be used for Principal Residences or Non-Owner-Occupied Properties. ➢ Streamline refinance refers to the refinance of an existing FHA-insured mortgage requiring limited Borrower credit documentation and underwriting, there are two (2) different streamline options available: ➢ Credit Qualifying – REMN WS must perform a credit and capacity analysis of the Borrower, but no appraisal is required. » Do NOT run through DU – TOTAL Scorecard findings are <u>not</u> allowed. » Full Tri-Merge Credit Report required. ➢ Non-Credit Qualifying – REMN WS does not need to perform credit or capacity analysis or obtain an appraisal. » Do NOT run through DU – TOTAL Scorecard findings are <u>not</u> allowed. » Mortgage Only Credit Report (no FICO score necessary **ONLY** for REMN-to-REMN Non-Credit Qualifying Streamlines) » Single Repository credit report allowed • If an application is submitted with a credit report that has more than one repository, REMN will use the lower of the two/three scores for all borrowers. In such an event, credit reports may not be resubmitted to remove repositories. » Assets must be verified if the funds to close, brought by the borrower, exceed the total Mortgage Payment of the new mortgage. See Checking and Savings Accounts for details. ➢ Credit score » A credit score is required for Streamline transactions (no score not allowed unless transaction is a REMN-to-REMN Non-Credit Qualifying Streamline). » All Borrowers on the existing Mortgage remain as Borrowers on the new Mortgage. » Mortgages that have been assumed are eligible provided the previous Borrower was released from liability. **Exception –** See Streamline Borrower Eligibility for further details. » REMN WS must review the Borrower's employment documentation or obtain utility bills to evidence that the Borrower currently occupies the property as their principal residence. – One (1) month's utility bills will be acceptable, provided that • There is nothing in the loan file that suggests that the Borrower(s) may not be occupying the subject property AND • The hazard insurance policy reflects the billing/mailing address as the subject property address. » REMN WS must process the Streamline Refinance as a Non-Owner-Occupied property if REMN WS cannot obtain evidence that the Borrower occupies the property as their principal residence. ➢ FHA will not issue a new case number for any FHA to FHA refinance where the existing mortgage to be paid off has a Repair or Rehabilitation escrow account that has not been electronically closed out in FHA Connection. ➢ Proceeds of the mortgage are used to extinguish an existing FHA-insured first mortgage lien. ➢ There is no maximum CLTV. ➢ FHA Connection will not assign a case number for a streamline refinance until the full six (6) month loan seasoning period has elapsed. ➢ On the date of the FHA Case Number Assignment: » The borrower must have made at least six (6) payments on the FHA-insured mortgage that is being refinanced (existing lien cannot be FHA Secure) – At least six (**6**) full months must have passed since the first payment date of the refinance; and, – If the Borrower assumed the mortgage that is being refinanced, they must have made six (6) payments since the time of assumption.

	– At least **210** days have passed: • GNMA: Between the 1st payment date of the new/subject refinance and the 1st payment date of the loan being refinanced (loan to be paid off) AND • FHA: Between the Note date of the loan being refinanced (existing loan) and the case number issuance date of the new/subject loan ○ **BOTH THE GNMA AND THE FHA 210 DAY TEST MUST INDEPENDENTLY BE MET. IT IS NOT EITHER-OR.** • **NOTE**: In cases where the loan being paid-off has been officially **modified** by the existing servicer (as reflected by the mortgage only credit report or the mortgage payment history), the 210 day seasoning test must be based off GNMA guidelines, which require that the seasoning test start with the **LATER OF**: ○ The 1st payment due date on the loan being paid off, OR • The 1st payment due date, based upon the modification documents, when the loan has been formally modified by the Servicer. • In order to ensure eligibility, the FHA case number should not be pulled until the 211th day. Pulling the case number on the 210th day will not satisfy the requirement that at least 210 days have passed. ➢ For Credit Qualified w/ 580+ FICO, borrowers must have no more than 1x30 for previous six (6) months for all Mortgages on all other properties owned. (If FICO is <580, the loan is not eligible - please refer to FHA Overlay Matrix located at REMN Wholesale FHA/VA/USDA Overlays *Borrowers first payment due January 1; FHA case number assignment may **not** be ordered prior to July 1.* ➢ Borrowers granted Mortgage Payment Forbearance – see *Borrowers in Forbearance* row on the Refinance Matrix. ➢ Investment Property – Single Family ONLY » ≥680 Credit Score required for LTV >100%. • AVM required when LTV >100%. » Fixed rate only. ➢ LDP/GSA required ➢ Maximum cash to the borrower is limited to $500; additional restrictions apply in the state of Texas. ➢ Condo » Not required to be on FHA Approved Condo list. » If HO-6 is not available; okay to proceed without this coverage. ➢ See Subordinate Financing for additional information on Partial Claim Liens & Streamlines.
Property Ownership Seasoning for Refinances	➢ For all refinances except Streamlined, if property is owned less than (<12) months, the lesser of the purchase price plus documented improvements or the appraised value is used to determine the LTV. ➢ No Cash-Out Refinance (Rate/Term and Simple Refinance) » Twelve (12) months property ownership required to allow use of appraised value in determining LTV. » Appraisal cannot be reused if ownership less than (<12) months; a new appraisal is required for each refinance transaction. ➢ Cash-Out Refinance » Twelve (12) months property ownership & occupancy as primary residence prior to new case number assignment required to allow use of appraisal value in determining LTV. ▪ If inherited, a Borrower is not required to occupy the Property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an investment property at any point since inheritance of the property. If Borrower rents the property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the property as a Principal Residence for at least twelve (12) months. » Appraisal cannot be reused if ownership less than (<12) months; a new appraisal is required for each refinance transaction. » Less than (<6) months of payment history (payments made) are not eligible for cash-out refinance transactions ➢ Streamlined Refinance - see Streamline section for details.

REMN WHOLESALE FHA PRODUCT GUIDELINES

PRODUCT OVERVIEW					
Refinance Matrix	No Cash-Out Rate/Term Refinance	No Cash-Out Simple Refinance	Cash-Out Refinance	Streamline Non-Credit Qualifying No Appraisal	Streamline Credit Qualifying No Appraisal
Ownership Seasoning	No minimum, but value is: Owned <12 months value is lesser of purchase price plus documented costs or appraised value. Owned >12 months – Appraised value.		Owned and Occupied as Principal Residence for previous 12 months.	N/A	
Existing Liens	Any	FHA to FHA	Any	FHA to FHA	
Borrower Restriction	Owner Occupied ONLY		Owner Occupied ONLY. If Non-Occupant Co-Borrower on transaction, cannot use any of their income to qualify. Debts and Assets must be considered.	ALL Same Borrowers O/O – Fixed or ARM Investment – Fixed	At least 1 borrower on existing note must be on REMN WS note
DU / TOTAL Scorecard	Yes			No	
Maximum LTV	97.75% with 12 or more months owner occupied 85% with < 12 months owner occupied	97.75%	80.00%	N/A	
Maximum CLTV	97.75% with 12 or more months Owner Occupied. 85% with <12 months owner occupied	97.75%	80.00%	Unlimited	
Cash Back	$500.00 (additional restrictions apply in state of Texas)		Unlimited	$500.00 (additional restrictions apply in state of Texas)	
Maximum Mortgage	UPB of 1st + 2nd Liens >12 months + Closing Costs + Prepaid		N/A – Up to maximum LTV	UPB + Interest + UFMIP	
Payment History	Manual Downgrade required if: 3 or more payments greater than 30 days. 1 or more payments of 60 days PLUS one or more 30 days. 1 payment greater than 90 days.		Must have made a minimum of 12 payments on current mortgage- if a property is owned free and clear, the 12-month payment requirement does not apply AND If there is a private mortgage, there must be 12 payments made. If there are no payments due, the loan is not eligible. The loan is ineligible if any delinquency past 12 months. See Cash-Out Refinance Section for details on loans that had forbearance or modification.	6 Payments made for all Mortgages on the subject property + 210 Days 0x30 for most recent 6mos 1x30 for months 7-12	*Subject Property* – 0x30 for 1st 6mos

<table>
<tr><td rowspan="3">Borrowers in Forbearance</td><td colspan="4">A borrower who was granted Mortgage Payment Forbearance must have the following:</td></tr>
<tr><td>Completed the Forbearance Plan on the subject property; and
<u>TOTAL / A/E</u>
Made at least three (3) consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.
If not, the file must be manually downgraded.
If the loan has been modified, the Borrower must have made at least six (6) payments under the Modification plan.

<u>MANUAL:</u>
If Borrower made less than three (3) consecutive payments since completion of the forbearance plan, the file must be manually underwritten</td><td>Completed the Forbearance Plan on the subject property; and
<u>TOTAL / A/E</u>
Made at least twelve (12) consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan.
If Borrower has made < 12 consecutive payments, the file must be manually downgraded.

<u>MANUAL:</u>
If Borrower has made < 12 consecutive payments, the file must be manually underwritten.</td><td>At time of case number assignment:

Completed the Forbearance Plan on the subject property; and

Made at least three (3) consecutive mortgage payments within the month due on the mortgage since completing the Forbearance Plan
If the loan was modified after the forbearance plan, the Borrower must have made at least six (6) payments under the Modification plan.

<u>NOTE</u>: On Streamline Non-Credit Qualifying, the payment history for all mortgages on the subject property only would apply.</td><td>Those still in forbearance at time of case number assignment or has made less than 3 consecutive monthly mortgage payments within the month due since completing the Forbearance Plan:

Made all mortgage payments within the month due for the six (6) months prior to forbearance; and

Had no more than one (1) 30-day late payment for the previous six (6) months. The Borrower must have made at least six (6) consecutive payments and, if the loans was modified, there must be 6 consecutive payments under the Modification agreement.</td></tr>
<tr><td colspan="4"><u>Required Documentation</u>:
Where a mortgage reflects payments under a Modification or Forbearance Plan within the twelve (12) months prior to case number assignment, REMN WS must obtain:
– A copy of the Modification or Forbearance Plan; and
– Evidence of the payment amount and dates of payments during the Forbearance term.
A Forbearance Plan is not required if the forbearance was due to the impacts of the Covid_19 National Emergency.</td></tr>
</table>

REMN WHOLESALE FHA PRODUCT GUIDELINES

PRODUCT OVERVIEW						
Mortgage Insurance Premiums Purchase, Rate/Term & Cash-Out Transactions	**Purchase, Rate/Term & Cash-Out**					
	Term	**Base Mortgage**	**LTV**	**Annual MIP**	**Upfront MIP**	**Length of MI (Based on LTV)**
	>15 Years	≤ $726,200	≤ 95.00%	0.50%	1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
			≥ 95.01%	0.55%	1.75%	Life of Loan
		≥ $726,201	≤ 95.00%	0.70%	1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
			≥ 95.01%	0.75%	1.75%	Life of Loan
	≤15 Years	≤ $726,200	≤ 78.00%	0.15%	1.75%	11 Years
			78.01 - 90.00%	0.15%	1.75%	11 Years
			≥ 90.01%	0.40%	1.75%	Life of Loan
		≥ $726,201	≤ 78.00%	0.15%	1.75%	11 Years
			78.01 – 90.00%	0.40%	1.75%	11 Years
			≥ 90.01%	0.65%	1.75%	Life of Loan
Streamline Refinance Transactions	**ENDORSED ON or AFTER June 1, 2009**					
	Term	**Base Mortgage**	**LTV**	**Annual MIP**	**Upfront MIP**	**Length of MI (Based on LTV)**
	>15 Years	≤ $726,200	≤ 95.00%	0.50%	1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
			≥ 95.01%	0.55%	1.75%	Life of Loan
		≥ $726,201	≤ 95.00%	0.70%	1.75%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
			≥ 95.01%	0.75%	1.75%	Life of Loan
	≤15 Years	≤ $726,200	≤ 78.00%	0.15%	1.75%	11 Years
			78.01 - 90.00%	0.15%	1.75%	11 Years
			≥ 90.01%	0.40%	1.75%	Life of Loan
		≥ $726,201	≤ 78.00%	0.15%	1.75%	11 Years
			78.01 – 90.00%	0.40%	1.75%	11 Years
			≥ 90.01%	0.65%	1.75%	Life of Loan
	ENDORSED ON or BEFORE May 31, 2009					
	Term	**Base Mortgage**	**LTV**	**Annual MIP**	**Upfront MIP**	**Length of MI (Based on LTV)**
	>15 Years	≤ $726,200	All LTV	0.55%	0.01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
		≥ $726,201	All LTV	0.55%	0.01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
	≤15 Years	≤ $726,200	All LTV	0.55%	0.01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan
		≥ $726,201	All LTV	0.55%	0.01%	≤ 90.00% - 11 Years ≥ 90.01% - Life of Loan

<table>
<tr><th colspan="3">BORROWERS</th></tr>
<tr><td>Eligible Borrowers</td><td colspan="2">➢ FHA insures mortgages for borrowers with lawful permanent resident alien status, using the same terms and conditions as those for U.S. Citizens.
- The mortgage file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the URLA
➢ A party who has a financial interest in the mortgage transaction; such as the Builder or Real Estate Agent, may NOT be a Co-Borrower or Co-Signer. Exceptions are considered when the party is a family member.</td></tr>
<tr><td rowspan="6">Types of Borrowers</td><td>Borrower & Co-Borrower</td><td>➢ Owns property and is liable for debt.
➢ Signs all documents
➢ Application
➢ Note
➢ Mortgage/Deed of Trust and is on Title (Deed)
➢ Contract of sale
➢ Income, assets and debts used in qualification</td></tr>
<tr><td>Non-Occupant Co-Borrower</td><td>➢ Owns property and is liable for debt but does not live in property.
➢ Must either be a US Citizen or have permanent principal residence in the US.
➢ Non-permanent resident aliens are eligible as long as they have a principal residence in the US.
➢ Signs all documents
» Application
» Note
» Mortgage/Deed of Trust and is on Title (Deed)
» Contract of Sale
➢ Income, assets and debts used in qualification for Purchase and Rate/Term only. Income is not considered on Cash-out transactions for qualifying purposes.
➢ See Non-Occupant Co-Borrower / Co-Signer on following page for additional information.</td></tr>
<tr><td>Co-Signer</td><td>➢ Has no ownership interest in the property but is liable for the debt.
➢ Must either be a US Citizen or have permanent principal residence in the US.
➢ Cannot be a non-permanent resident alien.
➢ Signs all documents except the Mortgage/Deed of Trust (no ownership interest).
» Application
» Note
➢ Income, assets and debts used in qualification.</td></tr>
<tr><td>Co-Mortgagor</td><td>➢ Has ownership interest in the property but is not liable for the debt.
➢ Family member is the <u>only</u> acceptable Co-Mortgagor on FHA loans.</td></tr>
<tr><td>Marital Rights</td><td>➢ Has no ownership interest in the property nor liable for the debt.
➢ Only used in states where they have an “interest” in the property due to marital status.
➢ Signature on collateral documents as determined by State Law.</td></tr>
<tr><td>Principal U.S. Residence</td><td>➢ Non-Occupant Co-Borrowers or Co-Signers must have a principal residence in the U.S. unless exempted due to;
» Military Service with overseas assignments; or,
» U.S. Citizens living abroad.</td></tr>
</table>

Non-Permanent Resident Aliens	***Case Numbers Issued Before May 25, 2025*** ➢ ***REMN must verify that the Case Number Issuance Date is consistent with the Application Date and the Contract of Sale Date, both of which must also be dated before May 25, 2025*** ➢ A borrower who is a non-permanent resident alien may be eligible for FHA-insured financing provided: » The Property will be the Borrower's Principal Residence; » The Borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD; » The Borrower is eligible to work in the United States, provided the borrower provides either: ○ an Employment Authorization Document (USCIS Form I-766) showing that work authorization status is current; ○ a USCIS Form I-94 evidencing H-1B status, and evidence of employment by the authorized H-1B employer for a minimum of one year; ○ evidence of being granted refugee or asylee status by the USCIS; or ○ evidence of citizenship of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau; and » The Borrower satisfies the same requirements, terms and conditions as those for U.S. citizens. ➢ The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document (USCIS Form I-766) or evidence of H-1B status will expire within one year and a prior history of residency status renewals exists, the Mortgagee may assume that continuation will be granted. If there are no prior renewals, the Mortgagee must determine the likelihood of renewal based on information from the USCIS. ➢ A Borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS must provide documentation: » Employment Authorization Document (USCIS Form I-766) or USCIS Form I-94 indicating refugee or asylum status, or USCIS Form I-797 notice indicating approval of a USCIS Form I589, Application for Asylum or Withholding of Removal substantiating the refugee or asylee status. ***Case numbers Issued On or After May 25, 2025*** Non-Permanent Resident Aliens are ineligible for FHA-insurance financing
Military Personnel Eligibility	Borrowers who are military personnel, who cannot physically reside in a property because they are on Active Duty, are still considered owner occupants and are eligible for maximum financing if a Family Member of the Borrower will occupy the subject Property as their Principal Residence, or the Borrower intends to occupy the subject Property upon discharge from military service. **Required Documentation** REMN WS must obtain a copy of the Borrower's military orders evidencing the Borrower's Active Duty status and that the duty station is more than 100 miles from the subject Property. REMN WS must obtain the Borrower's intent to occupy the subject Property upon discharge from military service, if a Family Member will not occupy the subject Property as their Principal Residence.

<table>
<tr><th colspan="3">BORROWERS</th></tr>
<tr><td>Definition of Family Member</td><td colspan="2">➢ Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:
» Child, Parent, or Grandparent;
▪ Child is defined as a son, stepson, daughter, or stepdaughter;
▪ Parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;
» Spouse or domestic partner;
» Legally-adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption;
» Foster child;
» Brother, Stepbrother;
» Sister, Stepsister;
» Uncle, Aunt; or
» Son-in-law, Daughter-in-law, Father-in-law, Mother-in-law, Brother-in-law, or Sister-in-law of the Borrower.
» The following are not considered family members by FHA: a cousin, a grandparent-in-law, or a step grandparent-in-law.</td></tr>
<tr><td>Non-Occupying Borrower</td><td colspan="2">➢ Non-Occupying Co-Borrowers must either be U.S. Citizens or have a Principal Residence in the U.S.
➢ A non-occupying borrower transaction is a transaction involving two (2) or more borrowers' where one (1) or more borrowers will not occupy the property as his/her primary residence.
➢ Maximum financing is limited to 75% LTV;
» The LTV can be increased to a maximum of 96.50% if the Borrowers are family members, provided the transaction does not involve:
▪ A family member selling to a family member who will be a Non-Occupying Co-Borrower; or
▪ A transaction on a 2-4-unit property.
» "Family member" must meet the specific definition of family member as noted above in the Definition of Family Member section.
➢ A non-occupant co-borrower or co-signer is permitted on a purchase or a No Cash-Out refinance transaction.
➢ An individual can be a non-occupying co-borrower on as many FHA loans as they qualify for.
➢ Additional UW criteria may be required for instances where the occupant borrower has no credit score. See Manual Underwriting section for additional details
<u>Cash-Out Refinance</u>
➢ On Cash-Out transactions, non-occupants are permitted, but their income cannot be used towards qualification.
➢ Non-occupant co-borrower's assets and debts will be considered towards qualification.</td></tr>
<tr><td>Prior Mortgage Fraud</td><td colspan="2">➢ REMN WS will not lend to any borrower(s) who has been previously convicted of mortgage fraud.
➢ For all other interested parties in the transaction, if any one of the parties has been previously convicted of mortgage fraud, REMN WS will not provide financing for the transaction.
➢ There are NO exceptions to the aforementioned criteria.</td></tr>
<tr><td rowspan="3">Identity-of-Interest</td><td colspan="2">➢ Identity-of-Interest transactions:
» Purchase of a principal residence between; parties with a familial or business relationship or business affiliates.
» The maximum LTV is limited to 85% for Identity-of-Interest transactions.
➢ Exceptions to the maximum LTV for Identity-of-Interest transactions. Maximum financing above the 85% LTV is permitted under certain circumstances. The table below describes circumstances in which financing above 85% LTV is permitted.</td></tr>
<tr><td>Family Member Purchase</td><td>➢ A family member purchases another family member's home as a principal residence.
➢ If the property is sold from one (1) family member to another and is the sellers' investment property, the maximum mortgage is the lesser of;
» 85% of the appraised value; or,
» The appropriate LTV factor percentage applied to the sale price, plus or minus adjustments.
NOTE: The 85% limit may be waived if the family member has been a tenant in the property for at least six (6) months immediately preceding the date of the sales contract. A lease or other written evidence must be submitted to verify occupancy.</td></tr>
<tr><td>Builder's Employee Purchase</td><td>➢ An employee of a builder purchases one (1) of the builder's new homes or models as a principal residence.</td></tr>
</table>

	Tenant Purchase	➢ A current tenant, including a family member tenant purchased the property where he/she has rented for at least six (6) months immediately preceding the date of the sales contract. **NOTE**: A lease or other written evidence to verify occupancy is required. The maximum mortgage calculation is not affected by a sales transaction between a tenant and a landlord with no Identity-of-Interest relationship.
	Corporate Transfer	➢ A corporation » Transfers an employee to another location, » Purchase the employee's home; and, » Sells the home to another employee.

Borrowers	
Age of Credit and Appraisal Documents	➢ Credit, Income & Asset Documentation – 120 days from date of REMN WS disbursement. ➢ Appraisal – 180 days from date of REMN WS disbursement ➢ Preliminary title policies must be no more than 120 days old on the date the note is signed.
Types of Credit History	➢ If a traditional credit report is available, REMN WS must use a traditional credit report. However, if a traditional credit report is not available, REMN WS must develop the Borrower's credit history using the requirements for Non-Traditional and Insufficient Credit. ➢ REMN WS utilizes FICO only. A credit report which provides both FICO and VantageScore is acceptable, however REMN WS will only consider the FICO.
AUS/TOTAL Scorecard	➢ TOTAL Scorecard can be utilized though Fannie Mae DU or Freddie Mac LPA Automated Underwriting systems, ➢ **NOTE**: If a transaction obtains an "Accept" finding from LPA after receiving an "Refer/Ineligible" finding from DU, this is an input error and would not be acceptable, as DU & LPA findings should match for TOTAL Scorecard. – In order to utilize LPA Accept findings for TOTAL Scorecard, evidence of DU Approve findings must be included to confirm that there was no input error.
AUS / TOTAL Scorecard – Downgrade	REMN WS must downgrade and manually underwrite any Mortgage that received an Accept recommendation if: ➢ REMN WS file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard; ➢ Additional information not considered in the AUS recommendation affects the overall insurability of the Mortgage; ➢ The Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts; ➢ The date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two (2) years from the date of case number assignment; ➢ The case number assignment date is within three (3) years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale); ➢ The case number assignment date is within three (3) years of the date of the transfer of title through a foreclosure sale; ➢ The case number assignment date is within three (3) years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure; the Mortgage Payment history requires a downgrade as defined in Housing Obligations/Mortgage Payment History; ➢ The Borrower has undisclosed mortgage debt; or ➢ Business income shows a greater than 20% decline over the analysis period.

<table>
<tr><th colspan="2">Borrowers</th></tr>
<tr><td>General Credit Requirements Manual Underwriting</td><td>FHA's general credit policy requires REMN WS to analyze the Borrower's credit history, liabilities, and debts to determine creditworthiness.
REMN WS must either obtain a Tri-Merged Credit Report (TRMCR) or a Residential Mortgage Credit Report (RMCR) from an independent consumer reporting agency.
REMN WS must utilize the same credit report and credit scores sent to TOTAL.
REMN WS must obtain a credit report for each Borrower who will be obligated on the mortgage Note. REMN WS may obtain a joint report for individuals with joint accounts.
REMN WS must also obtain a credit report for a non-borrowing spouse if the borrower resides in a community property state, or if the subject property is located in a community property state, except when excluded by state law. The credit report must indicate the non-borrowing spouse's SSN, where an SSN exists, was matched with the SSA, or REMN WS must either provide separate documentation indicating that the SSN was matched with the SSA or provide a statement that the non-borrowing spouse does not have an SSN. Where an SSN does not exist for a non-borrowing spouse, the credit report must contain, at a minimum, the non-borrowing spouse's full name, date of birth, and previous addresses for the last two (2) years.
REMN WS is not required to obtain a credit report for non-credit qualifying Streamline Refinance transactions.
Determining if the loan meets the maximum qualifying ratio when there is a non-occupant co-borrower on a purchase or rate/term transaction:
If all borrowers (occupying and non-occupying) have a score – use the lowest minimum decision score of all borrowers – and consider all income, including non-occupying borrower
If at least one of the borrowers (occupying and non-occupying) has a score use the borrower minimum decision score – and consider all income, including non-occupying borrower.
If all borrowers (occupying and non-occupying) do not have a score –follow the No-FICO maximum ratios guideline without using the non-occupant co-borrower's income – even if it's a purchase or rate/term.</td></tr>
<tr><td>Decision Credit Score</td><td>Full Tri-Merge Credit Report required on all borrowers.
Decision Credit Score method used on each borrower is;
When three (3) scores are available (one from each repository), the median (middle) value is used if all 3 are different; when 2 of the three scores are the same, the duplicate score is used (see table below for examples).
When only two (2) scores are available, the lesser of the two (2) is chosen;
When only one (1) score is available, that score is used.
Where the loan involves multiple borrowers, REMN WS must determine the minimum decision credit score for each borrower and then select the lowest minimum decision credit score for all borrowers.
Where the loan involves multiple borrowers and one (1) or more of the borrowers do not have a credit score (non-traditional or insufficient credit), REMN WS shall select the lowest minimum decision credit score of the borrower(s) with credit score(s).
Example: The borrower has a minimum decision credit score of 637. One (1) co-borrower has a minimum decision credit score of 619 and the other co-borrower has no credit score. The minimum decision score of 619 must be used to determine maximum ratios.
If "NA" or "No Score" only displays; this is not considered a credit score (see below for guidance).
<table>
<tr><th colspan="2">Determining the Individual Borrower Representative Score when duplicate scores exist from three (3) repositories</th></tr>
<tr><td>Scores Received:</td><td>FHA Representative Score:
(use the duplicate score)</td></tr>
<tr><td>700, 700, 680</td><td>700</td></tr>
<tr><td>700, 640, 640</td><td>640</td></tr>
</table></td></tr>
<tr><td>Borrower Debt Certification</td><td>Borrowers will be required to sign an affidavit at closing attesting that no new debt has been taken out since the initial 1003 and that the final 1003 is accurate.
This closing document will not be required on Non-Credit Qualifying Streamline transactions.</td></tr>
</table>

REMN WS General Requirements	➢ As with all loans, the Underwriter is responsible for analyzing the overall risk and reasonableness of the file. If a loan has DU Approve/Eligible findings, but the number of trade lines is so insignificant or short in history that a satisfactory credit profile has not been established, the Underwriter may request additional information. *Example: A file with a credit score in the 700's yet the borrower's entire credit profile consists of three (3) trade lines, maximum high credit of $500 with a total of a six (6) month history. In this example the UW would ask for additional information regarding the borrower's ability to satisfactorily handle credit.* *Example: Borrower has three (3) trade lines; however, they covered a consistent/recent five (5) year period and had at least one (1) substantial high balance. In this example the UW would <u>not</u> have to ask for additional information.*
Single Family Mortgage Model Documents	➢ On July 7, 2021 the GSEs announced updates to their uniform instruments with a mandatory use requirement as of January 1, 2023 (2023 GSE Forms). The 2023 GSE Forms no longer align with FHA's 2015 instructions, which set forth FHA-specific modifications based on the 2001 GSE legal documents (2001 GSE Forms). ➢ The FHA is not requiring the use of the 2023 GSE Forms. However, if REMN WS does utilize the 2023 GSE Forms, the FHA has added instructions on the FHA-specific modifications that must be made to the 2023 GSE Forms to be acceptable for FHA mortgage insurance. ➢ The FHA will continue to accept the 2001 GSE Forms that include the specific modifications required by the FHA. ➢ Click Here to reference the specific modifications for the 2001 GSE Forms. ➢ Click Here to reference the specific modifications for the 2023 GSE Forms.

	BORROWERS
Credit Inquiries	➢ The borrower(s) must address **all** inquiries listed on their credit report within the past 90 days; » All inquiries listed on the credit report must be addressed by the borrower, specifically stating the creditor(s) and verifying no extension of credit. » **Acceptable response**: The inquiries by Chase, Wells & Bank of America have not resulted in any extension of credit. » **Unacceptable response**: We have not obtained any additional credit as a result of the inquiries listed on our credit report. (Does not name the creditors - Chase, Wells & Bank of America).
Qualifying Ratios	➢ Mortgage Payment Expense to Effective Income Ratio- The relationship of the mortgage payment to income is considered acceptable if the total mortgage payment does not exceed 31.00% of the gross effective income. » A ratio exceeding 31.00% may be acceptable only if significant compensating factors exists and are documented on the HUD-92900 Loan Transmittal. ▪ See Maximum Ratios and Compensating Factors for Manual Underwrite. ➢ Total Fixed Payment to Effective Income Ratio- The relationship of total obligations to income is considered acceptable if the total mortgage payment and all recurring charges do not exceed 43% of the gross effective income. » A ratio exceeding 43.00% may be acceptable only if significant compensating factors exists and are documented on the HUD-92900 Loan Transmittal. ➢ See Maximum Ratios and Compensating Factors for Manual Underwrite.
DTI Ratios	➢ REMN must determine Borrower's monthly liabilities by reviewing all debts listed on the credit report, 1003 and required documentation ➢ All applicable monthly liabilities must be included in the qualifying debt ratio. » Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to five (5%) percent of the Borrower's gross monthly income. » The Borrower may not pay down the balance in order to meet the ten (10) month requirement. ➢ Accounts for which the Borrower is an authorized user must be included in the Borrower's DTI ratio unless REMN WS can document that the primary account holder has made all required payments on the account for the previous twelve (12) months. » If less than three (3) payments have been required on the account in the previous twelve (12) months, the payment amount must be included in the Borrower's DTI. ➢ Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset and these funds are not included in calculating the Borrower's assets, do not require consideration of repayment for qualifying purposes. ➢ REMN WS must document that the funds used to pay off debts prior to closing came from an acceptable source, and the Borrower did not incur new debts that were not included in the DTI ratio. Negative income must be subtracted from the Borrower's gross monthly income, and not treated as recurring monthly liabilities unless otherwise noted.
Undisclosed Debt (TOTAL – Non-Mortgage only; Manual UW – Mortgage & Non-Mortgage)	**TOTAL Scorecard (Undisclosed Non-Mortgage Debt)** When a debt or obligation (other than a mortgage) not listed on the mortgage application and/or credit report and not considered by DU is revealed during the application process, REMN must: ➢ Verify the actual monthly payment amount ➢ Re-submit the Mortgage for evaluation by TOTAL if the cumulative change in the amount of the liabilities that must be included in the Borrower's debt increases by more than $100 per month; and ➢ Determine that any funds borrowed were not/will not be used for the Borrower's MRI. **NOTE**: REMN underwriter has the discretion to downgrade to manual when the undisclosed debt has a negative payment history. This would be a case-by-case issue and would depend upon issues including, but not limited to as severity of delinquency, seasoning of delinquency, type of delinquency, and how the delinquency compares to the overall credit history. **Manual Underwriting (Undisclosed Debt – Mortgage & Non-Mortgage)** When debt/obligation is revealed during the application process that was not listed on the mortgage application and/or credit report, REMN must: ➢ Verify the actual monthly payment amount; ➢ Include the payment amount in the agreement in the Borrower's monthly liabilities and debt; and ➢ Determine that any unsecured funds borrowed were not/will not be used for the Borrower's MRI ➢ REMN must document all undisclosed debt and support for its analysis of the Borrower's debt.

	Soft Pull Credit Reports Please reference the REMN WS Undisclosed Liabilities policy for complete details on soft-pull credit report requirements.
Undisclosed Mortgage Debt (TOTAL)	**TOTAL Scorecard (Mortgage Debt only)** ➢ When an existing debt or obligation that is secured by a mortgage but is not listed on the mortgage application and/or credit report and not considered by TOTAL is revealed during the application process, REMN WS must obtain a Verification of Mortgage directly from the servicer. ➢ REMN requires the following criteria in order to consider verification from the servicer: – If the servicer is a mortgage banking business that regularly services loans, but does not report to the credit bureaus, a statement on company letterhead or similar verification will be acceptable. – If the servicer is a private individual and/or business that does not regularly service mortgage loans, 24mos cancelled checks will be required. – If there is any doubt whether the business regularly services mortgage loans, the 24mos cancelled checks, money order receipts and/or bank statements will be required. A search of the internet which verifies that the business does regularly service loans would be acceptable evidence for acceptance of the company statement. ➢ The Mortgage must be downgraded to a Refer and manually underwritten if the mortgage history reflects: – A current delinquency; – Any delinquency within twelve (12) months of the case number assignment date; OR – More than two (2) 30-day late payments within 24 months of the case assignment date. A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late Mortgage Payments.

<table>
<tr><td>Monthly Housing</td><td>The total Mortgage Payment includes:
P&I;
Real estate taxes; In New Construction cases, property tax estimates must be based on the land and improvements.
Hazard insurance;
Flood insurance as applicable;
MIP;</td><td>HOA or condominium association fees or expenses;
Ground Rent,
Special assessments;
Payments for any acceptable secondary financing; and
Any other escrow payments.</td></tr>
<tr><td>Housing Obligations / Mortgage Payment History</td><td colspan="2">TOTAL Scorecard
Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned.
» A Mortgage Payment is considered delinquent if not paid within the month due.
» A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the Forbearance Plan is terminated at or prior to closing.
NOTE: When TOTAL Scorecard cannot “read” the mortgage history, all guidelines must be met including cancelled checks – See Undisclosed Mortgage Debt (TOTAL).
Late Mortgage Payments for Purchase and No Cash-Out Refinance
The Mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, during the twelve (12) months prior to case number assignments reflects:
» Three (3) or more late payments of greater than 30 Days;
» One (1) or more late payments of 60 Days plus one or more 30-Day late payments; or
» One (1) payment greater than 90 Days late.
» That the borrower has made less than three (3) consecutive monthly housing payments since completion of a mortgage forbearance plan.
A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. In addition, where a Mortgage has been modified, the borrower must have made at least six (6) payments under the modification agreement to be eligible for a No Cash-Out Refinance.
A Mortgage that has been granted forbearance must utilize the payment history in accordance with the Forbearance Plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA insured mortgage, the Forbearance Plan must be terminated at or prior to closing. Any borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.
Cash-Out Refinance Transactions
REMN WS must document that the borrower has made all payments for all their mortgages within the month due for the previous 12 months OR since the borrower obtained the mortgage, whichever is less.
0x30 in the past twelve (12) months. NO exceptions.
» If borrower has made less than 12 consecutive monthly mortgage payments since completion of a mortgage forbearance plan, the file must be manually downgraded.
A Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments.
NOTE: There is a contradiction in the 4000.1 which offers the ability to downgrade. The correct FHA guidelines are listed in the Cash-Out Refi section. Refer to the Cash-Out Refinance section regarding detailed housing obligation on cash out refinances.
Required Documentation
Where a mortgage reflects payments under a Modification or Forbearance Plan within the twelve (12) months prior to case number assignment, REMN WS must obtain:
» A copy of the Modification or Forbearance Plan; and
» Evidence of the payment amount and date of payments during the forbearance term.
A Forbearance Plan is not required if the forbearance was due to the impacts of the Covid_19 National Emergency</td></tr>
</table>

Manual Underwriting

- Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned.
  - A Mortgage Payment is considered delinquent if not paid within the month due.
  - A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the Forbearance Plan is terminated at or prior to closing.
- REMN WS must determine the Borrower's Housing Obligation payment history through:
  - The credit report;
  - Verification of rent received directly from the landlord (for landlords with no Identity of Interest with the Borrower);
  - Verification of Mortgage received directly from the mortgage servicer; or
  - A review of canceled checks that cover the most recent twelve (12) month period.
- REMN WS must verify and document the previous twelve (12) months' housing history. For Borrowers who indicate they are living rent-free, the Mortgagee must obtain verification from the property owner where they are residing that the Borrower has been living rent-free and the amount of time the Borrower has been living rent free.
- For both Purchase and No Cash-Out Refinance transactions, a Mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. In addition, where a Mortgage has been modified, the borrower must have made at least six (6) payments under the Modification Agreement to be eligible for a No-Cash-Out Refinance.
  - **NOTE**: If a Borrower was delinquent on a mortgage and it was brought current with a modification agreement, then any past-due or delinquent interest that gets added back onto the mortgage is no longer delinquent interest (becomes principal per the modification agreement). Essentially, if the modification agreement brings the Borrower back current on the loan, then they no longer have delinquent interest (cannot have delinquent interest if the Borrower is current on the loan).
- A Mortgage that was subject to Mortgage Payment Forbearance must utilize the Mortgage Payment History in accordance with the Forbearance Plan for the time period of the Forbearance in determining late housing payments.
- Any borrower who is granted a forbearance and is otherwise performing under the terms of the Forbearance Plan is not considered to be delinquent for purposes of credit underwriting.

Required Documentation

- Where a mortgage reflects payments under a Modification or Forbearance Plan within the twelve (12) months prior to case number assignment, REMN WS must obtain:
  - A copy of the Modification or Forbearance Plan; and
  - Evidence of the payment amount and date of payments during the forbearance term.

A Forbearance Plan is not required if the forbearance was due to the impacts of the Covid_19 National Emergency.

Positive Rental Payment History	**TOTAL Scorecard** Positive Rental Payment History refers to the on time payment by a borrower of all rental payments in the previous 12 months. A rental payment is considered to be on time when it is paid within the month due. A First Time Homebuyer refers to an individual who has not held an ownership interest in another property in the three years prior to the case number assignment. First Time Homebuyer includes an individual who is divorced or legally separated and who has had no ownership interest in a principal residence (other than joint ownership interest with a spouse) during the three years prior to case number assignment. ➢ REMN WS may submit the transaction to TOTAL Mortgage Scorecard indicating a Positive Rental Payment History provided: » the transaction is a purchase; » at least one Borrower is identified as a First Time Homebuyer; » the Minimum Decision Credit Score (MDCS) is 620 or greater; and » at least one Borrower has a documented history of a positive rental payment history with monthly payments of $300 or more for the previous 12 months. **Required Documentation** To verify the Borrower's positive rental payment history, the Mortgagee must obtain a copy of the executed rental or lease agreement and one of the following: ➢ written verification of rent from a landlord with no Identity of Interest with the Borrower; or ➢ 12 months canceled rent checks; or ➢ 12 months bank or payment service statements documenting rents paid; or ➢ landlord reference from a rental management company. Borrowers renting from a Family Member must provide a copy of the executed rental or lease agreement and 12 months canceled checks or bank statements to demonstrate the positive rental payment history.
Non-Borrowing Spouse Debt	**TOTAL Scorecard & Manual Underwriting** Non-Borrowing Spouse Debt refers to debts owed by a spouse that are not owed by, or in the name of the Borrower. ➢ If the Borrower resides in a community property state or the Property being insured is located in a community property state, debts of the non-borrowing spouse must be included in the Borrower's qualifying ratios, except for obligations specifically excluded by state law. ➢ The non-borrowing spouse's credit history is not considered a reason to deny a mortgage application. ➢ REMN WS must verify and document the debt of the non-borrowing spouse except for obligations specifically excluded by state law. ➢ REMN WS must make a note in the file referencing the specific state law that justifies the exclusion of any debt from consideration. ➢ If the borrower resides in a community property state or the property being insured is located in a community property state, and non-borrowing spouse obligations are not excluded by state law, then REMN WS must obtain a credit report for the non-borrowing spouse in order to determine the debts that must be counted in the DTI ratio of the borrower. ➢ In Louisiana, REMN may provide an exemption subject to the following conditions: o An intervention affidavit is properly witnessed, notarized, and executed by the non-purchaser. It must be recorded with the mortgage. o There is a **court-ordered, approved, and recorded** pre-nuptial or post-marital agreement between the borrower and the non-purchasing spouse evidencing the borrower is not responsible for the non-purchasing spouse debt. They must be reviewed by Quality Control for approval prior to closing.

Alimony, Child Support and Maintenance	**Total Scorecard & Manual Underwriting** ➢ Alimony, Child Support, and Maintenance are court-ordered or otherwise agreed upon payments. » For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the calculation of the Borrower's gross income, REMN WS must include the monthly obligation in the calculation of the Borrower's debt. ➢ Child Support and Maintenance are to be treated as a recurring liability and REMN WS must include the monthly obligation in the Borrower's liabilities and debt. » REMN WS must verify and document the monthly obligation by obtaining the official signed divorce decree, separation agreement, maintenance agreement, or other legal order. » REMN WS must also obtain the Borrower's pay stubs covering no less than 28 consecutive Days to verify whether the Borrower is subject to any order of garnishment relating to the Alimony, Child Support, and Maintenance. ➢ REMN WS must calculate the Borrower's monthly obligation from the greater of: » The amount shown on the most recent decree or agreement establishing the Borrower's payment obligation; or » The monthly amount of the garnishment.
Child Support	**REMN WS Overlay**: Delinquent child support must be paid current or in a repayment plan; or Management Approval is required.
Secured Debt	➢ Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset and these funds are not included in calculating the Borrower's assets, do not require consideration of repayment for qualifying purposes.
Deferred Obligations	**TOTAL Scorecard & Manual Underwriting** Deferred Obligations (excluding student loans) refer to liabilities that have been incurred but where payment is deferred or has not yet commenced, including accounts in forbearance. ➢ REMN WS must verify and include deferred obligations in the calculation of the Borrower's debt. ➢ Other than student loans, REMN WS must use the actual monthly payment to be paid on a deferred liability, whenever available. » If the actual monthly payment is not available for installment debt, REMN WS must utilize the terms of the debt or five (5%) percent of the outstanding balance to establish the monthly payment.
Student Loans	**TOTAL Scorecard & Manual Underwriting** Student Loans refer to liabilities incurred for educational purposes. ➢ REMN WS must verify and include all Student Loans in the Borrower's debt, regardless of the payment type or status of payments. ➢ <u>For outstanding Student Loans</u>, REMN WS must calculate the monthly payment based on either: » The payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or » One-Half percent (0.5%) of the outstanding balance on the loan, when the monthly payment reported on the borrower's credit report is zero. » Exception: Where a student loan payment has been suspended in accordance with Covid-19 emergency relief, REMN WS may use the payment amount reported on the credit report or the actual documented payment prior to suspension, when that payment amount is above 0%. ➢ REMN WS must obtain written documentation of the actual monthly payment, payment status, and evidence of outstanding balance & terms from the creditor/servicer. ➢ The mortgage may exclude the payment from the Borrower's monthly debt calculation where written documentation from the student loan program, creditor, or student loan servicer indicates that the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.

Installment Accounts	**TOTAL Scorecard & Manual Underwriting** Installment loans (excluding student loans) refer to loans, not secured by real estate, that require the periodic payment of P&I. ➢ A loan secured by an interest in a timeshare must be considered an Installment Loan. ➢ REMN WS must use include the monthly payment shown on the credit report, loan agreement or payment statement to calculate the Borrower's debt. ➢ If the credit report does not include a monthly payment for the loan, REMN WS must use the amount of the monthly payment shown in the loan agreement or payment statement and enter it into TOTAL. » Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to five (5%) percent of the Borrower's gross monthly income. » The Borrower may not pay down the balance in order to meet the ten (10) month requirement. ➢ Automobile leases are usually reoccurred, regardless of the remaining term. In the event the borrower has indicated that they will not be renewing their lease, the following is required in order to not reoccur the lease payment: » Satisfactory explanation and documentation to support the reasonableness that another automobile will not be needed. » The cumulative payment of al debts with ten (10) months or less (including the auto lease payment) does not exceed 5% of the Borrower's gross monthly income.
Revolving Accounts	**TOTAL Scorecard & Manual Underwriting** A Revolving Charge Account refer to a credit arrangement that requires the Borrower to make periodic payments but does not require full repayment by a specified point of time. ➢ REMN WS must include the monthly payment shown on the credit report for the Revolving Charge Account. ➢ Where the credit report does not include a monthly payment for the account, REMN WS must use the payment shown on the current account statement or five percent (5%) of the outstanding balance.
Open 30-Day Accounts	**TOTAL Scorecard & Manual Underwriting** A 30-Day Account refers to a credit arrangement that requires the Borrower to pay off the outstanding balance on the account every month. ➢ REMN WS must verify the Borrower paid the outstanding balance in full on every 30-Day Account each month for the past twelve (12) months. 30-Day Accounts that are paid monthly are not included in the Borrower's DTI. If the credit report reflects any late payments in the last twelve (12) months, REMN WS must utilize five percent (5%) of the outstanding balance as the Borrower's monthly debt to be included in the DTI. ➢ REMN WS must use the credit report to document that the Borrower has paid the balance on the account monthly for the previous twelve (12) months. REMN WS must use the credit report to document the balance and must document that funds are available to pay off the balance, more than the funds and reserves required to close the loan.

Buy Now, Pay Later Accounts	The requirements in this section address accounts from common "Buy Now, Pay Later" companies including, but not limited to: » Affirm » Klarna » Afterpay » Sezzle » Zip In addition to the above, many airlines and other retail establishments offer Buy Now, Pay Later services. **Requirements** » If a debt is identified on any asset statement or otherwise disclosed in the file, but not on the credit report, it should be treated the same way any other debt is handled. This includes: – Undisclosed Debts – Deferred Obligations – Obligations Paid by Others – Consideration of Installment Loans on DTI – Consideration of Revolving Charge Accounts on DTI » If the debt is **not** excluded, no other documentation is required. The debt is included in the DTI » If the debt **is** excluded, all standard documentation verifying the terms and conditions used to support the decision to exclude are required. » A credit report supplement is not mandatory, although it may be obtained with the creditor's permission to verify terms and conditions.
Authorized User	**TOTAL Scorecard & Manual Underwriting** ➢ Accounts for which the Borrower is an authorized user must be included in a Borrower's DTI ratio unless REMN WS can document that the primary account holder has made all required payments on the account for the previous twelve (12) months. **NOTE**: A credit supplement removing the borrower from the account is not sufficient to exclude this from the DTI. ➢ If less than (3) three payments have been required on the account in the previous twelve (12) months, the payment amount must be included in the Borrower's DTI.

	CREDIT & UNDERWRITING
Debts Paid Prior to Closing or At Closing	Paid-in-Full by Borrower Prior to Closing ➢ Evidence must be in the file that the account is paid in full. ➢ REMN WS must source the funds to close the account with assets updated to reflect funds available for closing. Paid-in-Full by Borrower at Closing ➢ Current balance as reported on the Borrower's credit report will be used to determine the payoff amount. If Borrower indicates that the current balance is lower than what is reported on the credit report, a current statement, dated within 30 days of the closing, can be provided to verify the balance. » Must be shown on CD if paid at closing. ➢ REMN WS must source the funds to close the account with assets updated to reflect funds available for closing. (Note – if the account is being paid off with cash-out proceeds from the subject property cash-out refinance transaction, then sourcing-of-funds is not required). ➢ REMN WS must document that the funds used to pay off debts prior to closing came from an acceptable source, and the Borrower did not incur new debts that were not included in the DTI ratio. ➢ If debt is revolving, the account does not need to be closed, so long as the payoff balance provided is accurate and all other qualifying factors listed above are met. REMINDER: The Borrower may not pay down the balance of an installment debt to less than 10 months in order to omit the payment from the DTI ratio.
Short Pay-Off	➢ To be eligible for refinancing with a short pay-off, a borrower must be current on his/her mortgage. FHA will insure the first mortgage where the existing note holder(s) write off the amount of indebtedness that cannot be refinanced into the FHA-insured mortgage. ➢ For instances where the existing note holder(s) are unwilling to write down indebtedness, the loan will not be eligible for financing. ➢ REMN WS does not participate in the FHA Negative Equity Refinance program, which allows short payoffs with negative equity.
Federal Tax Debt	**TOTAL Scorecard** ➢ Federal debt refers to debt owed to the federal government for which regular payments are being made. ➢ REMN WS must include the debt. The amount of the required payment must be included in the DTI. ➢ If the delinquent federal tax debt has resulted in a lien, REMN WS must include documentation from the federal agency evidencing the repayment agreement and verification of a minimum of three (3) payments made in order to be eligible. – Those three (3) payments cannot be paid in advance. – The 3-month payment verification does not apply if the tax debt has NOT resulted in a lien (a repayment plan is still required) – **Example 1**: • Borrower is ready to file their return while a loan is in process and does not have the funds to pay the taxes owed. ▪ This could occur around April of any tax year and they do not file an extension. ▪ This could occur around October of any tax year where an extension was filed in April and the tax return is now due. ▪ The point of this example is when we need to see the tax return for purposes of qualifying and the tax return is in the process of being filed. If the borrower will pay the tax while the loan is in process, the deduction of the assets needed would be required, if the payment is due before the loan closes. The objective of this example is not to imply that every single file must have evidence that IRS taxes are paid. • Borrower enters a repayment plan to pay those taxes and the borrower must provide us with a copy of that approved plan. • The payment to the IRS must be considered, but the borrower does NOT need to make three (3) payments in order to be eligible, as this is tax debt has not resulted in a lien status. – **Example 2**: • IRS files a lien for taxes the borrower owed. The lien is filed in August 2016. ▪ The borrower may or may not be in a payment plan. The point of the example is that a lien has been filed. • The borrower must make the August, September, and October payments. • The loan cannot close until after the October payment has been made. • The loan must be qualified with the payment.

Contingent Liability	**TOTAL Scorecard & Manual Underwriting** ➢ A contingent liability exists when an individual is held responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include Co-Signer liabilities and liabilities resulting from a mortgage assumption without release of liability. ➢ REMN WS must include monthly payments on contingent liabilities in the calculation of the Borrower's monthly obligations unless REMN WS verifies and documents that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default or the other legally obligated party has made twelve (12) months of timely payments. When a contingent liability is created by a divorce decree or other court order, evidence that the other legally obligated party has made 12 months of timely payments is not required. ➢ REMN WS must obtain the agreement creating the contingent liability or assumption agreement and deed showing transfer of title out of the Borrower's name. **Co-Signed Liability** ➢ If the co-signed liability is not included in the monthly obligation, REMN WS must obtain documentation to evidence that the other party to the debt has been making regular on-time payments during the previous twelve (12) months and does not have a history of delinquent payments on the loan. **Court Ordered Divorce Decree or Other Court Order** ➢ REMN WS must obtain a copy of the divorce decree or other court order ordering the spouse or other legally obligated party to make payments. **Business Debt** ➢ Business Debt in Borrower's Name refers to liabilities reported on the Borrower's personal credit report, but payment for the debt is attributed to the Borrower's business. ➢ When business debt is reported on the Borrower's personal credit report, the debt must be included in the DTI calculation, unless REMN WS can document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business. The debt is considered in the cash flow analysis where the Borrower's business tax returns reflect a business expense related to the obligation, equal to or greater than the amount of payments documented as paid out of company funds. Where the Borrower's business tax returns show an interest, expense related to the obligation, only the interest portion of the debt is considered in the cash flow analysis. ➢ When a self-employed Borrower states debt appearing on their personal credit report is being paid by their business, REMN WS must obtain documentation that the debt is paid out of company funds and that the debt was considered in the cash flow analysis of the Borrower's business.

Collection Accounts	**TOTAL Scorecard** A collection account refers to a Borrower's loan or debt that has been submitted to a collection agency by a creditor. ➢ If the credit reports used in TOTAL analysis show cumulative outstanding collection account balances of $2,000 or greater, REMN WS must: o Verify that the debt is paid in full at the time of or prior to settlement using acceptable sources of funds o Verify that the Borrower has made payment arrangements with the creditor and include the monthly payment in the Borrower's DTI; or o If a payment arrangement is not available, calculate the monthly payment using five (5%) percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI. ➢ Collection accounts of a non-borrowing spouse in a community property state must be included in the $2,000 cumulative balance and analyzed as part of the Borrower's ability to pay all collection accounts, unless excluded by state law. **Required Documentation** ➢ REMN WS must provide the following documentation: o Evidence of payment in full, if paid prior to settlement; o The payoff statement, if paid at settlement; or o The payment arrangement with creditor, if not paid prior to or at settlement. ➢ If REMN WS uses five (5%) percent of the outstanding balance, no documentation is required. **Manual Underwriting** ➢ REMN must determine if collection accounts were a result of: o The Borrower's disregard for financial obligations; o The borrower's inability to manage debt; or o Extenuating circumstances. ➢ REMN must document reasons for approving a mortgage when the Borrower has any collection accounts. ➢ The Borrower must provide a letter of explanation, which is supported by documentation, for each outstanding collection account. o The explanation and supporting documentation must be consistent with other credit information in the file. ➢ If the credit reports used in the analysis show cumulative outstanding collection account balances of $2,000 or greater, the Mortgagee must: o Verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds; o Verify that the Borrower has made payment arrangements with the creditor; or o If a payment arrangement is not available, calculate the monthly payment using 5 (5%) percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI ratio. ➢ Collection accounts of a non-borrowing spouse in a community property state must be included in the $2,000 cumulative balance and analyzed as part of the Borrower's ability to pay all collection accounts, unless excluded by state law. **Required Documentation** ➢ REMN must provide the following documentation: o Evidence of payment in full, if paid prior to settlement; o The payoff statement, if paid at settlement; or o The payment arrangement with creditor, if not paid prior to or at settlement. ➢ If REMN uses five (5%) percent of the outstanding balance, no documentation is required. o REMN must document reasons for approving a mortgage when the Borrower has any collection accounts. o The Borrower must provide a letter of explanation, which is supported by documentation, for each outstanding collection account. o The explanation and supporting documentation must be consistent with other credit information in the file. **NOTE**: Medical collections are not considered a debt obligation – see Obligations Not Considered Debt.

Charge Off Accounts	**TOTAL Scorecard** ➢ Charge Off Account refers to a Borrower's loan or debt that has been written off by the creditor. » Charge Off Accounts do not need to be included in the Borrower's Liabilities or Debt. **Manual Underwriting** ➢ REMN WS must determine if Charge Off Accounts were a result of: » The Borrower's disregard for financial obligations; » The Borrower's inability to manage debt; or » Extenuating circumstances. ➢ REMN WS (DE Underwriter) must document reasons for approving a Mortgage when the Borrower has any Charge Off Accounts. ➢ The Borrower must provide a letter of explanation, which is supported by documentation, for each outstanding Charge Off Account. The explanation and supporting documentation must be consistent with other credit information in the file.
Disputed Derogatory Credit Accounts	**Definition** The definition of a Disputed Derogatory Credit Account is: ➢ Disputed Charge-Off Accounts ➢ Disputed Collection Accounts ➢ Disputed Accounts with late payments in the last 24 months **TOTAL Scorecard** Disputed Derogatory Credit Account refers to disputed Charge Off Accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. ➢ Exclusions from cumulative balance include: » Disputed medical accounts; and » Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the Mortgagee must include a copy of the police report or other documentation from the creditor to support the status of the accounts. ➢ If the credit report utilized by TOTAL indicates that the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts, the file must be downgraded to a Refer and manually underwritten. ➢ Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included in the cumulative balance for determining if the mortgage application is downgraded to a Refer. **Manual Underwriting** ➢ If the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts, REMN WS must include a monthly payment in the Borrower's debt calculation. ➢ The following items are excluded from the cumulative balance: » Disputed medical accounts; and » Disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. ➢ Disputed Derogatory Credit Accounts of a non-borrowing spouse in a community property state are not included in the cumulative balance.

Non-Derogatory Disputed Credit Accounts	**TOTAL Scorecard** ➢ Non-Derogatory Disputed Accounts include the following types of accounts: » Disputed accounts with zero balance » Disputed accounts with late payments aged 24 months or greater » Disputed accounts that are current and paid as agreed ➢ If a Borrower is disputing non-derogatory accounts or is disputing accounts which are not indicated on the credit report as being disputed, REMN WS is not required to downgrade the application to a Refer. However, REMN WS must analyze the effect of the disputed accounts on the Borrower's ability to repay the Mortgage. If the dispute results in the Borrower's monthly debt payments utilized in computing the DTI ratio being less than the amount indicated on the credit report, the Borrower must provide documentation of the lower payments. ➢ Non-derogatory disputed accounts are excluded from the $1,000 cumulative balance limit. **Manual Underwriting** ➢ Non-Derogatory Disputed Accounts include the following types of accounts: » Disputed accounts with zero balance » Disputed accounts with late payments aged 24 months or greater » Disputed accounts that are current and paid as agreed ➢ If a Borrower is disputing non-derogatory accounts or is disputing accounts which are not indicated on the credit report as being disputed, REMN WS is not required to downgrade the application to a Refer. However, REMN WS must analyze the effect of the disputed accounts on the Borrower's ability to repay the mortgage. If the dispute results in the Borrower's monthly debt payments utilized in computing the DTI ratio being less than the amount indicated on the credit report, the Borrower must provide documentation of the lower payments.
Private Savings Club	**TOTAL Scorecard** ➢ Private savings clubs refer to a non-traditional method of savings by making deposits into a member-managed resource pool. ➢ If the Borrower is obligated to continue making ongoing contributions under the pooled savings agreement, this obligation must be counted in the Borrower's total debt. ➢ NOTE: REMN WS does not allow the use of Private Savings Club/SUSU accounts as assets/source of funds – see Private Savings Club topic in the Assets section of this document to reference this.
Obligations Not Considered Debt	**TOTAL & Manual** Obligations not considered debt include: ➢ Medical Collections ➢ Federal, state and local taxes, if not delinquent and no payments are required ➢ Automatic deductions from savings, when not associated with another type of obligation ➢ Federal Insurance Contributions Act (FICA) and other retirement contributions, such as 401(K) accounts ➢ Collateralized loans secured by depository accounts ➢ Utilities ➢ Child care ➢ Commuting costs ➢ Union dues ➢ Insurance, other than property insurance ➢ Open accounts with zero ($0.00) balances ➢ Voluntary deductions, when not associated with another type of obligation

Judgments	**TOTAL Scorecard & MANUAL** Judgment refers to any debt or monetary liability of the Borrower, and the Borrower's spouse in a community property status unless excluded by state law, created by a court, or other adjudicating body. ➢ REMN WS must verify that court-ordered judgments are resolved or paid off prior to or at closing. ➢ Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. » Exception – A judgment is considered resolved if the Borrower has entered into a valid agreement with the creditor to make regular payments on the debt. The Borrower has made timely payments for at least three (3) months of scheduled payments and the judgment will not supersede the FHA-insured mortgage lien. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three (3) months of payments. ➢ REMN WS must include the payment amount in the agreement in the Borrower's monthly liabilities and debt. ➢ REMN WS must obtain a copy of the agreement and evidence that payments were made on time in accordance with the agreement. ➢ REMN WS must obtain the following documentation: » Evidence of payment in full, if paid prior to settlement; » The payoff statement, if paid at settlement; or » The payment arrangement with the creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title.
Bankruptcy	**TOTAL Scorecard** REMN WS must document the passage of two (2) years since the discharge date of any bankruptcy. I f the bankruptcy was discharged within two (2) years from the date of case number assignment; the Mortgage must be downgraded to a Refer and manually underwritten. ➢ If the credit report does not verify the discharge date or additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy, the Mortgagee must obtain the bankruptcy and discharge documents. **Manual Underwriting** Chapter 7 Bankruptcy does not disqualify a Borrower from obtaining an FHA-insured Mortgage if, at the time of case number assignment, at least two (2) years have elapsed since the date of the bankruptcy discharge. ➢ During the most recent two years, the Borrower must have: » Re-established good credit; or » Chosen not to incur new credit obligations. ➢ An elapsed period of less than two (2) years, but not less than twelve (12) months, may be acceptable, if the Borrower: » can show that the bankruptcy was caused by extenuating circumstances beyond the Borrower's control; and » as since exhibited a documented ability to manage their financial affairs in a responsible manner. Chapter 13 Bankruptcy does not disqualify a Borrower from obtaining an FHA-insured Mortgage, if at the time of case number assignment at least twelve (12) months of the pay-out period under the bankruptcy has elapsed. ➢ REMN WS must determine that during the most recent twelve (12) months, the Borrower's payment performance has been satisfactory, and all required payments have been made on time; and the Borrower has received written permission from bankruptcy court to enter into the mortgage transaction. ➢ If the credit report does not verify the discharge date or additional documentation is necessary to determine if any liabilities were discharged in the bankruptcy, REMN WS must obtain the bankruptcy and discharge documents. ➢ REMN WS must also document that the Borrower's current situation indicates that the events which led to the bankruptcy are not likely to recur.

Credit Counseling	**TOTAL Scorecard** ➢ Participating in a consumer credit counseling program does not require a downgrade to manual underwriting. ➢ No explanation or other documentation is needed. **Manual Underwriting** ➢ Participating in a consumer credit counseling program does not disqualify a Borrower from obtaining an FHA-insured Mortgage, provided the Mortgagee documents that: » One (1) year of the pay-out period has elapsed under the plan; » The Borrower's payment performance has been satisfactory, and all required payments have been made on time; and » The Borrower has received written permission from the counseling agency to enter into the mortgage transaction.

<table>
<tr><th colspan="3">CREDIT & UNDERWRITING</th></tr>
<tr><td>Pre-Foreclosure Short Sale TOTAL</td><td colspan="2">Pre-Foreclosure Sales, also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the amount owed on the Property and the lien holders agree to release their liens and forgive the deficiency balance on the real estate.
➢ REMN WS must document the passage of three (3) years since the date of the Short Sale. If the Short Sale occurred within three (3) years of the case number assignment date, the mortgage must be downgraded to a Refer and manually underwritten.
➢ This three (3) year period begins on the date of transfer of title by Short Sale.
» If the credit report does not verify the date of the transfer of title by Short Sale, REMN WS must obtain the Short Sale documents.</td></tr>
<tr><td rowspan="3">Pre-Foreclosure Short Sale MANUAL</td><td colspan="2">Pre-Foreclosure Sales, also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the amount owed on the property and the lien holder agrees to release their liens and forgive the deficiency balance on the real estate.
➢ A borrower is NOT eligible for a new FHA-insured mortgage if he/she relinquished a property through a Short Sale within three (3) years from the date of the case number assignment.
➢ If the credit report does not indicate the date of the Shore Sale, REMN WS must obtain the settlement statement, deed or other legal documents evidencing the date of property transfer.
➢ If the Short Sale was the result of a circumstance beyond the Borrower’s control, REMN WS must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower’s control.</td></tr>
<tr><td>Borrower Current at Time of Short Sale</td><td>➢ A borrower is considered eligible for a new FHA-insured mortgage if, from the date of the new case number assignment with REMN WS, all;
» Mortgage payments due on the prior mortgage were made within the month due for the twelve (12) month period preceding the short sale; and,
» Installment debt payments for the same time period were made within the month due.</td></tr>
<tr><td>Extenuating Circumstance</td><td>➢ REMN WS may grant an exception to the three (3) year requirement if the Short Sale was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the Short Sale.
➢ Divorce is not considered an extenuating circumstance. An exception may, be granted where a Borrower’s Mortgage was current at the time of the Borrower’s divorce, the ex-spouse received the Property, and there was a subsequent Short Sale.
➢ The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.</td></tr>
<tr><td>Foreclosure</td><td colspan="2">TOTAL Scorecard
REMN WS must manually downgrade to a Refer if the Borrower had a foreclosure in which title transferred from the Borrower within three (3) years of case number assignment.
➢ If the credit report does not verify the date of the transfer of title through the foreclosure, the Mortgagee must obtain the foreclosure documents.
Manual Underwriting
➢ A Borrower is generally not eligible for a new FHA-insured mortgage if the Borrower had a foreclosure or a DIL of foreclosure in the three (3) year period prior to the date of case number assignment.
➢ This three (3) year period begins on the date of the DIL or the date that the Borrower transferred ownership of the Property to the foreclosing Entity/designee.
Exceptions
➢ REMN WS may grant an exception to the three (3) year requirement if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the foreclosure.
➢ Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower’s Mortgage was current at the time of the Borrower’s divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed.
➢ The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance
➢ If the credit report does not indicate the date of the foreclosure or DIL of foreclosure, the Mortgagee must obtain the Settlement Statement, deed or other legal documents evidencing the date of property transfer.
➢ If the foreclosure or DIL of foreclosure was the result of a circumstance beyond the Borrower’s control, the Mortgagee must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower’s control.</td></tr>
</table>

Borrower with Prior Foreclosure with REMN WS – REMN WS Policy	**TOTAL Scorecard & Manual Underwriting** ➢ In the event that a Borrower(s) on the loan application has a prior foreclosure with REMN WS, the following will apply: » The loan must be elevated to REMN WS Chief Credit Officer for consideration. A detailed memo explaining the reason(s) for the foreclosure will be required, including, but not limited to the following: – Factors that considered the reasons for the foreclosure, as well as the monetary loss incurred by REMN WS. – Explanation should be for "extraordinary" situations, such as a prolonged serious medical condition and/or death of a household wage-earner. » The loan must otherwise meet all Agency/Investor guidelines that apply for foreclosure.

CREDIT & UNDERWRITING	
Deed-In-Lieu of Foreclosure	**TOTAL Scorecard** ➢ REMN WS must manually downgrade to a Refer if the Borrower had a DIL of foreclosure in which title transferred from the Borrower within three (3) years of case number assignment. » If the credit report does not verify the date of the transfer of title by DIL of foreclosure, REMN WS must obtain a copy of the DIL of foreclosure. **Manual Underwriting** ➢ A Borrower is generally not eligible for a new FHA-insured mortgage if the Borrower had a foreclosure or a DIL of foreclosure in the three (3) year period prior to the date of case number assignment. » This three (3) year period begins on the date of the DIL or the date that the Borrower transferred ownership of the Property to the foreclosing Entity/designee. **Exceptions** ➢ REMN WS may grant an exception to the three (3) year requirement if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the foreclosure. ➢ Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed. ➢ The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance ➢ If the credit report does not indicate the date of the foreclosure or DIL of foreclosure, REMN WS must obtain the settlement statement, deed or other legal documents evidencing the date of property transfer. ➢ If the foreclosure or DIL of foreclosure was the result of a circumstance beyond the Borrower's control, REMN WS must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower's control.
Extenuating Circumstances	➢ REMN WS may grant an exception to the waiting period requirement if the significant derogatory credit event was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the event. ➢ Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's Mortgage was current at the time of the Borrower's divorce, the ex-spouse received the Property, and the Mortgage was later foreclosed. ➢ The inability to sell the Property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.

CREDIT & UNDERWRITING	
Non-Traditional and Insufficient Credit	**Manual Underwriting ONLY** ➢ For Borrowers without a credit score, REMN WS must either obtain a Non-Traditional Mortgage Credit Report (NTMCR) from a credit reporting company or independently develop the Borrower's credit history using the requirements outlined below. ➢ Sufficiency of Credit References – To be sufficient to establish the Borrower's credit, the credit history must include three (3) references, including at least one (1) of the following: » Rental housing payments (subject to independent verification if the Borrower is a renter); » Telephone service; or » Utility company reference (if not included in the rental housing payment), including: ▪ Gas; ▪ Electricity; ▪ Water; ▪ Television service; or ▪ Internet service. If REMN WS cannot obtain all three credit references from the list above, REMN WS may use the following sources of unreported recurring debt: ➢ Insurance premiums not payroll deducted (for example, medical, auto, life, renter's insurance); ➢ Payment to child care providers made to businesses that provide such services; ➢ School tuition; ➢ Retail store credit cards (for example, from department, furniture, appliance stores, or specialty stores); ➢ Rent-to-own (for example, furniture, appliances); ➢ Payment of that part of medical bills not covered by insurance; ➢ A documented 12-month history of savings evidenced by regular deposits resulting in an increased balance to the account that: » Were made at least quarterly; » Was not payroll deducted, and; » Caused no insufficient funds (NSF) checks; ➢ An automobile lease; ➢ A personal loan from an individual with repayment terms in writing and supported by cancelled checks to document the payments; or ➢ A documented 12-month history of payment by the Borrower on an account for which the Borrower is an authorized user.
General Credit Manual Underwriting	The Underwriter must examine the Borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the Borrower's creditworthiness. NOTE: manually underwritten loans that don't meet "satisfactory credit definition" in 4000.1 must be approved by an underwriting manager ➢ REMN WS must not consider the credit history of a non-borrowing spouse. » The Underwriter must evaluate the Borrower's payment histories in the following order: (1) Previous housing expenses and related expenses, including utilities; (2) Installment debts; and (3) Revolving accounts. **Satisfactory Credit** ➢ The underwriter may consider a Borrower to have an acceptable payment history if the Borrower has made all housing and installment debt payments on time for the previous twelve (12) months and has no more than two (2) 30-Day late Mortgage Payments or installment payments in the previous 24 months. ➢ The underwriter may approve the Borrower with an acceptable payment history if the Borrower has no major derogatory credit on revolving accounts in the previous twelve (12) months. ➢ Major derogatory credit on revolving accounts must include any payments made more than 90 Days after the due date, or three (3) or more payments more than 60 Days after the due date. **Payment History Requiring Additional Analysis** ➢ If a Borrower's credit history does not reflect satisfactory credit as stated above, the Borrower's payment history requires additional analysis ➢ REMN WS must analyze the Borrower's delinquent accounts to determine whether late payments were based on a disregard for financial obligations, an inability to manage debt, or extenuating circumstances. The Mortgagee must document this analysis in the mortgage file. Any explanation or documentation of delinquent accounts must be consistent with other information in the file. ➢ The underwriter may only approve a Borrower with a credit history not meeting the satisfactory credit history above if the underwriter has documented the delinquency was related to extenuating circumstances.

<table>
<tr><th colspan="4">CREDIT & UNDERWRITING</th></tr>
<tr><td>Approvable Ratio Requirements</td><td colspan="3">Manual Underwrite
➢ The maximum Total Mortgage Payment to Effective Income Ratio (PITI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.
➢ The qualifying ratios for Borrowers with No Credit Score are computed using income only from Borrowers occupying the property and obligated on the mortgage. Non-Occupant Co-Borrower income may not be included.</td></tr>
<tr><td rowspan="6">Maximum Ratios and Compensating Factors for MU</td><td>Decision
Credit Score</td><td>FHA Maximum Qualifying Ratios (%)
580+ FICO</td><td>FHA Comments</td></tr>
<tr><td>No FICO for any borrower
(see above)
OR
580+ and NO Compensating Factors</td><td>31.00% / 43.00%</td><td>➢ Standard ratios may <u>not</u> be exceeded
➢ No compensating factors required or applicable.
➢ Minimum standard reserves must be met
» 1 & 2 family: 1 month
» 3 & 4 family: 3 months</td></tr>
<tr><td>580+ and ONE Compensating Factor</td><td>37.00% / 47.00%</td><td>At least one (1) of the following compensating factors must be present
➢ Cash reserves
➢ Minimal housing increase
➢ Residual income
Minimum standard reserves must still be met:
➢ 1 & 2 family: 1 month (3 months if using cash reserves as one of the compensating factors)
➢ 3 & 4 family: 3 months (6 months if using cash reserves as one of the compensating factors)</td></tr>
<tr><td>580+ and TWO Compensating Factors</td><td>40.00% / 50.00%</td><td>At least two (2) of the following compensating factors must be present
➢ Cash reserves
➢ Minimal housing increase
➢ Residual income
➢ Additional income not considered in gross effective income
Minimum reserves must be still being met:
» 1 & 2 family: 1 month (3 months if using cash reserves as one of the compensating factors)
» 3 & 4 family: 3 months (6 months if using cash reserves as one of the compensating factors)</td></tr>
<tr><td>580+ and NO Discretionary Debt</td><td>40.00% / 40.00%</td><td>➢ Must meet all requirements of “no discretionary debt” criteria
➢ Minimum standard reserves must be met:
» 1 & 2 family: 1 month (3 months if using cash reserves as one of the compensating factors)
» 3 & 4 family: 3 months (6 months if using cash reserves as one of the compensating factors)</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Definition of Reserves for MU</td><td colspan="3">➢ Reserves are calculated as the Borrower’s total assets as described in Asset Requirement minus:
» The total funds required to close the mortgage;
» Gifts;
» Borrowed funds; and
» Cash received at closing in a cash-out refinance transaction or incidental cash received at closing in the mortgage transaction.</td></tr>
<tr><td>Reserve Requirements for MU</td><td colspan="3">➢ Verified and documented cash reserves may be cited as a compensating factor subject to the following requirements.
» Reserves are equal to or exceed one (1) total monthly mortgage payments for 1-2-unit properties.
» Reserves are equal to or exceed three (3) total monthly mortgage payments for 3-4-unit properties.</td></tr>
</table>

CREDIT & UNDERWRITING		
Documenting Acceptable Compensating Factors for MU	**Minimal Increase in Housing Payment**	➢ A minimal increase in housing payment may be cited as a compensating factor subject to the following requirements: » The new total monthly mortgage payment does not exceed the current total monthly housing payment by more than $100 or 5%, whichever is less; AND » There is a documented twelve (12) month housing payment history with no more than one (1) 30-day late payment. In cash-out transactions *all* payments on the mortgage being refinanced must have been made within the month due for the previous twelve (12) months. » If the borrower has no current housing payment REMN WS may not cite this compensating factor.
	No Discretionary Debt	➢ No discretionary debt may be cited as a compensating factor subject to the following; » The borrower's housing payment is the only open account with an outstanding balance that is not paid off monthly, » The credit report shows established credit lines in the borrower's name open for at least six (6) months; and, » The borrower can document that these accounts have been paid off in full monthly for at least the past six (6) months. ➢ Borrowers who have no established credit other than their housing payment, no other credit lines in their own name open for at least six (6) months, or who cannot document that all other accounts are paid off in full monthly for at least the past six (6) months, do not qualify under this criterion. Credit lines not in the borrower's name but for which he/she is an authorized user do not qualify under this criterion.
	Significant Additional Income Not Reflected in Gross Effective Income	➢ Additional income from bonuses, overtime, tip, part-time or seasonal employment that is not reflected in gross effective income can be cited as a compensating factor subject to the following requirements: » REMN WS must verify and document that the borrower has received this income for at least one (1) year and it will likely continue; and, » The income, if it were included in gross effective income, is sufficient to reduce the qualifying ratios to not more than 37.00%/47.00%. ➢ Income from non-borrowing spouses or other parties not obligated for the mortgage may not be counted under this criterion. ➢ This compensating factor may be cited only in conjunction with another compensating factor when qualifying ratios exceed 37.00%/47.00% but are not more than 40.00%/50.00%.

	Residual Income	➢ Residual income may be cited as a compensating factor provided it can be documented and it is at least equal to the applicable amounts for household size and geographic region.
Calculating Gross Monthly Income for MU	➢ Residual income is calculated as total Effective Income of all Occupying Borrowers less: » State Income Taxes; » Federal Income Taxes; » Retirement or Social Security; » Proposed total monthly mortgage payment; » Estimated maintenance and utilities; » Job related expenses (e.g., child care); and » The amount of the Gross Up of any Non-Taxable Income. ➢ If available, REMN WS must use federal and state returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. » If tax returns are not available, REMN WS may rely upon current pay stubs. ➢ For estimated maintenance and utilities, REMN WS must multiply the gross living area of the property by the maintenance and utility factor of .14¢ (e.g., 1500 square feet x .14 = $210 per month).	
Using Residual Income as a Compensating Factor for MU	➢ To use residual income as a compensating factor, count all members of the household of the occupying borrowers without regard to the nature of their relationship and without regard to whether they are joining on title or the note. *Exception: REMN WS may omit any individuals from "family size" who are fully supported from a source of verified income which is not included in effective income in the loan analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception.* ➢ If residual income equals or exceeds the amount required by VA, it may be used as a compensating factor.	

CREDIT & UNDERWRITING	
Payment Shock – REMN WS Policy	➢ In order to provide clarity and consistency on both the calculation and how the result is displayed, REMN WS will adopt the following calculation: Proposed housing payment/present housing payment Take that result and subtract "1.00" and then multiply by 100 The result will show the actual percentage **Example: Assumption & Calculation – Within Guidelines (Government Loans Under 640)** Proposed Housing Payment = $1,400 Present Housing Payment = $950 $1,400/$950 = 1.47 1.47 – 1.00 = .47 .47 x100 = 47 (or a 47% increase) **Example: Assumption & Calculation – Outside Guidelines (Government Loans Under 640)** Proposed Housing Payment = $1,400 Present Housing Payment = $650 $1,400/$650 = 2.15 2.15 – 1.00 = 1.15 1.15 x 100 = 115 (or a 115% increase) ➢ It is not necessary to calculate "payment shock" when the borrower's proposed housing payment is less than their present housing payment.
Multiple Social Security Numbers	MLOs/Loan Partners, Set-up/Transaction Coordinators, Processors, and Underwriters must review the loan file for any variance in social security numbers; the social security number (SSN) on all loan file documents must match. In addition, associates must review the additional social security number(s) section located on the borrower's credit report. If there is any variance of SSN within the loan file or if there are any additional SSNs appearing on the credit report, the REMN WS policy & procedure for Multiple Social Security Numbers Review must be followed to determine if the loan can proceed.

CREDIT & UNDERWRITING				
Derogatory Credit Waiting Period Summary Table (Based upon date of case number assignment)	**Derogatory Credit Event**	**TOTAL MANUAL**	**Standard Waiting Period**	**Downgrade to Refer & Manually Underwritten**
	Chapter 7 & 11 Bankruptcy	TOTAL	≥ 2 years from date of discharge	< 2 years from date of discharge
		MANUAL	< 2 years from date of discharge dismissal ▪ In cases where BK was discharged 12-24mos, it is acceptable if BK was caused by Extenuating Circumstances. ▪ Documented re-establishment of credit has been evidenced.	
	Chapter 13 Bankruptcy	TOTAL	≥ 2 years from date of discharge or dismissal	< 2 years from date of discharge or dismissal
		MANUAL	≥ 12 months satisfactory payment period under the BK ▪ Written permission from the bankruptcy court to enter into the mortgage transaction	
	Foreclosure, Deed-In-Lieu (Date of Transfer of Title)	TOTAL	≥ 3 years from the date of completion	< 3 years from date of completion
		MANUAL	< 3yrs from date of foreclosure completion ▪ Exceptions for < 3 years are considered if there are Extenuating Circumstances ▪ Documented re-establishment of credit has been evidenced.	
	Pre-Foreclosure Sale/Short Sale (Date of Transfer of Title)	TOTAL	≥ 3 years from date of short sale	< 3 years from date of short sale
		MANUAL	< 3 years from date of Short Sale Exceptions for < 3 years are considered in the following cases: ▪ Borrowers current at time of short sale – all mortgage payments and installment debt payments are 0x30 for the 12mos prior to the Short Sale. ▪ Short sale was caused by Extenuating Circumstances, and documented re-establishment of credit has been evidenced.	
	Disputed Accounts – Derogatory Credit	TOTAL	No waiting period if borrower's cumulative balance in disputed derogatory credit accounts is < $1,000. ▪ Medical accounts & disputed accounts resulting from identity theft, credit card theft or unauthorized use is excluded.	If borrower has $1,000 or more collectively in disputed derogatory credit accounts
		MANUAL	REMN WS must review letter of explanation and documentation to support the basis of the dispute. Medical accounts and accounts resulted from identity theft, credit card theft or unauthorized use are excluded (copy of police report & other documentation must be provided to support the status of the accounts.	
	Consumer Credit Counseling Services (CCCS)	TOTAL	As per DU/TOTAL Findings	N/A
		MANUAL	▪ 1 year of the pay-out period has elapsed under the plan ▪ No delinquent payments; all required payments made on-time ▪ Written permission from the counseling agency has been received.	
	Judgments	TOTAL	Must be resolved or paid-off at or prior to closing. Non-borrowing spouse judgments in community states must also be paid-off, except for obligations excluded by state law.	N/A
		MANUAL	Must be resolved or paid-off at or prior to closing. Non-borrowing spouse judgments in community states must also be paid-off, except for obligations excluded by state law. Exception: A judgment is considered resolved if the Borrower has entered into a valid agreement with the creditor to make regular payments on the debt and the Borrower has made timely payments on the debt for at least three (3) months of scheduled payments. Cannot prepay scheduled payments to meet required minimum three (3) months.	

INCOME & EMPLOYMENT	
Verbal VOE	➢ A Verbal Verification of Employment is required within 10 calendar days of the Note date. – Verbal VOE is NOT required for self-employed borrowers. ➢ Business License, CPA Letter or Federal Tax ID Certificate required for all self-employed borrowers (3rd party verification is required). ➢ Minimum two (2) year employment history must be verified.
Effective Income	Effective Income refers to income that may be used to qualify a Borrower for a mortgage. Effective Income must be reasonably likely to continue through at least the first three (3) years of the mortgage, and meet the specific requirements described below. **General Income Requirements** ➢ REMN WS must document the Borrower's income and employment history, verify the accuracy of the amounts of income being reported, and determine if the income can be considered as Effective Income in accordance with the requirements listed below. ➢ REMN WS may only consider income if it is legally derived and, when required, properly reported as income on the Borrower's tax returns. ➢ Negative income must be subtracted from the Borrower's gross monthly income, and not treated as a recurring monthly liability unless otherwise noted. ➢ If the income documents are not received in English, REMN WS must provide a complete and accurate translations for each document. **Employment Related Income** ➢ Employment Related Income refers to income received as an employee of a business that is reported on IRS Form W2. ➢ REMN WS may use Employment Related Income as Effective Income in accordance with the standards provided for each type of Employment Related Income. ➢ For all Employment Related Income, REMN WS must verify the Borrower's most recent two (2) years of employment and income, and document using one of the following methods. **Traditional Current Employment Documentation** REMN WS must obtain the most recent pay stub and one of the following to verify current employment: ➢ A written Verification of Employment (VOE) covering two years; or ➢ An electronic verification acceptable to FHA. o If the electronic verification is a Written Verification of Employment (WVOE) from Work Number for Everyone, a paystub is not required. o Electronic verification from any other TPV requires a paystub. ➢ Re-verification of employment must be completed within 10 Days prior to the date of the Note. Verbal re-verification of employment is acceptable. **Alternative Current Employment Documentation** If using alternative documentation, the Mortgagee must: ➢ Obtain copies of the most recent pay stub that shows the Borrower's year-to-date earnings; ➢ Obtain copies of the original IRS W-2 forms from the previous two years; and ➢ Document current employment by telephone, sign and date the verification documentation, and note the name, title, and telephone number of the person with whom employment was verified. ➢ Re-verification of employment must be completed within 10 Days prior to the date of the Note. Verbal re-verification of employment is acceptable. **Past Employment Documentation** Direct verification of the Borrower's employment history for the previous two years is not required if all of the following conditions are met: ➢ The current employer confirms a two-year employment history, or a paystub reflects a hiring date. ➢ Only base pay is used to qualify (no Overtime, Bonus or Tip Income). ➢ The Borrower executes IRS Form 4506, *Request for Copy of Tax Return,* IRS Form 4506-T, *Request for Transcript of Tax Return*, or IRS Form 8821, *Tax Information Authorization,* for the previous two tax years. If the applicant has not been employed with the same employer for the previous two (2) years and/or not all conditions immediately above can be met, then REMN WS must obtain one (1) or a combination of the following for the most recent two (2) years to verify the applicant's employment history: ➢ W2(s) ➢ VOE(s) ➢ Electronic verification acceptable to FHA ➢ Evidence supporting enrollment in school or the military during the most recent two (2) full years

Income Documentation	➢ Most recent paystub showing year-to-date earnings of at least one (1) months; and ➢ W2's for prior two (2) years or as per DU Findings recommendation. NOTE: REMN WS will only accept a fully completed VOE as a supplement to further explain the type of income earned (e.g., breakdown of income; Base, OT, Bonus, Commission, etc.).
Primary Employment	Primary Employment is the Borrower's principal employment, unless the income falls within a specific category identified below. Primary employment is generally full-time employment and may be either salaried or hourly. Covid-19 Related Economic Event refers to temporary loss of employment, temporary reduction of income, or temporary reduction of hours worked during the Presidentially-Declared Covid-19 National Emergency. The Mortgagee may use primary Employment Income as Effective Income. **Salary** <u>Standard</u> ➢ Employees who are salaried and whose income has been and will likely be consistently earned, REMN WS must use the current salary to calculate Effective Income. <u>Exception Due to Covid-19 Related Economic Event</u> ➢ For Employees who are salaried and whose current income will likely be consistently earned, REMN WS must use the current salary to calculate Effective Income. **Hourly** <u>Standard</u> ➢ Employees who are paid hourly, and whose hours do not vary, REMN WS must consider the Borrower's current hourly rate to calculate Effective Income. ➢ Employees who are paid hourly and whose hours vary, REMN WS must use the average of the income over the previous two (2) years. If REMN WS can document an increase in pay rate REMN WS may use the most recent twelve (12) month average of hours at the current pay rate. <u>Exception Due to Covid-19 Related Economic Event</u> ➢ For Employees who are salaried and whose current income will likely be consistently earned, REMN WS must use the current salary to calculate Effective Income. ➢ For employees who are paid hourly and whose hours vary, REMN WS must calculate the Effective Income by using the lesser of: – The average of the income in accordance with above calculation of Effective Income for the time period prior to the Covid-19 Related Economic Event, OR ➢ The average of income earned since the Covid-19 Related Economic Event
Part-Time Employment	Part-Time Employment refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week. ➢ REMN WS may use Employment Income from Part-Time Employment as Effective Income if the Borrower has worked a part-time job uninterrupted for the past two (2) years and the current position is reasonably likely to continue. **Calculation of Effective Income** ➢ REMN WS must average the income over the previous two (2) years. If REMN WS can document an increase in pay rate REMN WS may use a 12-month average of hours at the current pay rate. **Exception Due to Covid-19 Related Economic Event** ➢ For employees who are paid hourly wand whose hours do not vary, REMN WS must use the current hourly rate to calculate Effective Income. ➢ For employees who are paid hourly and whose hours vary, REMN WS must calculate the Effective Income by using the lesser of: – The average of the income in accordance with above calculation of Effective Income for the time period prior to the Covid-19 Related Economic Event, OR The average of income earned since the Covid-19 Related Economic Event

INCOME & EMPLOYMENT	
Overtime, Bonus or Tip Income	Overtime, Bonus or Tip Income refers to income that the Borrower receives in addition to the Borrower's normal salary. ➢ REMN WS may use Overtime, Bonus or Tip Income as Effective Income if the Borrower has received this income for the past two (2) years and it is reasonably likely to continue. ➢ Periods of Overtime, Bonus or Tip Income less than two years may be considered Effective Income if the Mortgagee documents that the Overtime, Bonus or Tip Income has been consistently earned over a period of not less than one (1) year and is reasonably likely to continue. **Calculation of Effective Income** ➢ For employees with Overtime, Bonus or Tip Income, REMN WS must calculate the Effective Income by using the lesser of: – The average Overtime, Bonus or Tip Income earned over the previous two (2) years or, if less than two (2) years, the length of time Overtime, Bonus or Tip income has been earned; or – The average Overtime, Bonus or Tip Income earned over the previous year. – **NOTE:** When determining overtime and/or bonus and/or tip income, the borrower's year-to-date (YTD) earnings can be included in the calculation, provided they are properly documented. – **NOTE:** Overtime and Tip Income are not considered tax-exempt and may not be grossed up. **Exception Due to Covid-19 Related Economic Event** ➢ For employees with Overtime, Bonus, or Tip Income, REMN WS must calculate the Effective Income by using the lesser of: – The average of the income in accordance with above calculation of Effective Income for the time period prior to the Covid-19 Related Economic Event, OR – The average of Overtime, Bonus, or Tip Income earned since the Covid-19 Related Economic Even
Seasonal Employment	Seasonal Employment refers to employment that is not year-round, regardless of the number of hours per week the Borrower works on the job. ➢ REMN WS may consider Employment Income from Seasonal Employment as Effective Income if the Borrower has worked the same line of work for the past two (2) years and is reasonably likely to be rehired for the next season. REMN WS may consider unemployment income as Effective Income for those with Effective Income from Seasonal Employment. **NOTE** – Unemployment compensation cannot be used to qualify the borrower unless it is clearly associated with Seasonal Employment that is reported on the Borrower's signed federal income tax returns. **Required Documentation** ➢ For seasonal employees with unemployment income, the Mortgagee must document the unemployment income for two (2) full years and there must be reasonable assurance that this income will continue. **Calculation of Effective Income** ➢ For employees with Employment Income from Seasonal Employment, REMN WS must average the income earned over the previous two (2) full years to calculate Effective Income.
Union Workers	➢ If the borrower is a union member and employed full-time through the employer on a W-2 basis, then no additional verification of employment is required outside of what is requested by the DU Approve/Eligible findings. ➢ For union members who are employed through the union/union hall (i.e. contract employees, tradesmen) and/or receive variable sources of income from assigned union jobs, then additional verification may be required to evidence stability of employment/income (i.e. two years Federal Income Tax Returns).
Employer Housing Subsidy	Employer Housing Subsidy refers to employer-provided mortgage assistance. ➢ REMN WS may utilize Employer Housing Subsidy as Effective Income. **Required Documentation** ➢ REMN WS must verify and document the existence and the amount of the housing subsidy. **Calculation of Effective Income** ➢ For employees receiving an Employer Housing Subsidy, REMN WS may add the Employer Housing Subsidy to the total Effective Income but may not use it to offset the Mortgage Payment.

INCOME & EMPLOYMENT	
Employed by Family Owned Business	Family-Owned Business Income refers to Employment Income earned from a business owned by the Borrower's family, but in which the Borrower is not an owner. ➢ REMN WS may consider Family-Owned Business Income as Effective Income if the Borrower is not an owner in the family-owned business. **Required Documentation** ➢ REMN WS must verify and document that the Borrower is not an owner in the family-owned business by using official business documents showing the ownership percentage. ➢ Official business documents include corporate resolutions or other business organizational documents, business tax returns or Schedule K-1 (IRS Form 1065) or an official letter from a certified public accountant on their business letterhead. ➢ In addition to traditional or alternative documentation requirements, REMN WS must obtain copies of signed personal tax returns or tax transcripts. **Calculation of Effective Income** **Salary** Standard ➢ For employees who are salaried and whose income has been and will likely continue to be consistently earned, REMN WS must use the current salary to calculate Effective Income. Exception Due to Covid-19 Related Economic Event ➢ For employees who are salaried and whose income has been and will likely continue to be consistently earned, REMN WS must use the current salary to calculate Effective Income. **Hourly** Standard ➢ For employees who are paid hourly, and whose hours do not vary, REMN WS must consider the Borrower's current hourly rate to calculate Effective Income. ➢ For employees who are paid hourly and whose hours vary, REMN WS must average the income over the previous two (2) years. If REMN WS can document an increase in pay rate the Mortgagee may use the most recent twelve (12) month average of hours at the current pay rate. Exception Due to Covid-19 Related Economic Event ➢ For employees who are paid hourly wand whose hours do not vary, REMN WS must use the current hourly rate to calculate Effective Income. ➢ For employees who are paid hourly and whose hours vary, REMN WS must calculate the Effective Income by using the lesser of: – The average of the income in accordance with above calculation of Effective Income for the time period prior to the Covid-19 Related Economic Event, OR ➢ The average of income earned since the Covid-19 Related Economic Event
Commission Income	Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service. ➢ REMN WS may use Commission Income as Effective Income if the Borrower earned the income for at least one (1) year in the same or similar line of work and it is reasonably likely to continue. **Required Documentation** ➢ For all Commission Income, REMN WS must use traditional or alternative employment documentation. **Calculation of Effective Income** Standard ➢ REMN WS must calculate Effective Income for commission by using the lesser of; a) The average Commission Income earned over the previous two (2) years, or the length of time Commission Income has been earned if less than two (2) years; or b) The average Commission Income earned over the previous one (1) year. Exception Due to Covid-19 Related Economic Event ➢ For employees with Commission Income, REMN WS must calculate the Effective Income by using the lesser of: a) The average of the income in accordance with above calculation of Effective Income for the time period prior to the Covid-19 Related Economic Event, OR c) The average of Commission Income earned since the Covid-19 Related Economic Event

Disability Benefits	Disability Benefits are benefits received from the Social Security Administration (SSA), Department of Veterans Affairs (VA), other public agencies, or a private disability insurance provider. **Required Documentation** ➢ REMN WS must verify and document the Borrower's receipt of benefits from the SSA, VA, or private disability insurance provider. The Mortgagee must obtain documentation that establishes award benefits to the Borrower. ➢ If any disability income is due to expire within three (3) years from the date of mortgage application, that income cannot be used as Effective Income. ➢ If the Notice of Award or equivalent document does not have a defined expiration date, REMN WS may consider the income effective and reasonably likely to continue. REMN WS may not rely upon a pending or current re-evaluation of medical eligibility for benefit payments as evidence that the benefit payment is not reasonably likely to continue. ➢ Under no circumstance may REMN WS inquire into or request documentation concerning the nature of the disability or the medical condition of the Borrower.
Social Security Disability	For Social Security Disability income, including Supplemental Security Income (SSI), REMN WS must obtain a copy of the last Notice of Award letter, or an equivalent document that establishes award benefits to the Borrower, and one (1) of the following documents: a) Federal tax returns; b) The most recent bank statement evidencing receipt of income from the SSA; c) A Proof of Income Letter, also known as a "Budget Letter" or "Benefits Letter" that evidences income from the SSA; or d) A copy of the Borrower's form SSA-1099/1042S, *Social Security Benefit Statement*. **Calculation of Effective Income** ➢ REMN WS must use the most recent amount of benefits received to calculate Effective Income.
VA Disability	For VA disability benefits, REMN WS must obtain from the Borrower a copy of the Veteran's last Benefits Letter showing the amount of the assistance, and one (1) of the following documents: a) Federal tax returns; or b) The most recent bank statement evidencing receipt of income from the VA. If the Benefits Letter does not have a defined expiration date, REMN WS may consider the income effective and reasonably likely to continue for at least three (3) years. **Calculation of Effective Income** REMN WS must use the most recent amount of benefits received to calculate Effective Income.
Private Disability	For private disability benefits, REMN WS must obtain documentation from the private disability insurance provider showing the amount of the assistance and the expiration date of the benefits, if any, and one (1) of the following documents: a) General tax returns; or b) The most recent bank statement evidencing receipt of income from the insurance provider. Calculation of Effective Income REMN WS must use the most recent amount of benefits received to calculate Effective Income.

INCOME & EMPLOYMENT	
Alimony, Child Support and Maintenance Income	Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent. **Required Documentation** ➢ REMN WS must obtain a fully executed copy of the Borrower's final divorce decree, legal separation agreement, court order, or voluntary payment agreement with documented receipt. ➢ When using a final divorce decree, legal separation agreement or court order, REMN WS must obtain evidence of receipt using deposits on bank statements; canceled checks; or documentation from the child support agency for the most recent three (3) months that supports the amount used in qualifying. ➢ REMN WS must document the voluntary payment agreement with twelve (12) months of cancelled checks, deposit slips, or tax returns. ➢ REMN WS must provide evidence that the claimed income will continue for at least three (3) years. REMN WS may use the front and pertinent pages of the divorce decree/settlement agreement and/or court order showing the financial details. **Calculation of Effective Income** ➢ When using a final divorce decree, legal separation agreement or court order, if the Borrower has received consistent Alimony, Child Support and Maintenance Income for the most recent three (3) months, REMN WS may use the current payment to calculate Effective Income. ➢ When using evidence of voluntary payments, if the Borrower has received consistent Alimony, Child Support and Maintenance Income for the most recent six (6) months, REMN WS may use the current payment to calculate Effective Income. ➢ If the Alimony, Child Support and Maintenance Income have not been consistently received for the most recent six (6) months, REMN WS must use the average of the income received over the previous two (2) years to calculate Effective Income. ➢ If Alimony, Child Support and Maintenance Income have been received for less than two (2) years, REMN WS must use the average over the time of receipt.
Military Income	Military Income refers to income received by military personnel during their period of active, Reserve, or National Guard service, including: ➢ Base pay ➢ Basic Allowance for Housing ➢ Clothing allowances ➢ Flight or hazard pay ➢ Basic Allowance for Subsistence ➢ Proficiency pay » REMN WS may not use military education benefits as Effective Income. **Required Documentation** ➢ REMN WS must obtain a copy of the Borrower's military Leave and Earnings Statement (LES). REMN WS must verify the Expiration Term of Service date on the LES. If the Expiration Term of Service date is within the first twelve (12) months of the Mortgage, Military Income may only be considered Effective Income if the Borrower represents their intent to continue military service. **Calculation of Effective Income** ➢ REMN WS must use the current amount of Military Income received to calculate Effective Income.
Pension Income	Pension refers to income received from the Borrower's former employer(s). **Required Documentation** ➢ REMN WS must verify and document the Borrower's receipt of periodic payments from the Borrower's Pension and that the payments are likely to continue for at least three (3) years. ➢ REMN WS must obtain any one of the following documents: » Federal tax returns; » The most recent bank statement evidencing receipt of income from the former employer; or » A copy of the Borrower's Pension/retirement letter from the former employer. **Calculation of Effective Income** ➢ REMN WS must use the current amount of Pension income received to calculate Effective Income.

INCOME & EMPLOYMENT	
Automobile Allowance	Automobile Allowance refers to the funds provided by the Borrower's employer for automobile related expenses. **Required Documentation** ➢ REMN WS must verify and document the Automobile Allowance received from the employer for the previous two years. ➢ REMN WS must also obtain IRS Form 2106, *Employee Business Expenses*, for the previous two years. **Calculation of Effective Income** ➢ REMN WS must determine the portion of the allowance that can be considered Effective Income. ➢ REMN WS must subtract automobile expenses as shown on IRS Form 2106 from the Automobile Allowance before calculating Effective Income based on the current amount of the allowance received. ➢ If the Borrower uses the standard per-mile rate in calculating automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. Expenses that must be treated as recurring debt include: » The Borrower's monthly car payment; and » Any loss resulting from the calculation of the difference between the actual expenditures and the expense account allowance.
IRA and 401(k)	Individual Retirement Account (IRA)/401(k) Income refers to income received from an IRA. **Required Documentation** ➢ REMN WS must verify and document the Borrower's receipt of recurring IRA/401(k) distribution Income and that it is reasonably likely to continue for three years. ➢ REMN WS must obtain the most recent IRA/401(k) statement and any one (1) of the following documents: » Federal tax returns; or » The most recent bank statement evidencing receipt of income. **Calculation of Effective Income** ➢ For Borrowers with IRA/401(k) Income that has been and will be consistently received, REMN WS must use the current amount of IRA Income received to calculate Effective Income. For Borrowers with fluctuating IRA/401(k) Income, REMN WS must use the average of the IRA/401(k) Income received over the previous two (2) years to calculate Effective Income. If IRA/401(k) Income has been received for less than two (2) years, REMN WS must use the average over the time of receipt.

Retirement Income	Retirement Income refers to income received from Pensions, 401(k) distributions, and Social Security. Social Security ➢ Social Security Income or Supplemental Security Income (SSI) refers to income received from the SSA other than disability income. **Required Documentation** ➢ REMN WS must verify and document the Borrower's receipt of income from the SSA and that it is likely to continue for at least a three (3) year period from the date of case number assignment. ➢ For SSI, REMN WS must obtain any one of the following documents: a) Federal tax returns; b) The most recent bank statement evidencing receipt of income from the SSA; c) A Proof of Income Letter, also known as a "Budget Letter" or "Benefits Letter" that evidences income from the SSA; or d) A copy of the Borrower's form SSA-1099/1042S, *Social Security Benefit Statement*. ➢ In addition to verification of income, the Mortgagee must document the continuance of this income by obtaining from the Borrower a) A copy of the last Notice of Award letter which states the SSA's determination on the Borrower's eligibility for SSA income or b) An equivalent document that establishes award benefits to the Borrower (equivalent document). If any income from the SSA is due to expire within three (3) years from the date of case number assignment, that income may not be used for qualifying. ➢ If the Notice of Award or equivalent document does not have a defined expiration date, REMN WS must consider the income effective and reasonably likely to continue. REMN WS may not request additional documentation from the Borrower to demonstrate continuance of Social Security Administration income. ➢ If the Notice of Award letter or equivalent document specifies a future start date for receipt of income, this income may only be considered effective on the specified start date. **Calculation of Effective Income** ➢ REMN WS must use the current amount of Social Security Income received to calculate Effective Income.
Unemployment Benefits	➢ Unemployment compensation is not eligible for qualification unless it is clearly associated with **seasonal employment** that is reported on the borrower's signed federal income tax returns. – Seasonal employment is considered predictable, so unemployment compensation related to this employment, if properly verified and documented, is considered predictable as well – Union jobs are NOT considered seasonal, so unemployment compensation related to these is not considered predictable and not eligible for qualification. ➢ See Seasonal Employment section for details regarding verification and documentation requirements.

INCOME & EMPLOYMENT	
Self-Employed Income	Self-Employment Income refers to income generated by a business in which the Borrower has a 25% or greater ownership interest. ➢ There are four (4) basic types of business structures. They include: » Sole proprietorships; » Corporations; » Limited liability or "S" corporations; and » Partnerships. **Minimum Length of Self-Employment** ➢ REMN WS may consider Self-Employment Income if the Borrower has been self-employed for at least two (2) years. ➢ If the Borrower has been self-employed between one and two (2) years, the Mortgagee may only consider the income as Effective Income if the Borrower was previously employed in the same line of work in which the Borrower is self-employed or in a related occupation for at least two (2) years. **Stability of Self-Employment Income** ➢ Income obtained from businesses with annual earnings that are stable or increasing is acceptable. If the income from businesses shows a greater than 20 percent decline in Effective Income over the analysis period, the Mortgagee must downgrade and manually underwrite. ➢ If downgraded to manual underwrite due to business(es) showing a greater than 20% decline in Effective Income over the analysis period, REMN WS must document that the business income is now stable. » REMN WS may consider income as stable after a 20% reduction if it can be documented that the reduction in income was the result of an extenuating circumstance, the Borrower can demonstrate the income has been stable or increasing for a minimum of twelve (12) months, and the Borrower qualifies using the reduced income. **Self-Employment Income Not Used to Qualify** All self-employment income requires analysis regardless of whether it is used to qualify. Any losses must be deducted from the qualifying income. »

Self-Employed Required Documentation	**Individual and Business Tax Returns** ➢ The Mortgagee must obtain complete individual federal income tax returns for the most recent two years, including all schedules. ➢ The Mortgagee must obtain the Borrower's business tax returns for the most recent two years unless the following criteria are met: » Individual federal income tax returns show increasing Self-Employment Income over the past two years; » Funds to close are not coming from business accounts; and » The Mortgage to be insured is not a cash-out refinance. ➢ In lieu of signed individual or business tax returns from the Borrower, REMN WS may obtain a signed IRS Form 4506, *Request for Copy of Tax Return*, IRS Form 4506-T, *Request for Transcript of Tax Return*, or IRS Form 8821, *Tax Information Authorization*, and tax transcripts directly from the IRS. **Profit & Loss Statements and Balance Sheets** ➢ REMN WS must obtain a year-to-date Profit and Loss (P&L) statement and balance sheet if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed by the Borrower. A balance sheet is not required for self-employed Borrowers filing Schedule C income. ➢ If the borrower is on extension for the current tax year due, please reference the Self-Employed Borrowers Profit & Loss Requirements policy to determine necessary requirements (same as Conventional) ➢ If income used to qualify the Borrower exceeds the two (2) year average of tax returns, an audited P&L or signed quarterly tax return must be obtained from the IRS. **Calculation of Effective Income** Standard ➢ REMN WS must analyze the Borrower's tax returns to determine gross Self-Employment Income. Requirements for analyzing self-employment documentation are found in Analyzing IRS Forms. » Allowance of adding back Business Use of Home is permitted for Schedule C (sole proprietor) borrowers only and it is limited to interest, MIP, taxes and insurance. » Additional 50% meals & entertainment exclusion (that is not tax deductible) is NOT included in the borrower's income calculation ➢ The Mortgagee must calculate gross Self-Employment Income by using the lesser of: » The average gross Self-Employment Income earned over the previous two (2) years; or » The average gross Self-Employment Income earned over the previous one (1) year. Exception Due to Covid-19 Related Economic Event ➢ For self-employed Borrowers with a COVID-19 Related Economic Event that have since regained income at a level greater than or equal to 80 percent of their income prior to COVID-19 Related Economic Event for a minimum of six months, REMN WS must calculate gross Self-Employment Income by using the lesser of: » the average gross Self-Employment Income earned over the previous two years prior to the COVID-19 Related Economic Event; OR » the average gross Self-Employment Income earned over the previous six months after the COVID-19 Related Economic Event. **Additional Required Documentation for Manual Underwrite** ➢ The Mortgagee must obtain a business credit report for all corporations and "S" corporations.

Additional Analysis of Stability of Employment Income	**Frequent Changes in Employment** If the Borrower has changed employers more than three (3) times in the previous twelve (12) month period, or has changed lines of work, REMN WS must take additional steps to verify and document the stability of the Borrower's Employment Income. Additional analysis is not required for fields of employment that regularly require a Borrower to work for various employers (such as Temp Companies or Union Trades). REMN WS must obtain: ➢ Transcripts of training and education demonstrating qualification for a new position; or ➢ Employment documentation evidencing continual increases in income and/or benefits. **Addressing Gaps in Employment** For Borrowers with gaps in employment of six (6) months or more (an extended absence), REMN WS may consider the Borrower's current income as Effective Income if we can verify and document that: ➢ The Borrower has been employed in the current line of work for at least six (6) months at the time of case number assignment; and ➢ A two (2) year work history prior to the absence from employment using standard or alternative employment verification. **Addressing Gaps in Employment or Reduction of Income Due to Covid-19 Related Economic Event** **Non-Self-Employment Income** For Borrowers with gaps in employment, reduction of income, or reduction of hours due to a COVID-19 Related Economic Event, REMN WS may consider the Borrower's income calculated in accordance with the Exception Due to COVID-19 Related Economic Event for the applicable income type as Effective Income if it can verify and document that: ➢ The Borrower has been employed in the current job or same line of work for at least one month at the time of case number assignment; OR ➢ The Borrower has been employed in a different job or line of work for at least six months at the time of case number assignment; and ➢ the Borrower has an aggregate two—year work history prior to case number assignment excluding gaps in employment, using traditional or alternative employment verification Required Documentation REMN WS must obtain a Written Verification(s) of Employment (VOE) identifying the time period of temporary loss of employment, temporary loss of income, or temporary loss of hours. **Self-Employment Income** ➢ For Borrowers with gaps in self-employment, reduction in income, or reduction of hours due to a COVID-19 Related Economic Event, REMN WS may exclude the months where the business was closed, or income was reduced when calculating Effective Income. The total time period of the Borrower's self-employment must still meet the minimum length of self-employment in accordance with Exception Due to COVID-19 Related Economic Event.

Temporary Reduction in Income	For Borrowers with a temporary reduction of income due to a short-term disability or similar temporary leave, REMN WS may consider the Borrower's current income as Effective Income, if it can verify and document that: ➢ The Borrower intends to return to work; ➢ The Borrower has the right to return to work; and ➢ The Borrower qualifies for the Mortgage taking into account any reduction of income due to the circumstance. ➢ For federal, state, tribal, or local government employees temporarily out of work due to a government shutdown or other similar, temporary events (where lost income is anticipated to be recovered), income preceding the shutdown can be considered as Effective Income. ➢ For Borrowers returning to work before or at the time of the first Mortgage Payment due date, REMN WS may use the Borrower's pre-leave income. ➢ For Borrowers returning to work after the first Mortgage Payment due date, REMN WS may use the Borrower's current income plus available surplus liquid asset Reserves, above and beyond any required Reserves, as an income supplement up to the amount of the Borrower's pre-leave income. The amount of the monthly income supplement is the total amount of surplus Reserves divided by the number of months between the first payment due date and the Borrower's intended date of return to work. **Required Documentation** REMN WS must provide the following documentation for Borrowers on temporary leave: ➢ A written statement from the Borrower confirming the Borrower's intent to return to work, and the intended date of return; ➢ Documentation generated by current employer confirming the Borrower's eligibility to return to current employer after temporary leave; and ➢ Documentation of sufficient liquid assets, in accordance with Sources of Funds, used to supplement the Borrower's income through intended date of return to work with current employer.
Rental Income Received from Subject Property	Rental Income refers to income received or to be received from the subject Property or other real estate holdings. Subject Property ➢ REMN WS may consider Rental Income from existing and prospective renters if documented in accordance with the following requirements. » Rental Income from the subject Property may be considered Effective Income when the Property is or will be a one-unit dwelling with an ADU, a two- to four-unit dwelling, or an acceptable one- to four-unit Investment Property.
	Required Documentation ➢ Documentation varies depending upon the length of time the Borrower has owned the Property and must meet one of the applicable documentation requirements below:

<table>
<tr><td></td><td>LIMITED OR NO HISTORY OF RENTAL INCOME
Where the Borrower does not have a history of Rental Income from the subject since the previous tax filing:
Two- to Four-Units
➢ REMN WS must verify and document the proposed Rental Income by obtaining an appraisal showing fair market rent (use Fannie Mae Form 1025/Freddie Mac Form 72, Small Residential Income Property Appraisal Report) and, if available, the prospective leases.
One Unit
➢ REMN WS must verify and document the proposed Rental Income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report; Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule; Operating Income Statement, showing fair market rent and, if available, the prospective lease.
One Unit with an Accessory Dwelling Unit
➢ REMN WS must verify and document the proposed Rental Income from the ADU by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report; Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule; and Fannie Mae Form 216/Freddie Mac Form 998, Operating Income Statement, showing fair market rent and, if available, the prospective lease.</td><td>HISTORY OF RENTAL INCOME
➢ Where the Borrower has a history of Rental Income from the subject property since the previous tax filing, REMN WS must verify and document the existing Rental Income by obtaining the Borrower’s most recent tax returns, including Schedule E, from the previous two (2) years.
➢ For Properties owned less than two (2) years, REMN WS must document the date of acquisition by providing a copy of the deed, Closing Disclosure, or other legal document.</td></tr>
<tr><td></td><td colspan="2">Calculation of Effective Income
➢ REMN WS must add the net subject property Rental Income to the Borrower’s gross income. REMN WS may not reduce the Borrower’s total Mortgage Payment by the net subject property Rental Income.</td></tr>
<tr><td></td><td>LIMITED OR NO HISTORY OF RENTAL INCOME
➢ To calculate the Effective Income from the subject Property where the Borrower does not have a history of Rental Income from the subject Property since the previous tax filing, REMN WS must use 75 percent of the lesser of:
» Fair market rent reported by the Appraiser; or
» The rent reflected in the lease or other rental agreement
➢ One Unit with an Accessory Dwelling Unit
» The amount of Rental Income from an ADU used as Effective Income must not exceed 30 percent of the total monthly Effective Income used to qualify the borrower</td><td>HISTORY OF RENTAL INCOME
➢ REMN WS must calculate the Rental Income by averaging the amount shown on Schedule E.
➢ Depreciation, mortgage interest, taxes, insurance and any HOA dues shown on Schedule E may be added back to the net income or loss.
➢ If the Property has been owned for less than two (2) years, REMN WS must annualize the Rental Income for the length of time the Property has been owned.</td></tr>
</table>

<table>
<tr><th colspan="3">INCOME & EMPLOYMENT</th></tr>
<tr><td>Rental Income from Other Real Estate Holdings</td><td colspan="2">Rental Income from other real estate holdings may be considered Effective Income if the documentation requirements listed below is met.
➢ If Rental Income is being derived from the Property being vacated by the Borrower, the Borrower must be relocating to area more than 100 miles from the Borrower's current Principal Residence.
» REMN WS must obtain a lease agreement of at least one (1) year's duration after the Mortgage is closed and evidence of the payment of the security deposit or first month's rent.</td></tr>
<tr><td></td><td colspan="2">Required Documentation
➢ Documentation varies depending upon the length of time the Borrower has owned the Property.</td></tr>
<tr><td></td><td>LIMITED OR NO HISTORY OF RENTAL INCOME
Where the Borrower does not have a history of Rental Income for the Property since previous tax filing, including Property being vacated by the Borrower, the Mortgagee must obtain an appraisal evidencing market rent and that the Borrower has at least 25 percent equity in the Property.
Two- to Four-Units
The Mortgagee must verify and document the proposed Rental Income by obtaining an appraisal showing fair market rent (use Fannie Mae Form 1025/Freddie Mac Form 72, Small Residential Income Property Appraisal Report) and, if available, the prospective leases.
One Unit or One-Unit with an Accessory Dwelling Unit
The Mortgagee must verify and document the proposed Rental Income by obtaining a Fannie Mae Form 1004/Freddie Mac Form 70, Uniform Residential Appraisal Report, and a Fannie Mae Form 1007/Freddie Mac Form 1000, Single Family Comparable Rent Schedule, showing fair market rent and, if available, the prospective lease.</td><td>HISTORY OF RENTAL INCOME
The Mortgagee must obtain the Borrower's last two (2) years' tax returns with Schedule E.</td></tr>
<tr><td></td><td colspan="2">Calculation of Effective Net Rental Income</td></tr>
<tr><td></td><td>LIMITED OR NO HISTORY OF RENTAL INCOME
➢ To calculate the effective net Rental Income from other real estate holdings where the Borrower does not have a history of Rental Income since the previous tax filing, REMN WS must deduct the Principal, Interest, Taxes, and Insurance (PITI) from 75 percent of the lesser of:
» Fair market rent reported by the Appraiser; or
» The rent reflected in the lease or other rental agreement.</td><td>HISTORY OF NET RENTAL INCOME
➢ REMN WS must calculate the net Rental Income by averaging the amount shown on the Schedule E provided the Borrower continues to own all Properties included on the Schedule E.
➢ Depreciation, mortgage interest, taxes, insurance, and any HOA dues shown on Schedule E may be added back to the net income or loss.
➢ Positive net Rental Income must be added to the Borrower's Effective Income. Negative net Rental Income must be included as a debt/liability.
➢ If the Property has been owned for less than two (2) years, REMN WS must:
» annualize the Rental Income for the length of time the Property has been owned.
» document the date of acquisition by providing the deed, Settlement Statement or similar legal document.</td></tr>
</table>

Boarders of the Subject Property	Boarder refers to an individual renting space inside the Borrower's Dwelling Unit. A renter of an ADU is not a boarder. REMN WS may consider rental income from existing boarders if documented in accordance with the following requirements: ➢ Rental Income from Boarders may be considered Effective Income if the occupying borrowers has a 12-month history of receiving income from boarders and is currently receiving Boarder income. ➢ Rental Income from Boarders is permitted whether the borrower currently rents or owns the dwelling unit. **Required Documentation** ➢ REMN WS must verify and document the existing Rental Income from Boarders by obtaining the following: » evidence of rental history over the previous 12 months; » evidence of Rental Income received from Boarders for at least nine of the most recent 12 months in the form of: • the Borrower's Tax Returns; or • bank statements, canceled checks, or deposit slips, showing rental payments received; » evidence that the Boarder's address is the same as the Borrower's address; and » a copy of the executed written agreement documenting the boarding terms and the Boarder's intent to continue boarding with the Borrower. **Calculation of Effective Income** ➢ REMN WS must calculate Rental Income from Boarders by using the lesser of: » the 12-month average; or » the current rent as documented in the written agreement. ➢ Where Rental Income from Boarders has been documented for at least nine of the last 12 months, REMN WS must average the Rental Income over a 12-month period. ➢ The amount of the Rental Income from Boarders used as Effective Income must not exceed 30 percent of the total monthly Effective Income used to qualify the Borrower.

INCOME & EMPLOYMENT	
Investment Income	Investment Income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts. **Required Documentation** ➢ REMN WS must verify and document the Borrower's Investment Income by obtaining tax returns for the previous two (2) years and the most recent account statement. **Calculation of Effective Income** ➢ REMN WS must calculate Investment Income by using the lesser of: » The average Investment Income earned over the previous two (2) years; or » The average Investment Income earned over the previous one (1) year ➢ REMN WS must subtract any of the assets used for the Borrower's required funds to close to purchase the subject Property from the Borrower's liquid assets prior to calculating any interest or dividend income.
Capital Gains	Capital Gains refer to a profit that results from a disposition of a capital asset, such as a stock, bond or real estate, where the amount realized on the disposition exceeds the purchase price. ➢ Capital Losses refer to a loss that results from a disposition of a capital asset, such as a stock, bond or real estate, where the amount realized on the disposition is less than the purchase price. ➢ Capital gains or losses must be considered when determining Effective Income, when the individual has a constant turnover of assets resulting in gains or losses. **Required Documentation** ➢ Three (3) years' tax returns are required to evaluate an earnings trend. If the trend: » Results in a gain, it may be added as Effective Income; or » Consistently shows a loss, it must be deducted from the total income.
Projected Income from New Job	Expected Income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 Days of mortgage closing. ➢ REMN WS may consider Expected Income as Effective Income except when Expected Income is to be derived from a family-owned business. **Required Documentation** ➢ REMN WS must verify and document the existence and amount of Expected Income with the employer in writing and that it is guaranteed to begin within 60 Days of mortgage closing. For expected Retirement Income, REMN WS must verify the amount and that it is guaranteed to begin within 60 Days of the mortgage closing. **Calculation of Effective Income** ➢ Income is calculated in accordance with the standards for the type of income being received. REMN WS must also verify that the Borrower will have sufficient income or cash Reserves to support the Mortgage Payment and any other obligations between mortgage closing and the beginning of the receipt of the income.
Trust Accounts	Trust Income refers to income that is regularly distributed to a Borrower from a trust. **Required Documentation** ➢ REMN WS must verify and document the existence of the Trust Agreement or other trustee statement. REMN WS must also verify and document the frequency, duration, and amount of the distribution by obtaining a bank statement or transaction history from the bank. ➢ REMN WS must verify that regular payments will continue for at least the first three (3) years of the mortgage term. **Calculation of Effective Income** ➢ REMN WS must use the income based on the terms and conditions in the Trust Agreement or other trustee statement to calculate Effective Income.
Annuities or Similar	Annuity Income refers to a fixed sum of money periodically paid to the Borrower from a source other than employment. **Required Documentation** ➢ REMN WS must verify and document the legal agreement establishing the annuity and guaranteeing the continuation of the annuity for the first three (3) years of the Mortgage. REMN WS must also obtain a bank statement or a transaction history from a bank evidencing receipt of the annuity. **Calculation of Effective Income** ➢ REMN WS must use the current rate of the annuity to calculate Effective Income. ➢ REMN WS must subtract any of the assets used for the Borrower's required funds to close to purchase the subject Property from the Borrower's liquid assets prior to calculating any Annuity Income.

Notes Receivable Income	Notes Receivable Income refers to income received by the Borrower as payee or holder in due course of a promissory Note or similar credit instrument. **Required Documentation** ➢ REMN WS must verify and document the existence of the Note. REMN WS must also verify and document that payments have been consistently received for the previous twelve (12) months by obtaining tax returns, deposit slips or cancelled checks and that such payments are guaranteed to continue for the first three (3) years of the Mortgage. **Calculation of Effective Income** ➢ For Borrowers who have been and will be receiving a consistent amount of Notes Receivable Income, REMN WS must use the current rate of income to calculate Effective Income. ➢ For Borrowers whose Notes Receivable Income fluctuates, REMN WS must use the average of the Notes Receivable Income received over the previous year to calculate Effective Income.
Mortgage Credit Certificates (MCC's)	Not eligible for REMN WS financing
Non-Taxable Income	Non-Taxable Income refers to types of income not subject to federal taxes, which includes, but is not limited to: ➢ Some portion of Social Security Income; ➢ Some federal government employee Retirement Income; ➢ Railroad Retirement benefits; ➢ Some state government Retirement Income; ➢ Certain types of disability and Public Assistance payments; ➢ Child Support; ➢ Military allowances; and ➢ Other income that is documented as being exempt from federal income taxes. o **Note**: Income that benefits from a tax deduction (i.e., overtime, tips, childcare credits) is not considered tax-exempt and may not be grossed up. **Required Documentation** ➢ REMN WS must document and support the amount of income to be Grossed Up for any Non-Taxable Income source and the current tax rate applicable to the Borrower's income that is being Grossed Up. Tax Returns are required when grossing up income. **Calculation of Effective Income** ➢ The amount of continuing tax savings attributed to Non-Taxable Income may be added to the Borrower's gross income. ➢ The percentage of Non-Taxable Income that may be added cannot exceed the greater of fifteen percent (15%) or the appropriate tax rate for the income amount, based on the Borrower's tax rate for the previous year. If the Borrower was not required to file a federal tax return for the previous tax reporting period, REMN WS may Gross Up the Non-Taxable Income by fifteen percent (15%). REMN WS may not make any additional adjustments or allowances based on the number of the Borrower's dependents.
Section 8 Income	➢ REMN WS must verify and document the borrower's receipt of the Housing Choice Voucher homeownership subsidies. REMN WS may consider that this income is reasonably likely to continue for three years. ➢ REMN WS may only use Section 8 Homeownership Voucher Subsidies as Effective Income if it is not used as an offset to the monthly Mortgage Payment. REMN must use the current subsidy rate to calculate the Effective Income.

INCOME & EMPLOYMENT	
IRS 4506C Requirements	➢ For FHA loans, REMN Wholesale's LOS has been programmed to randomly indicate if tax transcripts are required on a pre-closing basis (i.e. "Order Tax Transcripts" field will indicate "Yes" or "No" as to whether the transcripts must be ordered).
Documentation Requirements Income from SSA	➢ All income from the Social Security Administration (SSA) including, but not limited to, Supplemental Security Income (SSI), Social Security Disability (SSDI) and Social Security (SS) income can be used to qualify the borrower if the income has been verified and is likely to continue for at least a three (3) year period from the date of the mortgage application with REMN WS. ➢ REMN WS must verify income by obtaining from the borrower any one (1) of the following: » Federal Tax Returns, » The most recent bank statement evidencing receipt of income from the SSA, » Proof of Income Letter, also known as "Budget Letter" or "Benefits Letter" that evidences income from the SSA; or, » Copy of the borrowers Social Security Benefits Statement (SSA 1099/1042S). ➢ In addition to verification of income, REMN WS must document the continuance of this income by obtaining from the borrower; 1) a copy of the last Notice of Award letter which states the SSA's determination on the borrower's eligibility for SSA income; or 2) equivalent documentation that establishes award benefits to the borrower. If any income from the SSA is due to expire within three (3) years from the date of the mortgage application with REMN WS, that income may <u>only</u> be considered as a compensating factor. ➢ If the Notice of Award or equivalent documentation does not have a defined expiration date, REMN WS shall consider the income effective and likely to continue. REMN WS should not request additional documentation from the borrower to demonstrate continuance of SSA income. Under no circumstances should REMN WS inquire into or request documentation concerning the nature of the disability or medical condition of the borrower. ➢ Pending or current re-evaluation of medical eligibility for benefit payments is not considered an indication that the benefit payment is not likely to continue. ➢ An initial Notice of Awards letter (or its equivalent) may specify a start date for receipt of income in the future. REMN WS may consider this income as effective income as of the start date specified in the Notice of Award. The borrower must have other income to qualify for the mortgage until the start date of receipt of income. ➢ Other forms of long-term disability (such as workers' compensation or private insurance) may be considered for qualifying income with a reasonable expectation of continuance. REMN WS should use procedures similar to those noted above to verify such income.

ASSETS	
Earnest Money Deposit	REMN WS must verify and document the deposit amount and source of funds if the amount of the earnest money deposit exceeds one (1%) of the sales price or is excessive based on the Borrower's history of accumulating savings, by obtaining: ➢ Copy of the Borrowers canceled check, ➢ Certification from the deposit holder acknowledging receipt of funds; or, ➢ A Verification of Deposit (VOD) or bank statement showing that the average balance was sufficient to cover the amount of earnest money deposit at the time of deposit. » VOD's alone are not acceptable as the primary source of verification. **NOTE**: On an exception basis only, REMN WS Operations and/or UW Managers may approve the use of a completed Verification of Deposit (VOD) in lieu of bank statements as described below. This VOD is only allowed in cases where the bank statements have not yet been received. If bank statements have been received, the exception allowance for the VOD is NOT available. ➢ If the source of the earnest money deposit was a gift, REMN WS must verify that the gift is in compliance with Gifts (Personal) and Gifts (Equity).
Cash On Hand	➢ REMN WS does not allow cash on hand as acceptable source of funds.
Checking and Savings Accounts	Checking and Savings Accounts refer to funds from Borrower-held accounts in a financial institution that allows for withdrawals and deposits. ➢ REMN WS must verify and document the existence of and amounts in the Borrower's checking and savings accounts. **Large Deposits** ➢ For individual deposits of more than 50 percent of the total monthly Effective Income, REMN WS must obtain documentation of the deposits. REMN WS must also verify that the deposits are reasonable with the Borrower's income and savings history and no debts were incurred to obtain part, or all, of the MRI o For example, an Effective (gross) income of $5,000 per month and deposits of (net) $15,000 should be explained. **Traditional Documentation** ➢ REMN WS must obtain a written VOD and the Borrower's most recent statement for each account. **Alternative Documentation** ➢ If a VOD is not obtained, a statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, REMN WS must obtain statement(s) for the most recent two (2) months. **Streamline Transactions** ➢ Credit Qualifying o Follow standard asset requirements ➢ Non-Credit Qualifying o Assets must be verified if the funds to close, brought by the borrower, exceed the total Mortgage Payment of the new mortgage. In this instance, REMN WS should obtain 2 months bank statements. o The underwriter is responsible for reviewing the reasonableness of the deposits. ▪ **Note**: The 50% test is not applicable since income is not verified
Private Savings Club	Private Savings Club (a/k/a Su-Su accounts) refers to a non-traditional method of saving by making deposits into a member-managed resource pool. ➢ These accounts are not an eligible source of funds for down payment, closing costs and/or post-closing reserves on an REMN WS-financed transaction. **(REMN WS OVERLAY)**

Cash to Close	REMN WS must document all funds that are used for the purpose of qualifying for or closing a Mortgage, including those to satisfy debt or pay costs outside of closing. ➢ REMN WS must verify and document that the Borrower has sufficient funds from an acceptable source to facilitate the closing. **Determining the Amount Needed for Closing** ➢ For a purchase transaction, the amount of cash needed by the Borrower to close an FHA-insured Mortgage is the difference between the total cost to acquire the Property and the total mortgage amount. ➢ For a refinance transaction, the amount of cash needed by the Borrower to close an FHA-insured Mortgage is the difference between the total payoff requirements of the Mortgage being refinanced and the total mortgage amount. » For Streamline transactions, see Checking and Savings Accounts for details on verifying funds to close. **REMN WS Responsibility for Estimating Settlement Requirements** ➢ In addition to the MRI, additional Borrower expenses must be included in the total amount of cash that the Borrower must provide at mortgage settlement. **Origination Fees and Other Closing Costs** » REMN WS or sponsored TPO may charge a reasonable origination fee. » REMN WS or sponsored TPO may charge and collect from Borrowers those customary and reasonable closing costs necessary to close the Mortgage. Charges may not exceed the actual costs. » REMN WS must comply with HUD's Qualified Mortgage Rule at 24 CFR § 203.19. **Discount Points** » Discount Points refer to a charge from the Mortgagee for the interest rate chosen. They are paid by the Borrower and become part of the total cash required to close. **Types of Prepaid Items (Including Per Diem Interest)** » Prepaid items may include flood and hazard insurance premiums, MIPs, real estate taxes, and per diem interest. They must comply with the requirements of the CFPB. **Non-Realty or Personal Property** » Non-Realty or Personal Property items (chattel) that the Borrower agrees to pay for separately, including the amount subtracted from the sales price when determining the maximum Mortgage, are included in the total cash requirements for the Mortgage. **Upfront Mortgage Insurance Premium Amounts** » Any UFMIP amounts paid in cash are added to the total cash settlement requirements. The UFMIP must be entirely financed into the Mortgage or paid entirely in cash. However, if the UFMIP is financed into the Mortgage, the entire amount is to be financed except for any amount less than $1.00. **Real Estate Agent Fees** » If a Borrower is represented by a real estate agent and must pay any fee directly to the agent, that expense must be included in the total of the Borrower's settlement requirements. **Repairs and Improvements** » Repairs and improvements, or any portion paid by the Borrower that cannot be financed into the Mortgage, are part of the Borrower's total cash requirements. **Premium Pricing on FHA-Insured Mortgages** » Premium Pricing refers to a credit from a Mortgagee for the interest rate chosen. » Premium Pricing may be used to pay a Borrower's actual closing costs and/or prepaid items. Closing costs paid in this manner do not need to be included as part of the Interested Party limitation. » The funds derived from a premium priced Mortgage: ▪ Must be disclosed in accordance with RESPA; ▪ Must be used to reduce the principal balance if the credit amount exceeds the Actual dollar amount for closing costs and prepaid expenses; and ▪ May not be used for payment of debts, collection accounts, escrow shortages or missed Mortgage Payments, or Judgments. **Interested Party Contributions on the Settlement Statement** » REMN WS may apply Interested Party credits to the closing costs and prepaid items including any items Paid Outside Closing (POC). » The refund of the Borrower's POCs may be used toward the Borrower's MRI if the Mortgagee documents that the POCs were paid with the Borrower's own funds. » REMN WS must identify the total Interested Party credits on the front page of the Settlement Statement or similar legal document or in an addendum. REMN WS must identify each item paid by Interested Party Contributions. **Real Estate Tax Credits**

	» Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if REMN WS documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting. » This permits the Borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total MRI.

Minimum Required Investment

- Minimum Required Investment (MRI) refers to the Borrower's contribution in cash or its equivalent, which represents at least 3.5% of the Adjusted Value of the Property.
- The funds for the borrower's MRI must not come from:
  - The seller of the property;
  - Any other person or entity who financially benefits from the transaction (directly or indirectly); or
  - Anyone who is or will be reimbursed, directly or indirectly, by any party included in the above two.
- While additional funds to close may be provided by one of these sources if permitted under the relevant source of funds requirement, none of the borrower's MRI may come from these sources.

Required Documentation

Where the borrower's MRI is provided by someone other than the borrower, REMN WS must obtain documentation to support the permissible nature of the source of those funds.

To establish that the Governmental Entity provided the borrower's MRI in a manner consistent with HUD's Interpretive Rule, REMN WS must document that the Governmental Entity incurred prior to or at closing an enforceable legal liability or obligation to fund the borrower's MRI. It is not sufficient to document that the Governmental Entity has agreed to reimburse REMN WS for the use of funds legally belonging to REMN WS to funds the borrower's MRI.

- REMN WS must obtain:
  - Gift Letter – evidence showing the borrower as the recipient and the amount of funds provided.
  - A cancelled check, evidence of wire transfer or other draw request showing that prior to or at the time of closing the Governmental Entity had authorized a draw of funds provided towards the borrower's MRI from the Governmental Entity's account; or
  - A letter from the Governmental Entity, signed by an authorized official, establishing that the funds provided towards the borrower's MRI were funds legally belonging to the Governmental Entity, when acting in their governmental capacity, at or before closing.
- Where a letter from the Governmental Entity is submitted, the precise language of the letter may vary, but must demonstrate that the funds provided for the borrower's MRI legally belonged to the Governmental Entity at or before closing, by stating, for example:
  - The Governmental Entity has, at or before closing, incurred a legally enforceable liability as a result of its agreement to provide the funds towards the borrower's MRI;
  - The Governmental Entity has, at or before closing, incurred a legally enforceable obligation to provide the funds towards the borrower's MRI; or
  - The Governmental Entity has, at or before closing, authorized a draw on its account to provide the funds towards the borrower's MRI.
- While REMN WS is not required to document the actual transfer of funds in satisfaction of the obligation or liability, the failure of the Governmental Entity to satisfy the obligation or liability may result in a determination that the funds were provided by a prohibited source.
- Closing Costs as Required Investment
  - Closing costs (non-recurring closing costs, prepaid expenses and discount points) may not be used to help meet the borrower's minimum required investment.
- Credit Card Payment for Appraisal/Credit Report
  - The borrower may use a credit card to pay for the appraisal and credit report. These costs cannot be considered to help meet the required 3.5% investment.
- Collateralized Loans
  - Collateralized loans are an acceptable source for the borrower's minimum required investment.
  - A collateralized loan is a loan that is fully secured by a financial asset of the borrower, such as deposit accounts, CDs, investment accounts, or real property.
  - Unsecured loans such as cash advances and borrowing against personal property are not acceptable for the MRI.
    - **Note:** A car is considered personal property. Thus, a car loan is not acceptable for the MRI.
- See Tax Proration for additional information on minimum required investment.

Non-Profit Instrumentalities of Government

- A Nonprofit Instrumentality of Government (NPIOG) refers to a 501(c)(3) organization that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated as an instrumentality by law (statute or court opinion). FHA requires the unit of government that established the nonprofit to exercise Organizational Control, Operational Control or Financial Control of the nonprofit in its entirety or, at minimum, the specific homebuyer assistance program that is using FHA's credit enhancement.

	➢ HUD-approved NPIOGs will be included on FHA's Nonprofit Organization Roster. **Permitted Level of Secondary Financing Assistance** ➢ FHA may approve an NPIOG to provide secondary financing for as much as 100% of the Borrower's Minimum Required Investment (MRI). If approved, FHA will issue the NPIOG an approval letter, and this approval will be reflected on the FHA Nonprofit Organization Roster and in FHAC. Interested Parties should check the Roster to ensure the approval status of an NPIOG. **NOTE**: If the NPIOG is NOT an "instrumentality of the government 501(c)(3) organization", they cannot provide the minimum required investment.

ASSETS	
Reserves	**TOTAL:** REMN must verify and document all assets submitted to AUS ➢ Reserves refer to sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is required to pay at closing. ➢ Reserves do not include: » The amount of cash taken at settlement in cash-out transactions; » Incidental cash received at settlement in other loan transactions; » Equity in another Property; or » Borrowed funds from any source. ➢ 1-2 Unit » Total Score Card – No minimum requirements » No minimum requirements (including manual downgrade) ➢ 3-4 Unit » Total Scorecard – 3 months PITI » 3 months PITI (including manual downgrade) » Gift funds are allowed for reserves with DU Approve/Eligible findings only (if there is a manual downgrade, gift funds are not allowed for reserves on a 3-4-unit transaction.) ➢ 1-Unit with an Accessory Dwelling Unit » Total Score Card – 2 months PITI » 2 months PITI (including manual downgrade) » **Note: T**he minimum 2 months PITI requirement only applies if utilizing rental income from the ADU as effective income. ➢ See Non-Occupying Co-Borrower for additional reserve requirements for the Occupying Borrower. **MANUAL:** ➢ Reserves refer to sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is required to pay at closing. ➢ Reserves do not include: » The amount of cash taken at settlement in cash-out transactions; » Incidental cash received at settlement in other loan transactions; » Gift funds; » Equity in another Property; or » Borrowed funds from any source. ➢ All manually underwritten loans must meet or exceed the following minimum reserve requirements. » 1 and 2 Unit ▪ Reserves must equal or exceed one (1) total monthly mortgage payment. » 3 and 4 Unit ▪ Reserves must equal or exceed three (3) total monthly mortgage payments. » 1 Unit with an Accessory Dwelling Unit ▪ Reserves must equal or exceed two (2) total monthly mortgage payments. ▪ **Note: T**he minimum 2 months PITI requirement only applies if utilizing rental income from the ADU as effective income. ➢ See FHA FICO Overlay Matrix located at www.remnwholesale.com
Retirement Accounts	Retirement Accounts refer to assets accumulated by the Borrower for the purpose of retirement. ➢ REMN WS may include up to 60% of the value of assets, less any existing loans, from the Borrower's retirement accounts, such as IRAs, thrift savings plans, 401(k) plans, and Keogh accounts, unless the Borrower provides conclusive evidence that a higher percentage may be withdrawn after subtracting any federal income tax and withdrawal penalties. ➢ The portion of the assets not used to meet closing requirements, after adjusting for taxes and penalties may be counted as Reserves. **Required Documentation** ➢ REMN WS must obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the Borrower's retirement accounts, the Borrower's eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account. ➢ If any portion of the asset is required for funds to close, evidence of liquidation is required.

Stocks & Bonds	Stocks and Bonds are investment assets accumulated by the Borrower ➢ REMN WS must determine the value of the stocks and bonds from the most recent monthly or quarterly statement. ➢ If the stocks and bonds are not held in a brokerage account, the Mortgagee must determine the current value of the stocks and bonds through third party verification. Government-issued savings bonds are valued at the original purchase price, unless REMN WS verifies and documents that the bonds are eligible for redemption when cash to close is calculated. **Required Documentation** ➢ REMN WS must verify and document the existence of the Borrower's stocks and bonds by obtaining brokerage statement(s) for each account for the most recent two months. Evidence of liquidation is not required. ➢ For stocks and bonds not held in a brokerage account REMN WS must obtain a copy of each stock or bond certificate.
Gifts (Equity)	**Who May Provide Gifts of Equity** ➢ Only Family Members may provide equity credit as a gift on Property being sold to other Family Members. **Required Documentation** ➢ REMN WS must obtain a gift letter signed and dated by the donor and Borrower that includes the following: » The donor's name, address, and telephone number; » The donor's relationship to the Borrower; » The dollar amount of the gift; and » A statement that no repayment is required.

Gifts (Personal)

Gifts refer to contributions of cash or equity with no expectation of repayment

Acceptable Sources of Gifts Funds

- Gifts may be provided by:
  a) The Borrower's Family Member, which are defined as:
     - Child, parent, or grandparent (Child is a son, stepson, daughter or stepdaughter; parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
     - Spouse or domestic partner
     - Legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption
     - Foster child
     - Brother, stepbrother; Sister, stepsister
     - Uncle, Aunt or
     - Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower.
       - The following are **not** considered family members by FHA: a cousin, a grandparent-in-law, or a step grandparent-in-law.
  b) The Borrower's employer or labor union;
  c) A close friend with a clearly defined and documented interest in the Borrower. Explanation may be included in the gift letter; HUD does not require a second letter explaining the close friend relationship;
  d) A charitable organization;
  e) A governmental agency or public Entity that has a program providing homeownership assistance to:
     - Low or moderate-income families; or
     - First-time homebuyers.

Donor's Source of Funds

- Cash on Hand is not an acceptable source of donor gift funds.

Required Documentation

- REMN WS must obtain a gift letter signed and dated by the donor and Borrower that includes the following:
  a) The donor's name, address, and telephone number;
  b) The donor's relationship to the Borrower;
  c) The dollar amount of the gift; and
  d) A statement that no repayment is required.
- Copy of donor's bank statement

Documenting the Transfer of Gifts

- REMN WS must verify and document the transfer of Gifts from the donor to the borrower in accordance with the requirements below:
  a) For Gifts that will be verified prior to settlement, REMN WS must obtain one of the following:
     - The donor's bank statement showing the withdrawal and evidence of the deposit in to the borrower's account;
     - A copy of the donor's cancelled check and evidence of deposit into the borrower's account;
     - A copy of the donor's withdrawal receipt and evidence of deposit into the borrower's account; or
     - Evidence of the electronic transfer of funds from the donor's account to the borrower's account.
  b) For Gifts that will be verified at settlement, REMN WS must obtain one of the following evidencing payment to the settlement agent:
     - Evidence of electronic transfer of funds from the donor's account;
     - Bank certified check;
     - Cashier's check; or
     - Other official bank check.
  c) For Gifts of land, REMN WS must obtain:
     - Proof of ownership by the donor; and
     - Evidence of the transfer of title to the borrower.
- Although the source of the donor's funds does not need to be documented, if there is legitimate evidence or concern that the funds are from an unacceptable source, then the file must be elevated.

	➢ Regardless of when gift funds are made available to a Borrower, REMN WS must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.
Interested Party Contributions	➢ Interested parties refer to Sellers, Real Estate Agents, Builders, Developers or other parties with an interest in the transaction. ➢ Interested Party Contribution refers to a payment by an Interest Party, or combination of parties, toward the Borrower's origination fees, other closing costs and discount points. ➢ Interested Parties may contribute up to 6% of the lesser of the property's sales price or appraised value towards the buyer's closing costs, prepaid expenses, discount points and other financing concessions. ➢ The 6% limit also includes; » Interested Party payment for permanent or temporary interest rate buydowns and other payment supplements, » Payments of mortgage interest for fixed rate mortgages, » Mortgage payment protection insurance; and, » Payment of UFMIP. ➢ Interested Party Contributions that exceed actual origination fees, other closing costs and discount points are considered an inducement to purchase. ➢ Interested Party Contributions exceeding six (6%) percent are considered an inducement to purchase. ➢ Interested Party Contributions may not be used for the Borrower's MRI. ➢ Payment of real estate commissions or fees typically paid by the seller under local or state law or local custom is not considered an Interested Party Contribution. ➢ REMN WS must document the total Interested Party Contributions on Form HUD-92900-LT, Settlement Statement or similar legal documentation, and the sales contract.
Use of Real Estate Commission for Subject Transaction	➢ If the borrower is a licensed Realtor who will earn a commission on the subject property, then the funds are considered an acceptable source of funds for both down payment and closing costs.

ASSETS	
Inducements to Purchase	Inducements to Purchase refer to certain expenses paid by the seller and/or another Interested Party on behalf of the Borrower and result in a dollar-for-dollar reduction to the purchase price when computing the Adjusted Value of the Property before applying the appropriate Loan-to-Value (LTV) percentage. ➢ These inducements include, but are not limited to: » Contributions exceeding 6 percent of the purchase price; » Contributions exceeding the origination fees, other closing costs and discount points; » Decorating allowances; » Repair allowances; » Excess rent credit; » Moving costs; » Paying off consumer debt; » Personal Property; » Sales commission on the Borrower's present residence; and » Below-market rent, except for Borrowers who meet the Identity-of-Interest exception for Family Members. **Personal Property** ➢ Replacement of existing Personal Property items listed below are not considered an inducement to purchase, provided the replacement is made prior to settlement and no cash allowance is given to the Borrower. The inclusion of the items below in the sales agreement is also not considered an inducement to purchase if inclusion of the item is customary for the area: » Range » Refrigerator » Dishwasher » Washer » Dryer » Carpeting » Window treatment » Other items determined appropriate by the HOC **Sales Commissions** ➢ An inducement to purchase exists when the seller and/or Interested Party agrees to pay any portion of the Borrower's sales commission on the sale of the Borrower's present residence. ➢ An inducement to purchase also exists when a Borrower is not paying a real estate commission on the sale of their present residence, and the same real estate broker or agent is involved in both transactions, and the seller is paying a real estate commission on the Property being purchased by the Borrower that exceeds what is typical for the area. **Rent Below Fair Market** ➢ Rent may be an inducement to purchase when the sales agreement reveals that the Borrower has been living in the Property rent-free or has an agreement to occupy the Property at a rental amount considerably below fair market rent. ➢ Rent below fair market is not considered an inducement to purchase when a builder fails to deliver a Property at an agreed-upon time and permits the Borrower to occupy an existing or other unit for less than market rent until construction is complete.

ASSETS	
Down Payment Assistance	REMN Underwriters must contact Products Team for assistance with DPA programs. FHA does not "approve" down payment assistance programs administered by charitable organizations, such as nonprofits. ➢ FHA also does not allow nonprofit entities to provide gifts to pay off: » Installment Loans » Credit cards » Collections » Judgments » Liens » Similar debts ➢ REMN WS must ensure that a gift provided by a charitable organization meets the appropriate FHA requirements, and that the transfer of funds is properly documented. **Gifts from Charitable Organizations that Lose or Give Up Their Federal Tax-Exempt Status** ➢ If a charitable organization makes a gift that is to be used for all, or part, of a Borrower's down payment, and the organization providing the gift loses or gives up its federal tax-exempt status, FHA will recognize the gift as an acceptable source of the down payment provided that: » The gift is made to the Borrower; » The gift is properly documented; and » The Borrower has entered into a contract of sale (including any amendments to purchase price) on or before the date the IRS officially announces that the charitable organization's tax-exempt status is terminated. **Responsibility for Ensuring that Down Payment Assistance Provider is a Charitable Organization** ➢ REMN WS is responsible for ensuring that an Entity providing down payment assistance is a charitable organization as defined by Section 501(a) of the Internal Revenue Code (IRC) of 1986 pursuant to Section 501(c) (3) of the IRC. ➢ One resource for this information is the IRS Exempt Organization Select Check, which contains a list of organizations eligible to receive tax-deductible charitable contributions.

Secondary Financing	Secondary Financing is any financing other than the first Mortgage that creates a lien against the Property. Any such financing that does create a lien against the Property is not considered a gift or a grant even if it does not require regular payments or has other features forgiving the debt. **Secondary Financing Provided by Governmental Entities and HOPE Grantees** ➢ A Governmental Entity refers to any federal, state, or local government agency or instrumentality. ➢ To be considered an Instrumentality of Government, the Entity must be established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion) and does not have 501(c)(3) status. HUD deems Section 115 Entities to be Instrumentalities of Government for the purpose of providing secondary financing. ➢ Homeownership and Opportunity for People Everywhere (HOPE) Grantee refers to an Entity designated in the homeownership plan submitted by an applicant for an implementation grant under the HOPE program. ➢ FHA will insure a first Mortgage on a Property that has a second Mortgage or lien made or held by a Governmental Entity, provided that: » The secondary financing is disclosed at the time of application; » No costs associated with the secondary financing are financed into the FHA-insured first Mortgage; » The insured first Mortgage does not exceed the FHA Nationwide Mortgage Limit for the area in which the Property is located; » The secondary financing payments are included in the total Mortgage Payment; » Any secondary financing of the Borrower's MRI fully complies with the additional requirements set forth in Source Requirements for the Borrower's MRI; » The secondary financing does not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing; and » The second lien does not provide for a balloon payment within ten (10) years from the date of execution. ➢ Nonprofits assisting a Governmental Entity in the operation of its secondary financing programs must have HUD approval and placement on the Nonprofit Organization Roster unless there is a documented agreement that: » The functions performed are limited to the Governmental Entity's secondary financing program; and » The secondary financing legal documents (Note and Deed of Trust) name the Governmental Entity as the Mortgagee. ➢ Secondary financing that will close in the name of the nonprofit and be held by a Governmental Entity must be made by a HUD-approved Nonprofit. ➢ REMN WS must enter information on HUD-approved Nonprofits into FHA Connection (FHAC), as applicable. ➢ Secondary financing provided by Governmental Entities or HOPE grantees may be used to meet the Borrower's MRI. Any loan of the Borrower's MRI must also comply with the additional requirements set forth in Source Requirements for the Borrower's MRI. ➢ There is no maximum Combined Loan-to-Value (CLTV) for secondary financing loans provided by Governmental Entities or HOPE grantees. ➢ Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR § 203.32. (Continued on following page)

ASSETS	
Assets - General	**Required Documentation** ➢ REMN WS must obtain from the provider of any secondary financing: » Documentation showing the amount of funds provided to the Borrower for each transaction; » Copies of the loan instruments; and » A letter from the Governmental Entity on their letterhead evidencing the relationship between them and the nonprofit for each FHA-insured Mortgage, signed by an authorized official and containing the following information: ▪ The FHA case number for the first Mortgage; ▪ The complete property address; ▪ The name, address and Tax ID for the nonprofit; ▪ The name of the Borrower(s) to whom the nonprofit is providing secondary financing; ▪ The amount and purpose for the secondary financing provided to the Borrower; and ▪ A statement indicating whether the secondary financing: • Will close in the name of the Governmental Entity; or • Will be closed in the name of the nonprofit and held by the Governmental Entity. ➢ Where a nonprofit assisting a Governmental Entity with its secondary financing programs is not a HUD-approved Nonprofit, a documented agreement must be provided that: » The functions performed by the nonprofit are limited to the Governmental Entity's secondary financing program; and » The secondary financing legal documents (Note and Deed of Trust) name the Governmental Entity as the Mortgagee. ➢ Where a nonprofit meets the criteria identified in Section 115 of the Internal Revenue Code (IRC) for exclusion of taxation, the nonprofit must provide one of the following: » a letter from the organization's auditor; » a written statement from the organization's General Counsel, as an official of the organization; » a determination or ruling letter issued by the IRS; or » an equivalent document evidencing Section 115 status.
	Secondary Financing HUD-Approved Nonprofits ➢ A HUD-approved Nonprofit is a nonprofit agency approved by HUD to act as a mortgagor using FHA mortgage insurance, purchase the Department's Real Estate Owned (REO) Properties (HUD Homes) at a discount, and provide secondary financing. ➢ HUD-approved Nonprofits appear on the HUD Nonprofit Roster. ➢ FHA will insure a first Mortgage on a Property that has a second Mortgage or lien held by a HUD-approved Nonprofit, provided that: » The secondary financing is disclosed at the time of application; » No costs associated with the secondary financing are financed into the FHA-insured first Mortgage; » The secondary financing payments must be included in the total Mortgage Payment; » The secondary financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing; » The secondary financing may not be used to meet the Borrower's MRI; » There is no maximum CLTV for secondary financing loans provided by HUD-approved Nonprofits; and » The second lien may not provide for a balloon payment within 10 years from the date of execution. ➢ Secondary financing provided by Section 115 Entities must follow the guidance in Secondary Financing Provided by Governmental Entities and HOPE Grantees. ➢ Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR § 203.32. **Required Documentation** ➢ REMN WS must obtain from the provider of any secondary financing: » Documentation showing the amount of funds provided to the Borrower for each transaction; and » Copies of the loan instruments. ➢ REMN WS must enter information into FHAC on the nonprofit and the Governmental Entity as applicable. If there is more than one nonprofit, enter information on all nonprofits. (Continued on following page)

ASSETS	
	Family Members ➢ FHA will insure a first Mortgage on a Property that has a second Mortgage or lien held by a Family Member (for definition of family member, see Definition of Family Member section), provided that: » The secondary financing is disclosed at the time of application; » No costs associated with the secondary financing are financed into the FHA-insured first Mortgage; » The secondary financing payments must be included in the total Mortgage Payment; » The secondary financing must not result in cash back to the Borrower except for refund of earnest money deposit or other Borrower costs paid outside of closing; » The secondary financing may be used to meet the Borrower's MRI; » The CLTV ratio of the Base Loan Amount and secondary financing amount must not exceed 100 percent of the Adjusted Value; » The second lien may not provide for a balloon payment within 10 years from the date of execution; » Any periodic payments are level and monthly; » There is no prepayment penalty; » If the Family Member providing the secondary financing borrows the funds, the lending source may not be an Entity with an Identity of Interest in the sale of the Property, such as the: ▪ Seller; ▪ Builder; ▪ Loan originator; or ▪ Real estate agent; » Mortgage companies with retail banking Affiliates may have the Affiliate lend the funds to the Family Member. However, the terms and conditions of the loan to the Family Member cannot be more favorable than they would be for any other Borrowers; » If funds loaned by the Family Member are borrowed from an acceptable source, the Borrower may not be a co-Obligor on the Note; » If the loan from the Family Member is secured by the subject Property, only the Family Member provider may be the Note holder; and » The secondary financing provided by the Family Member must not be transferred to another Entity at or subsequent to closing. ➢ Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR § 203.32. **Required Documentation** » REMN WS must obtain from the provider of any secondary financing: » Documentation showing the amount of funds provided to the Borrower for each transaction and source of funds; and » Copies of the loan instruments If the secondary financing funds are being borrowed by the Family Member and documentation from the bank or other savings account is not available, REMN WS must have the Family Member provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the Mortgagee. **NOTE:** Mortgages with PACE or HERO programs as a subordinate/secondary financing option are not eligible for financing (all states).
Rent Credit	Rent Credits refer to the amount of the rental payment that exceeds the Appraiser's estimate of fair market rent. ➢ The cumulative amount of rental payments that exceed the appraiser's estimate of fair market rent may be considered accumulation of the borrower's cash investment. The loan file must include; » Rent with Option to Purchase Agreement; and » Appraiser's estimate of market rent (1007). » Evidence of receipt of timely rental payments. ➢ Conversely, the Underwriter must treat the rent as an inducement to purchase, with an appropriate reduction to the mortgage, if the sales agreement reveals that the borrower; » Has been living in the property rent-free, or » Has an agreement to occupy the property as a rental considerably below fair market value in anticipation of the eventual purchase. **Exception**: An exception may be granted when a builder; fails to deliver a property at an agreed to time; and, permits the borrower to occupy and existing or other unit for less than market rent until construction is completed.

ASSETS	
Tax Proration	➢ FHA will allow tax proration to be considered as part of the borrower's minimum required investment provided that REMN WS has verified the borrower has the minimum required investment (in assets) prior to or at closing. In additional, all HOC's will continue to permit the borrower to only bring the actual dollar amount necessary to meet minimum required investment less the tax credit they will receive at closing. Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if the Mortgagee documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting. ➢ This permits the Borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total Minimum Required Investment.
Verifying Acceptability of Gift Funds	➢ The source of the donor's funds does not need to be documented. However, if there is legitimate evidence or concern that the funds are from an unacceptable source, then the file must be elevated. ➢ When the transfer occurs at closing, REMN WS is responsible for verifying that the closing agent received the funds from the donor for the amount of the gift and that the funds were from an acceptable source. See Gift Funds Transfer for documentation requirements. ➢ As a general rule, FHA is not concerned with how a donor obtains gift funds, provided that they are not derived in any manner from a party to the sales transaction. Donors may borrow gift funds from any acceptable source, provided the borrowers are not obligated on any note to secure money borrowed to give the gift.

OTHER REAL ESTATE OWNED	
Number of Properties Owned / Financed with REMN WS	➢ Borrowers who own more than four (4) properties (including the subject property) are not eligible for financing with REMN Wholesale. The four-property limit is cumulative for all borrowers, and includes properties owned free and clear, properties held in an LLC, and commercial properties. Exceptions may be granted on a case-by-case basis with REMN Wholesale executive management approval. A price adjustment may apply. ➢ Multiple simultaneous loan submissions require an exception from REMN WS management. ➢ REMN limits its exposure to a maximum of 4 loans per borrower. The preferred method for processing multiple mortgages for the same borrower, but on different properties is to process, underwrite and close them at the same time. Essentially once all of the mortgages are closed, they would "mirror" one another, with each property reflecting the new mortgages on the other properties.
Properties Owned Free & Clear	If a borrower indicates a property they own is owned free and clear the following is required. ➢ IRS Transcript to verify no mortgage interest taken. ➢ If the property was purchased with the current calendar year (so transcript not available), a copy of the HUD/CD showing it was purchased with no mortgage PLUS one (1) of the following additional documents: ▪ Copy of hazard insurance declaration page showing no mortgagee listed; or, ▪ Copy of MERS report for property showing no mortgage listed; or, ▪ Copy of Data Verify report showing no mortgage listed.

APPRAISAL, PROPERTY, SALES CONTRACT	
Appraisal	For complete appraisal requirements, please refer to FHA Handbook 4000.1 at the following link: https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1 II. Origination Through Post Closing/Endorsement B. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages 1. Commencement of the Appraisal ➢ Appraisal photos must be taken of the front and rear 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 either the front or rear photograph. ➢ Street scene photo must include a portion of the subject site. ➢ If the subject property is new construction, include photos that depict the subject's grade and drainage. ➢ If the subject property is proposed construction and the improvements have not been started, the appraiser should take a photograph that shows the grade of the vacant lot. ➢ Comparable Photos » Photos depicting the front view of each comparable sale utilized must be those taken by the appraiser. Photos taken at an angle to depict both the front and the side when possible. Multiple Listing Service (MLS) photos are acceptable to exhibit comparable condition at the time of sale. However, Appraisers must include their own photos as well, to document compliance. ➢ Condominium Projects require additional photos of common areas and shared amenities of the project. ➢ AVM is not automatically required on FHA loan (Underwriter option to substantiate value). **As-Is Condition and Cosmetic Repairs** ➢ The Appraiser may complete an as-is appraisal for existing properties when minor property deficiencies, which generally result from deferred maintenance and normal wear and tear, do not affect the health and safety of the occupants or the security and soundness of the Property. Cosmetic or minor repairs are not required, but the Appraiser must report and consider them in the overall condition when rating and valuing the property. Cosmetic repairs include missing handrails that do not pose a threat to safety, holes in window screens, cracked window glass, defective interior paint surfaces in housing constructed after 1978, minor plumbing leaks that do not cause damage (such as a dripping faucet), and other inoperable or damaged components that in the Appraiser's professional judgment do not pose a health and safety issue to the occupants of the house. ➢ If an element is functioning well but has not reached the end of its useful life, the Appraiser should not recommend replacement because of age. **Defective Conditions Requiring Repairs** ➢ The nature and degree of any noted deficiency will determine whether the Appraiser must address the deficiency in the narrative comments area of the report under "condition of the property" or "physical deficiencies" affecting livability or structural soundness. **Conditions Requiring Inspection by a Qualified Individual or Entity** ➢ The Appraiser must notify REMN WS and make the appraisal subject to an inspection by a qualified individual or entity when the observation reveals evidence of a potential safety, soundness, or security issue beyond the Appraiser's ability to assess. The Appraiser must report and describe the indication of a particular problem when requiring an inspection of any mechanical system, structural system, or other component requiring a repair.
Appraisal Transfer	» On an exception basis, REMN will accept the transfer of an appraisal/appraisal alternative report originally completed by another lender. » All transferred in appraisals/appraisal alternatives must be sent to the REMN Appraisal Department for review. ○ Note: The review by the Appraisal Department does not eliminate any investor requirements for supporting documentation on an appraisal. » The report must be in the name of a lender; it cannot be in the name of a broker (unless acting in a Principal Agent capacity) or an individual. » REMN Associates: Please refer to the Transfer of Appraisal policy on Homebase for all requirements and procedures.

Additional Documentation Required for Appraisal for New Construction	When New Construction is less than 90% complete at the time of the appraisal, the Appraiser must document the floor plan, plot plan, and exhibits necessary to determine the size and level of finish. When New Construction is 90% or more complete, the Appraiser must document a list of components to be installed or completed after the date of appraisal. **Appraiser Responsibility to Report Property Compliance** The Appraiser must observe, analyze and report that the Property meets HUD's MPR and MPS. Minimum Property Requirements (MPR) refers to general requirements that all homes insured by FHA be safe, sound, and secure. Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness and security of New Construction. ➢ Every Property must be safe, sound, and secure so that the Mortgagee can determine eligibility. The Appraiser must note every instance where the Property is not safe, sound, and secure and does not comply with FHA's MPR and MPS.
Declining Market	➢ Appraisals located in a declining market require at least two (2) comparables that closed within 90 days of the appraisal and are as similar as possible to the subject property.
Non-Residential Use of Property	➢ Non-Residential portion of the total floor area may not exceed 49%. ➢ Any non-residential use of the property must be subordinate to its residential use, character and appearance. ➢ Non-residential use may not impair the residential character or marketability of the property. ➢ The non-residential use of the property must be legally permitted and conform to current zoning requirements.

<table>
<tr><th colspan="2">APPRAISAL, PROPERTY, SALES CONTRACT</th></tr>
<tr><td>Condo Approval</td><td>

Condos must be FHA approved (HRAP) at the time the FHA Case Number assignment is issued.
Site condos do not require Project Approval; process as 234C. The appraiser must report the appraisal on Fannie Mae Form 1073/Freddie Max Form 465, Individual Condominium Unit Appraisal Report.
REMN WS does offer DELRAP approval of condo projects through the REMN WS Projects Standards group.
REMN WS DE Underwriter must complete the HOA Certification.

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<tr><td>Condo Approval – Definition of Owner Occupancy</td><td>

Owner occupied units are defined as principal residences, secondary residences, or units that have been sold to purchasers who intend to occupy them as a primary of secondary residence.

Principal Residence – refers to a dwelling where the owner maintains or will maintain their permanent place of abode, and which the owner typically occupies or will occupy for the majority of the calendar year.

Secondary Residence – refers to a dwelling that an owner occupies in addition to their principal residence, but less than a majority of the calendar year. A secondary residence does NOT include a vacation home.

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<tr><td>Condo Approval – Owner Occupancy Percentages</td><td>
<table>
<tr><th>Project Status</th><th>Requirements</th></tr>
<tr><td>Existing (projects fully-completed and over one year old or non-gut rehab conversions).</td><td>At least 50% of the units of a project must be owner-occupied or sold to owners who intend to occupy the units. The owner occupancy requirement may be lowered to as low as 35% if the projects meets the conditions outlined below in Condo Approval – Lower Owner Occupancy Percentages Down to 35%</td></tr>
<tr><td>Proposed, Under Construction (including existing projects less than 12 months old) or Gut Rehab Conversions</td><td>FHA will allow a minimum owner-occupancy percentage of 30% of the declared units. Legally phased projects must meet 30% presale and 30% owner occupancy requirements.</td></tr>
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</td></tr>
<tr><td>Condo Approval – Lower Owner Occupancy Percentages Down to 35%</td><td>

Existing projects (greater than twelve months old) with an owner-occupancy percentage of at least 35% and less than 50% are eligible for approval under the following circumstances:

Applications must be submitted for processing and review under the HUD Review and Approval Process (HRAP) option.
Financial documents must provide for funding of replacement reserves for capital expenditures and deferred maintenance in an account representing at least 20% of budget; and
No more than 10% of the total units can be in arrears (more than 60 days past due) on their condominium association fee payments; and
Three (3) years of acceptable financial documents must be provided.

The owner-occupancy percentage must be documented as follows:

Copies of sales agreements and evidence (loan commitment) that a lender is willing to make the loan; or
Evidence that units have closed and are occupied by the owner; or

Information from a developer/builder that lists all the units already sold, under contract, or closed that are or will be occupied by the owner (e.g. a spreadsheet, chart, or listing used for the company's own tracking purposes) that is accompanied by a signed certification from the developer.

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<tr><td>Detached PUD Units</td><td>

REMN WS does not require any type of project and/or insurance review for detached single family homes in a Planned Unit Development (PUD).
Although HOA insurance policies for these units will not be reviewed, the dwelling must be covered by the proper level of insurance and otherwise meet dwelling coverage guidelines.

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Minimum Property Standards	➢ Free standing stoves/ovens and refrigerators are not required. ➢ Air conditioning is not required; however, if window unit is installed it must be functional or removed. ➢ A conventional heating source is required and must maintain a temperature of 50° in areas where there is pluming. ➢ Floor covering is not required as long as the flooring does not cause a health or safety issue. ➢ Cracked glass is not required to be repaired; however, broken glass that is a health hazard must be removed and the opening closed to the weather.
Living Trust	➢ Property held in a living trust is eligible for FHA mortgage insurance when an individual borrower; » Remains the beneficiary; and, » Occupies the property as a principal residence. ▪ REMN WS must be satisfied that the trust provides reasonable means to assure that we will be notified of any changes to the trust regarding; » Occupancy changes; or, » Transfer of Beneficiary Interest ▪ The name of the living trust must appear on the security instrument, such as the mortgage, deed of trust or security deed. The individual borrower must appear on the security instrument when required to create a valid lien under state law. The owner-occupant and other borrowers if any; must also appear on the note with the trust. The individual borrower is not required to appear on the property deed or title.

FHA Flood Zone Requirements	*Special Flood Hazard Areas* **New Construction** ➢ If any portion of the dwelling and related structures or equipment essential to the property value is located in an SFHA, the property is not eligible for FHA mortgage insurance, unless the Mortgagee: » obtains a FEMA-issued final LOMA or LOMR that removes the Property from the SFHA; **or** » obtains a FEMA NFIP Elevation Certificate (FEMA Form FF-206- FY-22-152). The Elevation Certification must document that the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built above the 100-year flood elevation in compliance with the NFIP criteria; and » ensures the borrower obtains Flood Insurance **Existing Construction** ➢ When any portion of the residential improvements is determined to be located within an SFHA, Flood Insurance must be obtained **Condominiums** ➢ The Mortgagee must ensure the Condominium Association obtains Flood Insurance on buildings located within the SFHA. The Flood Insurance coverage must protect the interest of the Borrowers who hold title to an individual unit, as well as the common areas of the Condominium Project **Manufactured Homes** ➢ The finished grade level beneath the Manufactured Home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling and related Structures or equipment essential to the Property Value for both new and existing Manufactured Homes is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee: » obtains a FEMA-issued LOMA or LOMR that removes the Property from the SFHA; **or** » obtains a FEMA NFIP Elevation Certificate (FEMA Form FF-206- FY-22-152) showing that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation, and » ensures the borrower obtains Flood Insurance *Site Considerations* ➢ If any portion of the dwelling and related Structures or equipment essential to the Property Value is located in a Special Flood Hazard Area (SFHA), REMN must reject the Property, unless REMN: » obtains a Federal Emergency Management Agency (FEMA)-issued final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the Property from the SFHA; or » obtains a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form FF-206-FY-22-152) that documents that the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built above the 100-year flood elevation in compliance with the NFIP criteria; and » ensures that the Elevation Certificate is completed based on finished construction. ➢ REMN must include the LOMA, LOMR, or FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152) with the case when it is submitted for endorsement. ➢ REMN must ensure that Flood Insurance is obtained when a FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152) documents that the Property remains located within an SFHA.
Termite Inspections	➢ The appraiser must observe the foundation and perimeter of the buildings for evidence of wood destroying pests. The appraiser's observation is not required to be at the same level as a qualified post control specialist. ➢ If there is evidence or notification of infestation, including a prior treatment, the Appraiser must make the evidence of infestation box in the "Improvements" section of the appraisal and make the appraisal subject to inspection by a qualified pest control specialist. ➢ Soil poisoning is an unacceptable method for treating termites unless REMN WS obtains satisfactory assurance that the treatment will not endanger the quality of the water supply. ➢ See New Construction – Required Documentation for Maximum Financing section for Wood Infestation report information.

Well Inspection	➢ Except for cases where either a) a well test is mandated by the state or local jurisdiction or b) there is knowledge that well water may be contaminated, a well test/inspection will only be required if the appraiser requires a test or inspection based on any of the following readily observable deficiencies that apply: » When the water supply relies upon a water purification system due to the presence of contaminants; » Corrosion of pipes (plumbing); » Areas of intensive agriculture within ¼ mile; » Coal mining or gas drilling within ¼ mile; » A dump, junkyard, landfill, factory, gas station or dry-cleaning operation within ¼ mile; or » An unusually objectionable taste, smell or appearance of well water. ➢ If the appraiser does not specify the distances for the well (between well, property lines or building structures, etc.) on the report, REMN WS as the lender must obtain proper verification. » A statement from the appraiser, "meets minimum property standards", is NOT sufficient. » **Exception**: If the property does not meet existing FHA standards for well distance, a waiver may be applied if: ○ The property is considered existing construction. ○ The municipality provides a current statement that the distance meets local code ○ An acceptable water test is provided ➢ REMN WS must confirm that a connection is made to a public or Community Water System whenever feasible and available at a reasonable cost. If connection costs to the public or community system are not reasonable, the existing on-site systems are acceptable provided they are functioning properly and meet the requirements of the local health department. ➢ Individual Water Supply Systems (Wells): » When an individual water supply system is present, REMN WS must ensure the water quality meets the requirements of the health authority with jurisdiction. » If there is no local (or state) water quality standards, then water quality must meet the standards of the EPA. » If the subject property has a water source that includes a mechanical chlorinator or is served by springs, lakes, rivers, sand-point wells or artesian wells, the property is not eligible for FHA mortgage insurance. NOTE: FHA does not mandate a water test in every instance. If the appraiser notes a potential problem and/or there is other known information in the file indicating a problem, then a test is required.

APPRAISAL, PROPERTY, SALES CONTRACT	
Septic Inspection	Septic System inspections are required only if; ➢ The appraiser observes evidence of system failure or suspects a problem with the system, or ➢ It is customary (if UW is unaware if customary, contact appraiser for guidance) to obtain inspections in the area, or ➢ Inspections are mandated by the State or local jurisdictions. In the above instances the appraiser is to condition for an inspection and certification, by the local health authority, a licensed sanitarian or an individual determined by REMN WS to be qualified to inspect the system, that states the system appears to be operating properly. ➢ If the home has been unoccupied for more than 30 days (and does not meet one of the conditions noted above) and if the DE Underwriter believes an inspection is still required, they should elevate it to their UW or Ops Manager for a final decision.
Who can perform Well/Septic Inspections	➢ In order to perform on-site well and septic inspections, engineers must meet the following criteria: » Hold a current State license which authorizes them to perform such inspections, » Perform inspections in accordance with the requirements and standards established by the local or State health authority; and, » Utilize laboratories which are State-certified and meet EPA standards.
Continuity of Obligation	➢ A refinance transaction used to pay off an existing real estate debt with the proceeds of a new loan for the borrower(s) with legal title; and on the same property. **NOTE**: The borrower is eligible to refinance the loan as long as he/she has legal title, even if he/she is not on the original note. ➢ Non-Occupant Co-Borrowers may NOT be added in a cash-out refinance transaction in order to meet FHA's underwriting guidelines for the mortgage.
Comparable Selection (REMN WS Policy)	The appraiser is responsible for determining which comparables are the best and most appropriate for the appraisal assignment. The source of at least two of the closed comparable sales utilized to establish value on an appraisal report must: - be from a Multiple Listing Service (MLS) entity - Located within the same town or municipality as the subject property - Considered part of the same market area within that town or municipality as the subject property **Note**: On an exception basis, REMN will allow comparables from another town or municipality, however, there must be substantial commentary on the similarities of the two towns or municipalities and why they are considered comparable markets. Exception requests must be approved by the REMN Appraisal Department. Click here to read the REMN WS Appraisal Review – Source of Comparable Sales policy.
AMC Selection	The following is a list of REMN Wholesale approved AMCs: ➢ Act Appraisal Management ➢ AMC Settlement Services ➢ Ascend Appraisal Solutions Group ➢ Axis Management Solutions ➢ Class Valuation ➢ Fastapp Appraisal Management ➢ Golden State ➢ Karis Management Group ➢ MaxVantage (DART) ➢ Nadlan Valuation ➢ Nationwide Appraisal Network ➢ Nationwide Property and Appraisal Services ➢ Property Valuation ➢ R3 ➢ ServiceLink ➢ Stewart Valuation ➢ Valuation Services AMC Click here to Order an Appraisal on the REMN Wholesale website

APPRAISAL, PROPERTY, SALES CONTRACT		
Escrow Holdbacks	**HUD REO $100 Down Payment Program** ➢ HUD Form 92564-CN must be executed by the borrower prior to execution of the contract. ➢ FHA Case Number must be ordered as "Real Estate Owned" and property disposition must be "no". Previous Case Number must also be entered in FHA Connection. ➢ Maximum repair amount cannot exceed $11,000. ➢ Prior to closing utilities must be turned on and verified as properly operating. ➢ Bond loans are not permitted. ➢ Prior to closing any required certifications (termite, well, septic) must be obtained and if repairs are needed included in the $11,000 cap. ➢ Open repair items must be specifically outlined and supported by a Contractor's estimate. ➢ Maximum time frame for repairs to be completed is two (2) weeks (14 calendar days) from the loan disbursement date. Any extension needed must be reviewed and approved by Management. ➢ Final Inspection Fee will be collected. ➢ Standard Repair Escrow Agreement must be executed. ➢ HUD Form 92300 must be executed by DE Underwriter prior to loan disbursement. ➢ REMN will hold the applicable amount in an escrow account. On an exception bases, the amount may be held by the Settlement Agent (requires Chief Credit Officer approval) ➢ Upon completion of the repairs, the borrower may contact reno@remn.com to schedule a final inspection or for any questions regarding the release of escrow funds. ➢ DE Underwriter must obtain and sign off on Final Inspection prior to disbursement of the escrow holdback.	**REMN WS Home Fixer Repair Escrow Option** ➢ The maximum amount of the repairs is limited to $5,000. Amounts greater than $5,000 are considered on an exception basis (requires Chief Credit Officer Approval) ➢ Bond loans are not permitted. ➢ Repairs cannot impact the habitability or safety of the subject property. ➢ An estimate from a licensed contractor (or other qualified professional) listing all repairs required. ➢ REMN will hold 1.5 times the amount of the estimate in an escrow account. On an exception bases, the amount may be held by the Settlement Agent (requires Chief Credit Officer approval). The borrower must use their own funds (or approved gift) to establish the escrow account and complete the repairs. Consequently, they must verify assets of 2.5 times the amount of the estimate in addition to those assets needed for the down payment and closing costs. ➢ The repairs are not paid for with the funds in the escrow account, the borrower must pay for the repairs directly. ➢ The repairs must be completed within 14 calendar days of loan disbursement - and the final inspection within 72 hours of completion. ➢ The underwriter must approve the escrow request, list it as a closing condition of loan approval & properly complete the repair escrow form. ➢ If the request is made, the loan must be re-disclosed within 72 hours of the request as a "changed circumstances" and a final inspection fee added to the LE. ➢ The underwriter is responsible for having the escrow agreement completed by an UW Team Lead and sent to the closing table to be executed. ➢ Upon completion of the repairs, the borrower may contact reno@remn.com to schedule a final inspection and with questions regarding release of escrow funds.

APPRAISAL,PROPERTY,SALES CONTRACT	
Solar & Wind Technologies	**Eligibility** » Eligible Property Types – 1-unit SFR – 2-4-unit properties Condominium units are NOT eligible for solar and wind technologies » Eligible Transaction Types (Section 203b) – Purchases ▪ Adjusted Value computed by using the purchase price excluding cost and installation of the solar/wind technology system & Property Value excluding cost and installation of the solar/wind technology system ▪ REMN WS must add the lesser of: • The cost and installation of the solar/wind technology system; or • 20% of the Property Value to the Base Loan Amount. ▪ REMN WS must exclude any rebates identified in the contract and assigned to the contractor in determining the cost and installation of the solar/wind technology system. – Rate & Term Refinance and Simple Refinance ▪ Adjusted Value computed by using the Property Value without the cost and installation of the solar/wind technology system. ▪ REMN WS must add the lesser of: • The cost and installation of the solar/wind technology system; or • 20% of the Property Value to the Base Loan Amount. ▪ REMN WS must exclude any rebates identified in the contract and assigned to the contractor in determining the cost and installation of the solar/wind technology system. – Cash-Out - The borrower(s) may not receive cash back from the mortgage transaction. If an excess exists, the funds must be applied to the principal mortgage balance. » Nationwide Mortgage Limit (Purchase & Refinance) – The Base Loan Amount may exceed the Nationwide Mortgage Limit for the geographical area by no more than 20%. **Eligible Solar and Wind Technologies** Active and passive solar systems, as well as wind-driven systems, are acceptable. » Photovoltaic Systems – Must provide electricity for the residence and must meet applicable fire and electrical code requirement. » Wind Turbine for Residential Properties - A wind turbine must: – Have a nameplate capacity of no more than 100 kilowatts; – Have a performance and safety certification from: ▪ The International Electrotechnical Commission (IEC) standards from an accredited product certification body; **OR** ▪ The American Wind Energy Association (AWEA) standards from the Small Wind Certification Council (SWCC) or a Nationally Recognized Testing Laboratory (NRTL); **AND** ▪ Be installed by an installer who has received either a North American Board of Certified Energy Practitioners Small Wind Installer Certification or small wind turbine installation training from an accredited training organization. **Title to Systems** The borrower(s) must own, not lease, solar or wind energy systems for the systems to be considered eligible improvements. Leased equipment and Solar Power Purchase Agreements (SPPA) may not be financed under any FHA Title II programs. **Escrows** » REMN WS must establish an escrow account in accordance with FHA's Repair Completion Escrow Requirements for the remaining cost of the energy improvements if the installation of solar or wind energy systems is not complete at time of closing. » If the energy package is part of a 203(k) mortgage, then the escrowed amounts of the energy package must be included in the rehabilitation escrow amount. » Any funds remaining in the escrow account at the end of the improvement period must be applied to pay down the mortgage principal.

	» Escrows may not include costs for labor or work performed by the borrower(s) (Sweat Equity). » When funds used to complete the solar or wind energy systems are escrowed, REMN WS must execute form HUD-92300, *Mortgagee's Assurance of Completion*, to indicate that the escrow for solar/wind improvements has been established. **Completion Requirements for Solar and Wind Technology Installation** » Installation of solar and wind energy systems must be completed within 120 days of the mortgage disbursement. » REMN WS must apply the remaining solar/wind escrow funds to prepayment of the mortgage principal, if the work is not completed within the required timeframes. REMN WS or its agent must inspect the solar/wind improvement or obtain evidence from the local authority that the system was installed in accordance with local code.

Restrictions on Property Flipping	Property Flipping is indicative of a practice whereby recently acquired Property is resold for a considerable profit with an artificially inflated value. **Definition** ➢ Property Flipping refers to the purchase and subsequent resale of a Property in a short period of time. **Time Restriction on Transfers of Title** ➢ The eligibility of a property for a mortgage insured by FHA is determined by the time that has elapsed between the date the seller has acquired title to the Property and the date of execution of the sales contract that will result in the FHA-insured Mortgage. ➢ FHA defines the seller's date of acquisition as the date the seller acquired legal ownership of that Property. FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the Property with an FHA-insured Mortgage. ▪ For any state that has allows an owner's redemption right period upon a foreclosure sale, FHA has indicated that it is acceptable to use the foreclosure sale date rather than the expiration date of the redemption period to calculate the seasoning for flips. **Restriction on Re-sales Occurring 90 Days or Fewer After Acquisition** ➢ A Property that is being resold 90 Days or fewer following the seller's date of acquisition is not eligible for an FHA-insured Mortgage. ➢ If this situation occurs, it is acceptable for a new contract to be re-executed on/or after the 91st day. If a new contract is executed, the same 1003, FHA case number and appraisal, ASSUMING STILL VALID, may be used. The guidelines for Re-sales Occurring between 91 Days and 180 Days After Acquisition would then apply. **Re-sales Occurring Between 91 Days and 180 Days After Acquisition** REMN WS must obtain a second appraisal by another Appraiser if: ➢ The resale date of a property is between 91 and 180 days following the acquisition of the property by the seller; and ➢ The resale price is 100% or more over the price paid by the seller to acquire the property. ➢ If the second appraisal supports a value of the property that is more than 5% lower than the value of the first appraisal, the lower value must be used as the Property Value in determining the Adjusted Value. » The cost of the second appraisal may not be charged to the Borrower. **Exceptions to Time Restrictions on Resale** ➢ Properties acquired by an employer or relocation agency in connection with the relocation of an employee; ➢ Re-sales by HUD under its REO program; ➢ Sales by other U.S. government agencies of single-family properties pursuant to programs operated by these agencies; ➢ Sales of properties by nonprofits approved to purchase HUD owned single family properties at a discount with resale restrictions; ➢ Sales of properties that are acquired by the seller by inheritance; ➢ Sales of properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE); ➢ Sales of properties by local and state government agencies; and ➢ Sales of properties within Presidentially Declared Major Disaster Area, only upon issuance of a notice of an exception from HUD. ➢ The restrictions listed above do not apply to a builder selling a newly built house or building a house for a Borrower planning to use FHA-insured financing. **Required Documentation** ➢ REMN WS must obtain a 12-month chain of title documenting compliance with time restrictions on re-sales. ➢ REMN WS must review the appraisal to determine if the subject property was sold within twelve (12) months prior to the case number assignment date. If the subject property was sold within the previous twelve (12) months REMN WS must review evidence of prior ownership and determine if there are any undisclosed Identity-of-Interest transactions. **NOTE**: ➢ The HPML Appraisal Rule has specific requirements for Property Flips. Refer to the REMN Corporate TILA policy (HPML Appraisal Rule section) for property flip guidelines for HPML loans. ➢ Property deeded to a new owner with no money exchanged ($0.00) is not considered a sale, so it is not subject to the rules prohibiting property flipping.

	➢ If there is a partial continuity of ownership, a quit claim deed transaction is not a sale and is not subject to the rules prohibiting property flipping. The use of a quit claim deed will not be deemed a flip as long as at least one (1) of the original owners retains an ownership interest in the property after the quitclaim is recorded.

PROPERTY INSURANCE	
Insurance Coverage Requirements	» Standard insurance requirements apply. Underwriters may reference the REMN Insurance Coverage Requirements job aid for complete details on insurance requirements. » In lieu of matching the mailing address with the subject address on an owner-occupied purchase, REMN will accept a letter from the Agent Stating: o The company's internal policy does not permit the subject property address to be used prior to the effective date, and o The mailing address will automatically change to the subject property on (or shortly after) the effective date.
Mortgagee Clauses	**For Homeowners Insurance (including Hazard, Flood, Wind, Hail, etc.):** ServiceMac, LLC ISAOA/ATIMA P.O. Box 29411 Phoenix, AZ 85038-9411 **For Title Insurance and Closing Protection Letter (all states except for New York):** Homebridge Financial Services, Inc., DBA Real Estate Mortgage Network its successors and/or assigns as their interest may appear 99 Wood Avenue South, Suite 301 Iselin, NJ 08830 **For Title Insurance and Closing Protection Letter (New York ONLY)** HomeBridge Financial Services, Inc. D/B/A REMN Wholesale ISAOA/ATIMA 99 Wood Avenue South, Suite 301 Iselin, NJ 08830
Conflict of Interest	» Employees are prohibited from having multiple roles in a single FHA insured transaction. » Employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA insured transaction. Example: Can a loan officer who is exclusively employed by a lender originate loans involving real estate transactions in which their spouse is a real estate agent? No, employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction.