

Product Guidelines

FHA SIMPLE REFINANCE PROGRAM

PROGRAM CODES: See the Program Codes section

Version 3.5 – 08/31/20



PRIOR FHA REFINANCE ONLY				
Maximum LTV/CLTV	Max Loan Amount	Max Ratios	Mortgage/Rental History	
MINIMUM FICO 500				
90.00%	1-4 UNITS. Per FHA Max County Limits See Loan Amount Matrix Below	AUS Accept: Per AUS; Manual: 31%/43%	Evaluated by AUS**	
MINIMUM FICO 580				
97.75%	1-4 UNITS. Per FHA Max County Limits See Loan Amount Matrix Below	AUS Accept: Per AUS; Manual: 31%/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>				
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	\$331,760	\$510,400	\$765,600
	2 Units	\$424,800	\$653,550	\$980,325
	3 Units	\$513,450	\$789,950	\$1,184,925
	4 Units	\$638,100	\$981,700	\$1,472,550

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Maximum Loan Amounts (continued)

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 described below.

The maximum mortgage amount is:

The lesser of: the Nationwide Mortgage Limit; the maximum LTV based on the Maximum LTV Ratio from above; or the sum of existing debt and costs associated with the transaction as follows:

- Existing debt includes:
 - unpaid principal balance of the FHA-insured first Mortgage as of the month prior to mortgage Disbursement;
 - interest due on the existing Mortgage;
 - MIP due on existing Mortgage;
 - late charges; and
 - escrow shortages;
- Allowed costs include all Borrower paid costs associated with the new Mortgage
- Less any refund of UFMIP (if financed in original Mortgage).

COLLATERAL

Eligible Collateral

Owner Occupied Only. 1-4 Units. PUD's, FHA approved condominium projects, manufactured homes (minimum double-wide) permanently affixed to the foundation, built on or after June 15, 1976, and meet all manufactured housing requirements listed below.

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Collateral (continued)

Ineligible Collateral	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 sinkholes, properties with cisterns, properties serviced by hauled water, 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.
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. Site condos do not require FHA HRAP/DELRAP approval. Refer to the FHA Condominium Project Matrix located in CMS FHA Underwriting Guidelines for more detail.
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. An engineer's certification is always required to verify the foundation complies with the Permanent Foundations Guide for Manufactured Housing (PFGMH). The engineer certificate must also address additions/modifications when additions/modifications are present. Follow HUD requirements. Refer to the CMS FHA Underwriting Guidelines for additional details regarding manufactured housing.
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.

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CREDIT

Bankruptcy	<p>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.</p> <p>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.</p> <p>Manual - Chapter 13 must document the following: 1) 1 year of the pay-out period under the bankruptcy has elapsed. 2) All borrower's payments have been made on time. 3) Borrower has received written permission from court to enter into mortgage transaction.</p>
Consumer Credit Counseling	<p>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.</p>
Social Security Numbers	<p>Required for ALL borrowers and must be validated for non-borrowing spouse or registered domestic partner in Community Property States. See Guidelines.</p>
Charge Offs	<p>Refer to Guidelines.</p>
Collections	<p>AUS Approve/Eligible - The Underwriter must complete a capacity analysis off collection accounts with an aggregate balance \geq \$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 \geq \$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. Medical Collections are included in the Credit Analysis but not the capacity analysis.</p>
Capacity Analysis for Collections	<p>Outstanding Collections with aggregate \$2,000 or more:</p> <ul style="list-style-type: none"> - Prior to closing, the collection account is paid in full. Verification of acceptable sources of funds is required. - Payment arrangements have been made with the creditor. The monthly payment must be included in the DTI and documentation is required. - 5% of the outstanding balance of each collection will be used as the monthly payment and will be included in the DTI. - Repos are treated as charge offs unless specifically notated that the account was sent to collections. 5% monthly payment on this account is not required in the DTI Ratio.

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Credit (continued)

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 3 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	<p>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 permitted.</p>
Short Sale	<p>A borrower is not eligible for a new FHA insured mortgage if a short sale was pursued to take advantage of declining market conditions and purchase a similar or superior property within reasonable commuting distance of prior residence. A borrower in default at time of short sale/restructure or pre-foreclosure is not eligible for a new FHA insured mortgage for 3 years from date of pre-foreclosure sale to Case # assignment. 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>
Modifications	<p>AUS – follow findings for acceptable mortgage history.</p> <p>Manual Underwrite – follow manual mortgage requirements (0x30 for most recent 12 months and 2x30 for the most recent 24 months on the modified mortgage.)</p> <p>Payment history is evaluated based upon the modification agreement terms and date. Delinquent payment history is forgiven prior to the modification agreement. If the modification agreement is dated less than 12 months, all payments must be made current for the month due since the date of the modification.</p>
Disputed Accounts	<p>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. are required.</p> <p>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.</p>
FICO	<p>Minimum of 1 reported credit score required for borrowers with traditional and thin file credit. No scores for borrowers with non-traditional credit history.</p>
Minimum Payment	<p>If no payment is indicated, 5% for revolving accounts.</p>

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Credit (continued)

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. 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 Lending Guides 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 Lending Guide. Non-occupying co-borrowers are not permitted.
Mortgage/Rental History*	AUS Accept – follow AUS. Manually Underwritten Refinance Transactions - No late payments within the last 12 months of case number assignment.
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 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.</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 > 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	<p>Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up at actual tax rate. Complete tax returns required or 4506T results with no record of return. If no return filed may use 15%.</p>
Income	<p>All types of income must have been received for the most recent two consecutive years including overtime, bonus, second job, part-time, commission, self-employment.</p>
Unacceptable Sources of Income	<p>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, VA education benefits (GI Bill), Income derived from State approved marijuana dispensary.</p>
Assets	<p>Any deposit 1% and greater of the adjusted value must be sourced and seasoned. An aggregate of deposits 1% and greater of the adjusted value 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 Guidelines for more information.</p>
Unacceptable Sources of Assets	<p>Retained earnings in a company, stock options, assets derived from State approved marijuana dispensary, VA education benefits (GI Bill), student loans and/or grant funds, employer tuition reimbursements, unsecured borrowed funds, cash on hand, welfare benefits and Section 8 Voucher Assistance.</p>
Gifts	<p>Allowed.</p>

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Income/Assets (continued)

Documentation/4506T or 2907 Puerto Rico Tax Returns	<p>Full income documentation loans only. All borrowers must sign IRS Form 4506T at closing. Underwriting may require processed IRS transcripts at their discretion prior to closing under circumstances such as verifying recently-filed tax returns used for qualifying, the filing of amended tax returns, or to resolve inconsistencies with income documentation.</p> <p>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.</p>
Minimum Reserves	<p>AUS: 1-2 Units: None. 3-4 Units: 3 Mos. PITI. Reserves cannot be gift funds, must be borrower's own.</p> <p>Manually Underwritten Loans: 1-2 Units: 1 Month. 3-4 Units: 3 Months</p>
Non Occupant co borrower	<p>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.</p>

TYPES OF FINANCING

Refinance - No Cash Out	<p>A rate/term refinance of an existing FHA insured loan. Refer to guidelines for detailed eligibility, and maximum loan amount calculation. May not payoff any secondary liens. Must meet all standard full doc FHA underwriting, and property requirements, however utilizes the MIP structure of Streamline Refinances. Borrowers with cases endorsed on or before 5/31/09 are eligible for reduced MIP factors. DU will not recognize reduced MIP factors.</p>
Cash-out	<p>Not permitted.</p>
Adding Borrowers	<p>Adding occupying borrowers is allowed if currently occupying subject as primary residence for previous 6 months.</p>

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GENERAL

Appraisal	All loans require an appraisal.
AUS Approval & Manual Underwriting	<p>All loans require an AUS decision. Loans receiving an AUS Approve/Eligible may follow AUS Findings except as noted otherwise in CMS FHA Lending Guide and program matrix. 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/Eligible may be eligible for a downgrade to a manual underwrite. Manually underwritten loans must follow standard FHA guidelines as outlined in CMS FHA Lending Guide. 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>
Borrower Eligibility	<p>In order to obtain FHA-insured financing, all Borrowers must meet the eligibility criteria outlined in the CMS FHA Underwriting Guidelines.</p> <p>Ineligible Borrowers: Individuals convicted of previous financial crimes, non-U.S. citizens without lawful residency in the U.S, individuals with Deferred Action for Childhood Arrivals (DACA) status, borrowers with delinquent Federal non-tax debt, and all non-individual legal entities such as Corporations, General Partnerships, Limited Partnerships, Real Estate Syndications, Investment Trusts, Trusts (including Inter-vivos and Living Trusts) and Limited Liability Company (LLC).</p> <p>Refer to the CMS FHA Underwriting Guidelines for additional requirements regarding borrower eligibility.</p>
Ineligible	Escrow waivers, Temporary Buydowns, Energy Efficient Mortgages (EEM), Mortgage Credit Certificate (MCC), Homes for Heroes, Heroes Home Advantage.
Loan Terms Available	10 Year, 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.

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GENERAL (continued)

Maximum # of Properties	There is no maximum number of CMS financed properties.
Subordinate / Secondary Financing	Existing Secondary Financing: Notes and Deeds are not required. The subordination agreement is always required. This applies for all FHA Refinances. New Secondary Financing: Notes and Deeds are required. No exceptions. Refer to the CMS FHA Guidelines for additional requirements.
FHA Refinance Authorization	Required on all Simple Refinance Transactions. Must be uploaded to LOS and base loan amount must be reduced by the amount of the UFMIP refund, if any.

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Amortization	Conforming Loan Limit		High Balance	
	FICO ≤ 640	FICO ≥ 641	FICO ≤ 640	FICO ≥ 641
10 Years	F10FSIMP	F10F641SIMP	H10FSIMP	H10F641SIMP
15 Years	F15FSIMP	F15F641SIMP	H15FSIMP	H15F641SIMP
20 Years	F20FSIMP	F20F641SIMP	H20FSIMP	H20F641SIMP
25 Years	F25FSIMP	F25F641SIMP	H25FSIMP	H25F641SIMP
30 Years	F30FSIMP	F30F641SIMP	H30FSIMP	H30F641SIMP
Manufactured Housing				
Amortization	Conforming Loan Limit		High Balance	
	FICO ≤ 640	FICO ≥ 641	FICO ≤ 640	FICO ≥ 641
10 Years	F10FMANUFSIMP	F10F641MANUFSIMP	H10FMANUFSIMP	H10F641MANUFSIMP
15 Years	F15FMANUFSIMP	F15F641MANUFSIMP	H15FMANUFSIMP	H15F641MANUFSIMP
20 Years	F20FMANUFSIMP	F20F641MANUFSIMP	H20FMANUFSIMP	H20F641MANUFSIMP
25 Years	F25FMANUFSIMP	F25F641MANUFSIMP	H25FMANUFSIMP	H25F641MANUFSIMP
30 Years	F30FMANUFSIMP	F30F641MANUFSIMP	H30FMANUFSIMP	H30F641MANUFSIMP