

## Product Guidelines

### FHA 203(h) Mortgage Insurance for Disaster Victims

PROGRAM CODES: F15F203H, F20F203H, F25F203H, F30F203H, H15F203H, H20F203H, H25F203H, H30F203H

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PURCHASE TRANSACTIONS			
Maximum LTV	Max Loan Amount	Max Ratios	Rental History
<b>MINIMUM FICO 500</b>			
100%	1-UNIT. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	AUS Accept: Per AUS; Manual: 43%	0 X 30 Past 12 Months Prior to the declared disaster date.
<b>MINIMUM FICO 580</b>			
100%	1-UNIT. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	AUS Accept: Per AUS; Manual: 43%*	Evaluated by AUS**
<p>*DTI may exceed 31%/43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information.                      **Refer to mortgage rating section below for additional information.</p>			
<p><b>Purchase Loan may exceed 100% CLTV when a CMS approved Down Payment Assistance program is used in conjunction with the transaction up to 110%.</b></p>			
NON ARMS LENGTH (Identity of Interest) TRANSACTION			
Maximum LTV	Max Loan Amount	Max Ratios	Rental History
<b>MINIMUM FICO 500</b>			
100%	1-UNIT. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	AUS Accept: Per AUS; Manual: 43%	0 x 30 past 12 months Prior to the declared disaster date.
<b>MINIMUM FICO 620</b>			
100%	1-UNIT. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	Per AUS	Evaluated by AUS**
<p>*DTI may exceed 31%/43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information.                      **Refer to mortgage rating section below for additional information.</p>			

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### Underwriting Guidelines Requirements

(All loan amounts must be submitted through Total Score Card. Refer to AUS Section for manual underwrite.)

#### MAXIMUM LOAN AMOUNTS

	# of Units	Lowest Maximum ("Floor") for All Loan Amounts	Highest Maximum ("Ceiling") for STANDARD Loan Amounts	Highest Maximum ("Ceiling") for High Balance Loan Amounts
Continental U.S.	1 Unit	\$294,515	\$453,100	\$679,650
Maximum Loan Amt (Base)	Max Base Loan Amount cannot exceed the FHA Statutory Mortgage Limits for each county and under no circumstances will a county's mortgage limit be less than the "floor" or greater than the "ceiling" as outlined in the 4000.1.			

#### Eligibility Requirements for Presidentially-Declared Major Disaster Area (PMDA)

Case Number Assignment	<p>The FHA case number must be assigned within one year of the date the PDMDA is declared, unless an additional period of eligibility is provided. Completion of FHAC:</p> <ul style="list-style-type: none"> <li>• ADP = 703 for 203(h) or 702 for 203(k)</li> <li>• Program ID Code = 02 – Disaster Housing</li> <li>• Housing Program: 203(b)</li> <li>• It is acceptable to update an existing FHA case number to 203(h)</li> <li>• It is not acceptable to have two (2) FHA Case Numbers as a result of the PDMDA. 203(b) exceptions for multiple case numbers apply. Refer to CMS FHA Underwriting Guidelines.</li> </ul>
Principal Residence	<p>The mortgaged Property must be the Borrower's Principal Residence.</p> <p>The subject property is not required to be located in the area where the previous residence was located. Disaster victims are not required to purchase in the PDMDA Area.</p>
Property Eligibility	<p>The previous residence must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary. A list of the specified affected counties and cities and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA). The purchased or reconstructed 203(k) Property must be a Single Family Property or a unit in an FHA-approved Condominium Project. A list of specified affected counties and corresponding disaster declarations are provided by FEMA at <a href="http://www.fema.gov">www.fema.gov</a>.</p>
Refinancing Policy	<p>Refinancing is permitted in conjunction with rehabilitation. 203(k)</p>
Minimum Required Investment/Maximum Loan-to-Value (LTV)	<p>The Borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100 percent of the Adjusted Value. If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV applies.</p>

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<b>Eligibility Requirements for Presidentially-Declared Major Disaster Area (PDMDA), continued</b>	
Using Section 203(k) with 203(h) for Rehabilitation	<p>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) policy must be followed.</p> <p>Borrowers with property damage from non-covered insurance losses may utilize 203(k).</p>
Eligibility Documentation Requirements	<p>CMS 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.</p> <ul style="list-style-type: none"> <li>• Evidence that the property was in the disaster area must be provided as follows:</li> <li>• A Copy of FEMA declaration.</li> <li>• The Borrower must have been a permanent resident of the property. Documentation is required to evidence permanent residency: Valid driver's license or utility bills.</li> </ul> <p>Evidence that property was damaged or destroyed to the extent that the borrower cannot occupy the property must be provided as follows:</p> <ul style="list-style-type: none"> <li>• Insurance claim documentation.</li> <li>• Documentation from the city/county/borough, etc. showing the home is not habitable.</li> <li>• Home Inspection or Engineer's Certificate (Third Party must be appropriately licensed or bonded).</li> <li>• If none of the above are available, appraisal to determine extent of damage (can be interior only or exterior only if sufficient to document damage).</li> </ul> <p>When a borrower is purchasing a new home, the mortgage payment on the destroyed residence may be excluded from the liabilities. The following requirements MUST be met (no exceptions):</p> <ol style="list-style-type: none"> <li>1) Borrower to provide acceptable documentation from the Servicing Mortgagee to verify the existence of the existing lien is fully exhausted. Examples include: Paid –in-full letters, reconveyance, Deed-in-lieu, foreclosure and closed short sale.</li> <li>2) All property insurance proceeds must be applied to the mortgage of the existing house.</li> </ol>
Eligible Collateral	Owner Occupied Only. 1 Unit. Detached PUD's, FHA approved condominium projects, manufactured homes (minimum double wide).
Ineligible Collateral	Properties located in Puerto Rico, 2-4 Units, Mobile homes, co-ops, Single-wide manufactured homes, commercial or industrial zoned properties, mixed-use with residential building use less than 51%, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, State-approved medical marijuana producing properties, working farms, construction to permanent, properties located in the area of Wrightwood, CA, properties located within designated Coastal Barrier Resource System (BRS) areas, properties located on Tribal Lands which include section 248, Hawaiian properties in Lava Zones 1 and 2, Native Hawaiian Housing Loan Guarantee Program (Section 184A), properties with sink holes, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water) and/or any other ineligible properties as defined by HUD Handbook 4000.1.

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Eligibility Requirements for Presidentially-Declared Major Disaster Area (PMDA), continued	
Condos	Must be current FHA-approved condominium complex and meet all HUD requirements (51% occupancy, 15% delinquencies). All condos and attached PUD's require 100% 'walls-in' HO6 coverage. Stick-built site condos do not require FHA HRAP/DELRAP approval. Manufactured condos must have FHA HRAP approval.
Manufactured Housing	CMS accepts manufactured homes permanently affixed to the foundation, built on or after June 15, 1976, and meet all HUD requirements. Single-wide manufactured homes are not eligible. Manufactured homes with acceptable alterations or additions must have marketability, "like" comparables, gross living area (GLA) of addition must be smaller than the original home and structural engineer's certificate required. A manufactured home with an additional manufactured home of the property is permitted when the second manufactured home is used as a storage building, the kitchen is rendered inoperable and the utilities are disconnected. Follow HUD requirements. Refer to the CMS FHA Underwriting Guidelines for additional details regarding manufactured housing.
FHA Flips	Resales <= 90 days are ineligible. Flips must be 91 days or greater to be eligible. CMS requires a second full FHA 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 percent or more over the price paid by the seller to acquire the property. Seasoning is determined by Seller Acquisition Date & earlier of final Contract Acceptance Date or Application Date. All flips require a 12 month chain of title, contain no pattern of previous flipping or assignment of interest & evidence the property was marketed openly & fairly is required. HPML loans may require second appraisal.
HUD REO Appraisal and Property Requirements	Appraisals may only be performed by an appraiser listed on the FHA roster. Obtain an "as-is" appraisal and the appraisal must be marked as "Insurable". HUD's REO appraisal may be available at no charge. If the original HUD REO appraisal is available, a new appraisal may not be ordered when the sales price exceeds the ""as-is"" value specified on the M&M's appraisal. If the M&M Contractor's appraisal is more than 120 days old, the lender may order an updated "as-is" appraisal. The original appraisal must be used if a valid sales contract was executed prior to the expiration date of the appraisal. A second appraisal may only be ordered under the following circumstances: if the current HUD REO appraisal has expired, if there are material deficiencies with the current appraisal as determined by the DE Underwriter, or the original HUD REO appraisal is not made available by the M&M Contractor. Refer to HUD REO appraisal requirements listed below. Note: The case # on the HUD M&M appraisal should not be changed if the original HUD REO appraisal was used. <b>Note:</b> If the statement of insurability is marked "insurable with repairs", the file must be converted to the HUD REO Repair Escrow program. Refer to HUD REO Repair Escrow matrix for additional guidance.
HUD REO Appraisal Requirements - If Original HUD REO Appraisal is not Available	An "as-is" appraisal is required with a statement of insurability. The statement of insurability on the appraisal must be marked as "insurable". The Property Condition Report (PCR) must be provided to the appraiser prior to inspection. In addition, the Listing History must be included in the file with the original list price. The property listing may be located at: <a href="http://www.HUD.GOV/hudhomes">www.HUD.GOV/hudhomes</a> . If the listing history is not present, the M&M Contractor may provide. The sales contract must indicate standard FHA financing.
HUD REO Lead-Based Paint Appraisal Requirements	HUD will complete a lead-based inspection on properties built before 1978 and provide a cost estimate of the repairs. 1) If lead-based paint was identified, HUD will perform the repairs if the cost is \$4,000 or less. 2) If cost is greater than \$4,000, the borrower may either A) cancel the contract, or B) change to 203(k) financing.

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Non HUD REO Lead-Based Paint Appraisal Requirements	Refer to CMS FHA Underwriting Guidelines.
Defective Paint Surfaces	An automatic correction is required to all defective paint surfaces in or on structures and/or property improvements built before January 1, 1978. Contractors who perform the repair must be certified and must follow specific work practices to prevent lead contamination. A copy of the EPA or state-lead training certificate in the name of the party who performed the work must be provided. FHA Roster Appraisers & Inspectors as well as other independent third parties may perform inspections to verify if painting repairs have been performed as required. Inspections are to determine completion of the repairs only, and may be not be used as evidence of compliance. If the repair was made by the homeowner, they must provide a letter stating that they personally made the repair. FHA Roster Appraiser and Inspector as well as other independent third parties may inspect the work to verify completion of the repair is required.
CREDIT	
CAIVRS	All Borrowers must have clear CAIVRS.
Credit	For Borrowers with derogatory credit, CMS 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. This includes bankruptcy, foreclosure, deed-in-lieu, closed short sale, judgments and liens.
Liabilities	When a Borrower is purchasing a new house, CMS may exclude the Rental Housing Payment on the destroyed residence located in a PDMDA from the Borrower's liabilities. CMS may exclude the existing mortgage payment from DTI if the Servicing Lender has verified the mortgage is fully exhausted. Otherwise, the DTI must include both housing payments and the existing mortgage cannot be FHA.
Housing Payment History	CMS may disregard any late payments on a previous obligation on a Property that was destroyed or damaged in the disaster where the late payments were a result of the disaster and the Borrower was not delinquent on their Housing payment at the time of the disaster. Mortgage rating, VOR or cancelled rent checks required.
Bankruptcy	AUS Approve - must be > 2 years since date of discharge at the time of case number assignment, and borrower must have re-established good credit, or chosen not to incur new credit obligations. Manual - Chapter 7 If < 2 years, but not < 12 months, may be acceptable, if borrower can show that bankruptcy was caused by extenuating circumstances (must be approved by Underwriter Manager or Team Lead), and has exhibited a documented ability to manage his/her financial affairs. Manual - Chapter 13 must document the following: 1) 1 year of the pay-out period under the bankruptcy has elapsed. 2) All Borrowers' payments have been made on time. 3) Borrower has received written permission from court to enter into mortgage transaction.
Consumer Credit Counseling	1 year of the pay-out has elapsed under the plan, borrower's payment performance has been satisfactory with all required payments made timely and borrower has received written permission from the counseling agency to enter into the mortgage transaction.
Social Security Numbers	Required for ALL borrowers and must be validated for the Non-Borrowing Spouse or registered domestic partner in Community Property States. See CMS FHA Underwriting Guidelines.

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#### CREDIT, continued

Charge Offs	Refer to CMS FHA Underwriting Guidelines.
Collections	<p>AUS Approve/Eligible - The Underwriter must complete a capacity analysis off collection accounts with an aggregate balance <math>\geq</math> \$2,000. Non-purchasing spouse's or registered domestic partner's collections are included in the combined balances for community property states. Monthly payments must be included in the DTI when cumulative balances are <math>\geq</math> \$2,000.</p> <p>Manually underwritten loans, in addition to the requirements above, the reason for approving a loan when the borrower has collection accounts regardless of the amount must be documented. The Underwriter must determine if the collection was result of disregard for financial obligations, inability to manage debt, or extenuating circumstances. The borrower must provide a letter of explanation with supporting documentation for each outstanding collection.</p>
Capacity Analysis for Collections	<p>Outstanding Collections with aggregate \$2,000 or more:</p> <ul style="list-style-type: none"> <li>• Prior to closing, the collection account is paid in full. Verification of acceptable sources of funds is required.</li> <li>• Payment arrangements have been made with the creditor. The monthly payment must be included in the DTI and documentation is required.</li> <li>• 5% of the outstanding balance of each collection will be used as the monthly payment and will be included in the DTI.</li> <li>• Repossessions are treated as charge offs unless specifically notated that the account was sent to collections. Balances reported after repossession should be treated as collections with a 5% monthly payment considered.</li> </ul>
Judgments/Liens	<p>All outstanding judgments and liens must be paid prior to or at closing except when the borrower has an agreement with the creditor to make regular and timely payments. Copy of the agreement and a minimum of 3 monthly scheduled payments prior to the Case # assignment. This includes non-purchasing spouses and registered domestic partners in community property states. Borrowers may not prepay scheduled payments in order to meet the 1 month requirement. Payment is included in the DTI.</p> <p>Manually underwritten loans, reason for approving a loan when the borrower has judgment(s) or liens regardless of the amount must be documented. The Underwriter must determine if the judgment was result of disregard for financial obligations, inability to manage debt, or extenuating circumstances. The borrower must provide a letter of explanation with supporting documentation for each outstanding judgment.</p>
Foreclosure / Deed-in-lieu	Must be >3yrs from date of trustee's deed or FHA claim (CAIVRS-if applicable) at the time of Case # assignment. Borrower(s) with prior CMS Foreclosure or Deed in Lieu are not eligible.
Short Sale	<p>Any Short Sale within 3 years of the case assignment requires a manual underwrite. A borrower who is in default at the time of short sale/restructure or pre-foreclosure or late on any mortgage or installment obligations within 12 month of the short sale is not eligible for a new FHA insured mortgage for 3 years from the date of pre-foreclosure sale to Case # assignment.</p> <p>Manual UW Only: Borrower's current at time of short sale must have 0x30 mortgage and installment debt pay history for the preceding 12 month period. Borrower(s) with prior CMS Short Sale are not permitted. If there is any forgiveness for a prior CMS loan, the borrower is not eligible.</p>

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#### CREDIT, continued

Modifications	AUS – follow findings for acceptable mortgage history. Manual Underwrite – follow manual mortgage requirements (0x30 for most recent 12 months and 2x30 for the most recent 24 months on the modified mortgage.)
Disputed Accounts	Disputed derogatory accounts >= \$1,000 cumulative must be downgraded to "Refer" manual underwrite. Medical and accounts resulting from identity and credit card theft or unauthorized use are excluded. A letter from the creditor, police report, etc. is required. Disputed non-derogatory accounts are excluded from the \$1000 cumulative total which includes accounts with zero balance, accounts with late payments aged 24 months or older; or disputed accounts that are current and paid as agreed.
FICO	Minimum of 1 reported credit score required for borrowers with traditional and thin file credit. No scores for borrowers with non-traditional credit history.
Minimum Payment	If no payment is indicated, 5% for revolving accounts.
Student Loan Payments	Student loan(s) would be calculated as follows, regardless of the payment status. CMS must use either the greater of: 1% of the outstanding balance on the loan; or the monthly payment reported on the borrower's credit report; or the actual documented payment, provided the payment will fully amortize the loan over its term.
Minimum Tradelines	Borrowers must have sufficient credit history to generate a valid FICO score, or borrowers must meet the non-traditional guidelines listed below. Generally, an acceptable credit history does not have late housing, installment debt or major derogatory revolving payments. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
Non-Traditional Credit	Borrowers who have no established traditional credit references may be eligible using non-traditional credit references. A minimum of 3 credit references each rated for 12 months is required. At least one of the credit references must be housing related. Tradelines should be open and current or not closed within the six (6) months prior to the loan application. There can be no housing lates and maximum 1x30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months. Non-traditional credit references may not be used to offset derogatory pay histories on traditional credit. Non-traditional credit may not be used to enhance the credit history of a borrower with derogatory pay histories. Refer to CMS FHA Underwriting Guidelines for additional information regarding the use of non-traditional trade references. All loans with non-traditional credit require a manual underwrite, max LTV allowed per program guidelines, maximum ratios of 31%/43%, 1 month reserve requirement for 1-2 Unit properties. 3 month reserve requirement for 3-4 Unit properties, gift funds allowed for down payment and closing costs, 2 years tax returns and tax transcripts required, and must follow standard FHA guidelines as outlined in the CMS FHA Underwriting Guidelines.
Non Purchasing Spouse	Credit report required for non-purchasing spouse or registered domestic partner in community property states. Debts must be added to DTI Ratio and Credit History must not be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.
Other Requirements	NSF activity, private mortgage lates, delinquent CAIVRS, LDP or GSA findings, mortgage lates not reporting on the credit bureau, significant delinquencies after bankruptcy, and any other credit delinquencies will supersede any "approved/eligible" finding.

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#### INCOME/ASSETS

Debt Ratio	<p>Loans with AUS Approve/Eligible - follow AUS decision. Loans with AUS Approve/Eligible and DTI &gt; 53% require additional analysis to ensure the file's strength adequately offsets the high debt ratio, at least 2 positive factors should be cited on the underwriting and transmittal summary. Positive factors include: excellent credit history, conservative use of consumer credit, minimal consumer debt, long-term employment, significant liquid assets, sizable down payment, the existence of equity in refinancing loans, little or no increase in shelter expense, military benefits, satisfactory homeownership experience, high residual income, low debt-to-income ratio, tax credits for child care, and tax benefits of home ownership.</p> <p>Credit scores of 640 and under and DTI greater than 43% regardless of AUS decision require explanation for derogatory credit and a VOR or rent free letter (if applicable).</p> <p>Manually underwritten loans with FICO score &gt; 580 may exceed 31%/43% ratios with acceptable compensating factors (Energy Efficient Homes, Verified and Documented Cash Reserves, Minimal Increase in Housing Payment, No Discretionary Debt, Significant Additional and Income Not Reflected in Effective Income and Residual Income) Refer to the CMS FHA Underwriting Guidelines for applicability.</p> <p>Manually underwritten loans with FICO score 500 - 579 or non-traditional credit may not exceed 31%/43% ratios regardless of compensating factors.</p> <p>Refer to the CMS FHA Underwriting Guidelines for maximum ratios for manually underwritten loans.</p>
Non-Taxable Income	Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up.
Income Sources	<p>If prior employment cannot be verified because records were destroyed by the disaster, and the Borrower is in the same/similar field, then FHA will accept W-2s and tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income.</p> <p>CMS may also include short-term employment obtained following the disaster in the calculation of Effective Income. Refer to the CMS FHA Underwriting Guidelines for acceptable income sources.</p>
Unacceptable Sources of Income	The following income sources are not acceptable for purposes of qualifying the borrower: Any unverified source of income, Income determined to be temporary or one-time in nature, Retained earnings in a company, Stock options, Trailing spouse income, Welfare benefits, Unverifiable income, education benefits, Income derived from State approved marijuana dispensary, even if W2 wages
Traditional Documentation	If traditional asset documentation is not available, CMS may use statements downloaded from the Borrower's financial institution website to confirm the Borrower has sufficient assets to close the Mortgage.
Assets	Minimum cash investment from borrowers own funds and/or gift (no cash on hand allowed when borrower uses traditional banking sources and has traditional credit history). Any deposit 1% and greater of the sales price must be sourced and seasoned. An aggregate of deposits 1% and greater of the sales price must be sourced and seasoned. Any atypical deposits and /or multiple deposits outside of regular payroll may require source and seasoning when the funds are required for closing and/or reserves as this may be excessive based on the borrower's history. This is regardless of the aggregate of deposits > 1% of the sales price. Refer to CMS FHA Underwriting Guidelines for more information.



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#### INCOME/ASSETS, continued

Unacceptable Sources of Assets	VA education benefits (GI Bill), Student loans and/or Grant funds, Employer tuition reimbursements, Unsecured borrowed funds, Cash on hand when borrower uses traditional banking sources.
Debt Payoff / Paydown to Qualify	Accounts are not required to be closed. Payoff of revolving debt is allowed if paid in full prior to or at closing. Payoff & zero balance must be documented directly from credit or be paid on the Closing Disclosure (CD).
Gifts	Allowed. Gifts or excess gift funds are not acceptable as reserves on manual underwrites.
Documentation / 4506T or 2907 Puerto Rico Tax Returns	Full income documentation loans only. IRS Form 4506T must be processed and income validated for most recent 2 years. Borrowers with income from Puerto Rico must: Sign form Modelo SC 2907 to obtain tax transcripts, returned Modelo SC 2903 transcripts for 2 years, and transcripts must be translated to English and notarized by 3rd party. The 4506T must be in the file with confirmation that states "no records found" when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the borrowers name and SSN.
Items Paid Outside Closing (POC)	POC permitted for appraisal and credit report fees. Must be documented with a cancelled check or debit transaction with clearance shown on the bank statement and a copy of the invoice to source borrower's own funds. Payment for appraisal and credit report may not be from a credit card.
Minimum Reserves	AUS: 1 Unit: None. Manually Underwritten Loans: 1 Unit: 1 Month.
Non Occupant co borrower	1 Unit properties only. Max mortgage is limited to 75% LTV unless non-occupying co-borrower's meet FHA definition of 'family member'. Seller cannot be non-occupant co-borrower. Non occupant co-borrowers may be added to improve ratios. Non occupant co-borrowers cannot be used to overcome or offset borrower's derogatory credit. The non-occupying borrower arrangement may never be used to develop a portfolio of rental properties. The financial contribution by the non-occupying co-borrower and the number of properties owned may indicate family members are acting as 'straw buyers.' CMS will not lend on transactions with non-occupying co-borrowers that fit the above scenario. Non-occupant co-borrowers are not eligible on cash out transactions.

#### TYPES OF FINANCING

Down Payment Assistance	Down Payment Assistance programs are permitted. Please refer to the CMS Down Payment Assistance approved list and webpage for program details and requirements. <a href="http://carringtonhome.corp.int/mortgage/lending/Pages/Down-Payment-Assistance-Programs.aspx">http://carringtonhome.corp.int/mortgage/lending/Pages/Down-Payment-Assistance-Programs.aspx</a>
Adding Borrowers	Adding occupying borrowers is allowed if currently occupying subject as primary residence for previous 6 months.
Interested Party Contribution	Max contributions limited to 6%. Contributions include (not limited to): Discount, Closing Costs, Prepays and Up Front MIP.

#### GENERAL

203(h) Underwriting	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) program. Where 203(b) program guidance conflicts with the specific requirements on Section 203(h) Mortgages provided, 203(h) specific guidance controls.
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#### GENERAL, continued

AUS Approval & Manual Underwriting	<p>All loans require an AUS decision with the exception of loans with non-traditional credit references. Loans receiving an AUS Approve/Eligible may follow AUS Findings except as noted otherwise in CMS FHA Underwriting Guidelines and program matrix.</p> <p>Loans receiving AUS Approve/Ineligible findings are only acceptable for maximum LTV or post-close disaster credit reasons. Follow the 203(h) guidelines and notate the LT.</p> <p>Regardless of the AUS Findings, CMS is required to evaluate the loan for data integrity and ensure a sound underwriting decision is rendered. Loans receiving a Refer/Ineligible are not eligible. Loans receiving a Refer/Eligible may be eligible for a downgrade to a manual underwrite.</p> <p>Manually underwritten loans must follow standard HUD guidelines as outlined in the CMS FHA Underwriting Guidelines. Documentation waivers are not acceptable on manually underwritten loans.</p> <p>All manually underwritten loans require compensating factors supporting loan decision and 2 years of signed tax returns. All manual underwrites require an AUS to be run and findings uploaded into the LOS. The AUS findings must be uploaded even when the Underwriter knows the loan will be manually underwritten upfront or the loan will be downgraded to a manual underwrite. Any ineligible findings must be adequately resolved.</p>
Ineligible	Escrow waivers, Temporary Buydowns, Energy Efficient Mortgages (EEM), Mortgage Credit Certificate (MCC) / Section 8 Voucher.
Loan Terms Available	15 Year, 20 Year, 25 Year and 30 Year Fixed
Qualifying Fixed Products	Qualify at Note Rate
Minnesota	Qualify at Note Rate
Prepayment Penalty	Not permitted
Adjusted Value	<p>The maximum Mortgage is the lesser of the Nationwide Mortgage Limit for the area, or a percentage of the Adjusted Value. For refinance transactions:</p> <ul style="list-style-type: none"> <li>• For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of: <ul style="list-style-type: none"> <li>○ the Borrower’s purchase price, plus any documented improvements made subsequent to the purchase; or</li> <li>○ the Property Value.</li> </ul> </li> <li>• Properties acquired by the Borrower within 12 months of case number assignment by inheritance or through a gift from a Family Member may utilize the calculation of Adjusted Value for properties purchased 12 months or greater.</li> <li>• For properties acquired by the Borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value.</li> </ul>
Maximum # of Properties	There is no maximum number of CMS financed properties.
Subordinate Financing	Refer to CMS FHA Underwriting Guidelines.