

FHA Standard Product Guidelines

Occupancy	Min Credit	Max DTI Ratio	Max Loan Amount	Transaction Type	Max LTV	Max CLTV	Mortgage Rating
CONFORMING & HIGH BALANCE				Purchase	96.5%*	96.50%	PER AUS***
Primary Residence	580	Per AUS	Per FHA County Limit	Rate/Term	97.75%**	97.75%	PER AUS***
				Simple Refinance	97.75%	97.75%	PER AUS***
				Cash Out Refinance	85%	85%	0x30 for 12 mos prior to case # assignment***

Please refer to the DTI section of this matrix for additional information on ratio limitations

*Identity of Interest transactions are limited to 85% LTV.

**LTV is limited to 85% if the borrower has not occupied the subject property for the most recent 12 months, or if owned less than 12 months did not occupy the entire time. For properties acquired within the most recent 12 months; the maximum mortgage is based on the lesser of the appraised value or original sales price.

***Mortgages must remain current through the month prior to disbursement. Manual UW must be 0X30X12 since date of case number assignment.

General Eligibility

Eligible Borrowers	U.S. Citizen, Permanent Residents, and Non-Permanent Residents with a valid EAD card. Maximum of 4 borrowers per transaction.
Ineligible Borrowers	Borrowers without a valid SSN, borrowers with a history of utilizing a SSN that was not legally obtained, borrowers with no credit score, Borrowers classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole.
Eligible	AUS (TOTAL Scorecard) Approve/Eligible, and manual underwriting permitted in accordance with these guidelines. Approve/Ineligible may be acceptable in certain cases where DE Underwriter has determined eligibility is met.
Ineligible	Temporary rate buy downs, escrow waivers, Energy Efficient Mortgages (EEM), Mortgage Credit Certificates (MCC), and cases where a Mortgage Credit Reject (MCR) exists.
Minimum Loan Amt	\$75,000
Net Tangible Benefit	Every non-streamline refinance must have a perceived benefit to the borrower.
ARM	Only available for primary residence transactions, and must qualify at the note rate. 30 year term only.
Loan Term	Maximum 30 years. Odd loan terms available down to 240 months for fixed rate transactions only.
Subordinate Financing	New subordinate financing permitted per FHA guidelines, existing subordinate financing may remain in place subject to applicable loan limits, and CLTV requirements. A copy of the subordination agreement, note, and deed for the secondary financing must be provided. Refer to HB 4000.1 II.A.4.d.iii.(J) for all requirements
Land Contracts	Transactions involving land contracts are not eligible.
Living Trusts	A copy of the trust agreement, or certificate of trust (if applicable) is required.
Power of Attorney	Cannot be used on the initial 1003 or disclosures, and must have a signed LOE from the borrower regarding the use of a POA with exception for borrowers in active Military Service overseas.
Vesting	The new loan should close in the same manner as existing loan on refinance transactions. Borrowers name on 1003, credit, and FHAC connection should match the refinance authorization, and existing note unless there was a documented legal name change. Only borrowers, and their spouse/s may hold title.
E-signature	E-signatures acceptable. E-signature must be validated with some type of authentication, tracking, or independent verification. Copy and pasted PDF signatures are NOT acceptable. E-sign vendor must be on JMAC's approved list: https://jmac lending.app.box.com/s/999ut9v8rvmlhfmt7yqr

4506T	4506T authorization form required on all transactions. Transcripts are verified for all transactions. Borrower's with W2 income ONLY may process W2 transcripts provided that any commission income is less than 25% of the borrowers total effective income. If any other qualifying income is included; complete 1040 transcripts are required.
Occupancy	Employment documentation must support prior, and continued occupancy of the subject property. If employment documentation does not clearly support occupancy, utility bills may be required.
Non-Occupant Co-Borrower	Permitted for 1 unit properties only. Max LTV is 75% unless non-occupant is a family member as defined in 4000.1. Not permitted for cash out refi.
Credit	
All Seasoning requirements are measured to the case number assignment of the new loan.	
Social Security #	SSN must be fully validated on income documents. Discrepancies require processing of SSA-89. Non-borrowing spouse's SSN must be validated on the (NBS) credit report or other direct verification (SSA-89) in community property states.
Credit Report	Full trimerge credit report is required. Non-borrowing spouse credit report is also required in community property states.
Credit History	<u>TOTAL Scorecard approved:</u> Per AUS. <u>Manual Underwriting:</u> the borrower should meet FHA's definition of satisfactory credit. JMAC does not permit for reduced seasoning requirements for major derogs such as BK, foreclosure, DIL or short sale; transactions requiring the use of extenuating circumstances for these items are not permitted. Refer to FHA Handbook 4000.1 for specific credit requirements on manually underwritten transactions.
Extenuating Circumstances	Extenuating circumstances must be documented on manually underwritten transactions when the borrowers do not meet FHA's definition of satisfactory credit. A detailed LOE for derogatory credit indicating the specific extenuating circumstance with supporting documentation is required. Extenuating circumstances cannot be used for bankruptcy, foreclosure, DIL, or short sales that do not meet the standard seasoning requirement. Valid extenuating circumstances are situations that were unforeseen, and out of the borrowers control that led to the delinquent payments, collection, or charge off. Divorce, and loss of employment are not considered extenuating circumstances.
Housing Rating	Mortgages that are not rated on the credit report require a 24 month VOM to document an acceptable housing rating. <u>AUS:</u> For mortgages that are not rating on credit there can be no lates in the last 12 months, and no more than two 30 day lates in the last 2 years, otherwise the loan must be downgraded to a manual underwrite. For mortgages that are rating on credit, history is accepted per AUS. <u>Manual Underwriting:</u> There can be no mortgage lates in the last 12 months, and no more than two 30 day lates in the last 2 years. A VOR for the most recent 12 months is required for borrowers who are currently renting. Borrowers living rent free must obtain a letter from the owner of the residence indicating the rent free status of the borrower.
Payment Shock	<u>Purchase: Borrowers with 580-619 credit score & manual underwriting (regardless of score):</u> Payment shock in excess of 100% is considered a significant risk factor, and must be analyzed by the underwriter to determine if the borrower is an acceptable credit risk. Excessive payment shock may be a factor for denial if the transaction contains other layered risks. <u>Cash Out: Borrowers with 580-619 credit score & manual underwriting (regardless of score) : Maximum 20% payment shock.</u>
Collections	Collections with an active balance require capacity analysis: If the aggregate balance of all open collections exceed \$2000, they must be paid in full, or a 5% payment will be included in qualifying ratios. <u>TOTAL Scorecard approved:</u> Per AUS approval. <u>Manual Underwriting:</u> There can be no new collections opened in the most recent 24 months. An LOE is required for each open collection.
Charge Offs	<u>TOTAL Scorecard approved:</u> Per AUS approval. <u>Manual underwriting:</u> There can be no charge offs in the most recent 24 months.

Disputed Accounts	Disputed derogatory accounts require an LOE from the borrower, and documentation to support the basis of the dispute. Disputed derogatory accounts include all disputed collections, and charge offs (regardless of age), and disputed active accounts with late payments in the last 24 months. <u>TOTAL Scorecard approved:</u> Disputed derogatory accounts with an aggregate balance in excess of \$1000 require downgrade to manual underwriting, or must be removed, and credit rescored for resubmission to AUS. <u>Manual Underwriting:</u> The underwriter must analyze the explanation for consistency with other credit information. If it appears that derogatory accounts were disputed for the purpose of artificially inflating the borrowers credit score, the underwriter may require removal of the dispute, and credit rescored.
Judgments	Judgments may remain unpaid if the borrower documents an existing repayment plan with at least 3 months of payments made prior to the date of the case number assignment. Payments cannot be prepaid to meet the 3 month requirement. Borrower must have a satisfactory repayment history. Otherwise judgments must be paid in full, and all funds used to satisfy the account must be sourced. Any lien corresponding to the judgment must be subordinated if remaining in a repayment plan. <u>Manual Underwriting:</u> In addition to the aforementioned requirements, the borrower must provide an LOE regarding the debt that lead to judgment. The underwriter must consider this in the borrowers overall repayment history and final credit decision.
Liens	Federal Tax Liens may remain unpaid if the borrower documents an existing repayment plan with at least 3 months of payments made prior to the date of the Clear to Close by the underwriter. Payments cannot be prepaid to meet the 3 month requirement. Borrower must have a satisfactory repayment history. If the lien is reporting on title it must be subordinated to the new first mortgage. All other liens must be paid in full and satisfied. <u>Manual Underwriting:</u> In addition to the aforementioned requirements, the borrower must provide an LOE regarding the debt that lead to judgment. The underwriter must consider this in the borrowers overall repayment history and final credit decision.
Government Debt	Borrowers cannot have any outstanding delinquent Federal Debt or Obligation including IRS debt that has not yet become a lien.
Modifications	<u>Subject property:</u> Eligible with 0x30 in the last 12 months, and no previous reduction in principal. FHA/HUD Partial Claim seconds can be subordinated to a new FHA insured mortgage. Rate/Term refinance only. Modified mortgages not eligible for cash out for 3 years unless borrower can document that the servicer solicited the modification. <u>Other REO:</u> Eligible, provided that the mortgage history meets requirements of 0x30 in last 12 months. If property is being retained, additional information may be required, and subject to underwriter review. <u>Manual Underwriting:</u> Modifications are subject to the above mentioned criteria, however additional analysis is required to determine the borrowers overall credit worthiness. Refer to the "Layered Risk" section below.
Foreclosure/Short Sale/Deed in Lieu	<u>TOTAL Scorecard approved:</u> 3 years from the date of title transfer due to foreclosure, short sale, or deed in lieu. Manually underwritten: 3 years from the date of title transfer due to foreclosure, or deed in lieu. No seasoning requirement for <u>short sales</u> as long as the borrower was current on the mortgage, and all other installment debt for the 12 months preceeding the short sale. Borrowers with prior foreclosure, DIL, or short sale must provide an LOE regarding the circumstances that lead to the event.
Bankruptcy	<u>TOTAL Scorecard approved:</u> <i>Chapter 7 & Chapter 13:</i> 2 years from the date of discharge. <u>Manual Underwriting:</u> Chapter 7: 2 years from the date of discharge. <i>Chapter 13:</i> At least 12 payments must have been made under the BK plan. The borrower must obtain approval from the court to enter into a new mortgage, and the monthly payment for the BK plan must be considered in the DTI. All BK papers must be provided. Derogatory credit after a BK is not permitted.
Back to Work	Not permitted.
Credit Counseling	<u>TOTAL Scorecard approved:</u> Per AUS approval, <u>Manually Underwritten:</u> At least 1 year under the payout period has elapsed, all payments must have been made on time, and borrower must receive written permission from the counseling agency to enter into a new mortgage.
Non-Traditional	Non-traditional credit is not permitted. Borrowers must have at least 1 valid credit score.

Student Loans	Student loans must be considered in the DTI regardless of payment type, or status of payments. The monthly payment is calculated as <i>either</i> ; <u>A</u>) the greater of 1% of the outstanding balance, or the monthly payment on credit; Or <u>B</u>) The actual documented payment from the servicer as long as it will <u>fully amortize</u> the loan over it's term. Income Based Repayment plans (IBR) are not acceptable.
Payoff of Debt	Debts may be paid off in full to qualify. All installment payoffs require a payoff statement from the creditor. Revolving accounts do not have to be closed as a condition of approval provided that the borrower qualifies with the payment of at least one of their major credit cards (AMEX, Visa, Mastercard).
Downgrades	AUS findings may be invalidated if any downgrade reason per HB 4000.1 II.A.4.a.v are present. In those cases, the loan must be manually underwritten in accordance with HB 4000.1 II.A.5, and any additional requirements located in this matrix.
Layered Risk - Manual Underwriting	Manual underwriting is a comprehensive review of the overall transaction utilizing sound judgment, critical thinking, and requires justification for the final decision. All manual underwrites will be reviewed for adherence to guidelines, supporting documentation for explanations, as well as other factors that contribute to the overall risk of the loan. Such risk factors include, but are not limited to: payment shock, limited or no savings, lack of housing history, NSF activity, high DTI, low residual income, job gaps or frequent job changes with no apparent advancement, etc. If multiple risk factors exist, the loan may be subject to denial for layered risk.
Income & Assets	
Income	Full income documentation is required. Salaried borrowers require the borrower's most recent paystub with YTD earnings, W2s for the most recent 2 years, and a verbal verification of employment. Verbal re-verification also required within 10 days of the note. Self Employed, commissioned, and borrower's with rental income require 2 most recent years federal tax returns. Documentation waivers not permitted. Refer to FHA Handbook 4000.1 for documentation requirements on manually underwritten transactions.
Self-Employment	Borrowers with 25% or greater ownership interest in a business must provide personal, and business tax returns for the most recent 2 years. A profit & loss, and balance sheet are required when more than a calendar quarter has elapsed since the last tax filing. <i>Balance sheet not required for borrowers filing a Schedule C.</i> <u>Manual Underwriting:</u> A business credit report is required unless income is claimed on Schedule C.
Rental Income	Rental income may be used as effective income in accordance with FHA guidelines. Rental income from a borrowers departing residence may be considered with an appraisal documenting at least 25% equity in the property, and the borrower must be relocating to an area more than 100 miles from the current residence. A current lease with a term no shorter than 12 months, and evidence of receipt of a security deposit is required. Refer to FHA Handbook 4000.1 for comprehensive guidance, and additional documentation requirements on manually underwritten transactions.
Non-Taxable Income	Non-taxable income may be grossed up at the borrowers actual tax rate, not to exceed 115%.
Verification of Employment	Verbal re-verification of employment required for all wage earners within 10 days of the note. Self employed borrowers must be verified by an acceptable third party. 411.com, Manta, Chamber of Commerce, or other website where business owners add their own information are not acceptable sources of verification.
DTI	<u>TOTAL Scorecard Approved:</u> Per AUS approval, unless required downgrade exists then must follow Manual Underwriting requirements. <u>Manual Underwriting:</u> 31%/43%, unless FHA approved compensating factors exist. Provided sufficient compensating factors are present, absolute maximum is 40%/50%. Refer to chart for compensating factors on the last page of this matrix.
Assets	All funds used in the FHA insured transaction must be verified as received from an acceptable source including funds used for debt payoffs. Documentation per AUS, or HB 4000.1 II.A.5.c. Large deposits in excess of 1% of the sales, price OR that are inconsistent with the borrowers typical transactions must be sourced. Must be able to document that funds used for closing were from an acceptable source.
Joint Accounts	Access letter for all joint accounts where any account holder is not a borrower on the loan.
Unacceptable Assets	Cash for which the source cannot be verified, funds from any party to the transaction other than eligible gift donors, unsecured borrowed funds.

FHA Standard Product Guidelines

Gift Funds	Permitted; must be documented in accordance with standard FHA guidelines. Donors bank statement always required. Funds cannot come from an unallowable source, including a business account unless the donor is a sole proprietorship, or the borrowers employer; cash is not an acceptable source of gift funds. Cannot be used for reserves for manually underwritten transactions.
Reserves	<u>3-4 units (all transactions):</u> 3 months PITI(A) reserves required. <u>1-2 Units:</u> Per AUS approval, and 1 month PITI(A) for manually underwritten transactions. Also refer to Compensating Factors chart for additional reserve requirements with DTI exceeding 31/43%
VOD	VOD's are not acceptable as a standalone asset verification. At least one month bank statement must be provided in conjunction with a VOD.
Business Funds	CPA letter indicating the use of business assets will not materially affect the daily business operation. Borrower must have 100% ownership interest in the business.
Concessions	Interested party contributions for closing costs and prepaid expenses up to 6%. All other credits or inducements are subject to a dollar for dollar reduction in the sales price for determination of the maximum mortgage amount.
Down Payment Assistance	Permitted when provided in the form of a valid gift from a non-profit agency, or acceptable secondary financing (HB 4000.1 II.A.4.d.iii.(J)), and without any secondary market (specific investor) requirements.
Collateral	
Eligible Properties	Condos within an FHA Approved project, PUDs, SFR, 2-4 Units
Ineligible Properties	Condos without a current and valid FHA Project Approval as of the date of the case number assignment, or with pending litigation. Manufactured or mobile homes, Co-Ops, commercial or industrial properties, unique or irregular properties (dome/log/etc.) , working farms, marijuana producing properties, properties secured by Community Land Trusts , properties located in a designated Coastal Barrier Resource System (CBRS), properties located in Wrightwood, CA, or properties located on Indian Reservations or Tribal Lands.
Land Subsidence	Properties with evidence of land subsidence (sinkholes, or equivalent activity) are ineligible.
Lava Zones	Lava Zones 1 & 2 are ineligible for FHA insured mortgages.
Hazard Insurance	Hazard insurance coverage (dwelling limit plus any extended replacement) must be sufficient to cover the "estimated cost new" on appraisal. Condo's and attached PUD's must provide master policy, and evidence of "walls-in" coverage, otherwise a separate HO-6 policy is required.
Property Flipping	Resales within 90 days of sellers acquisition are not permitted. Resales occurring between 91-180 days require a second full appraisal if the sales price as increased by 100% or more since the sellers acquisition.
Defective Paint	Properties with defective paint surfaces built prior to 1978 require correction by an EPA certified contractor. A copy of the contractors EPA certification is required. If homeowner will be completing the repairs, a letter from the homeowner is required stating that they completed all the work. Exterior exposed surfaces (wood) must be sealed, painted, or otherwise treated regardless of the year built.
Leased Equipment	Any type of lease or financing agreement must be reviewed by the underwriter for acceptability under FHA guidelines. The agreements cannot contain ANY restrictions on conveyance, or hinder FHA's first lien position. Payments must be included in DTI. Leased equipment may not be valued in the appraisal.
PACE	Properties encumbered by a Property Assessed Clean Energy (PACE) obligation are not eligible.
Deed Restrictions	Properties subject to deed restrictions, or any type of restriction on conveyance other than FHA acceptable age restricted communities (55+), are not eligible for FHA financing.
Repair Escrow/ Holdbacks	Not permitted.
HUD REO's	The sales contract (line 4) must indicate Section 203(b) financing. Section 203(b) With Repair Escrow, and Section 203(K) not permitted. \$100 down payment is acceptable if indicated on the contract, Good Neighbor Next Door not permitted. Property must comply with all FHA Minimum Property Requirements.

Transaction Specific	
Purchases	Seller must be owner of record, and must have held title for at least 91 days prior to the date of the contract (see Property Flipping). Agents may not act in dual capacity (listing, or selling agent cannot be broker of record, or loan officer).
All Refinances	At least one borrower on the application must hold title at the time of case number assignment. If paying off an existing FHA insured mortgage, a refinance authorization from FHA Connection is required. Properties listed for sale at the time of application not eligible.
Rate/Term	Purchase money, or seasoned second lien payoffs may be included in the loan amount. Open ended second mortgages with draws less than \$1000 in the past 12 months may be included in the loan amount.
Simple Refinance	Used to payoff an existing FHA insured first mortgage. No secondary liens may be paid off with proceeds. Loan amount is limited compared to rate/term; see HB 4000.1 II.A.8.d.vi for complete details. Full documentation, including appraisal is required along with AUS approval. If existing FHA loan (being paid off) was endorsed prior to 5/31/2009, new loan is eligible for reduced MIP factors of 0.01%/0.55%.
Cash Out	Property must have been owned, and occupied by the borrower for at least 12 months prior to the case number assignment unless the property was acquired through inheritance. <u>The combined mortgage amount of the FHA first mortgage, and any subordinate liens cannot exceed the FHA County Loan Limit.</u> Properties listed for sale are not eligible for cash out. Property must be off the market for at least 6 months prior to the loan application , and borrower must provide an explanation for decision to retain property, and use of cash out. Properties with mortgages must have at least 6 payments made beginning with the first payment due date, and the first payment due date of the new loan must be at least 210 days after the first payment due date of the existing loan.
Calculating CLTV	For closed end seconds, the remaining current balance must be used. For open ended seconds (HELOCs), the maximum accessible credit limit must be used to calculate the CLTV.
Texas	If prelim indicates any prior Texas 50(a)(6) refinances, property is ineligible for refinance. Cash out not permitted in Texas, borrower may not receive ANY funds back at closing (not even \$0.01). Any existing secondary financing must be subordinated with a recorded subordination agreement (automatic subordination not permitted).

FHA Approved Compensating Factors Chart				
Max Qualifying Ratios	Acceptable Compensating Factors			
31%/43%	No Compensating factors are required			
37%/47%	At least ONE compensating factor from the following list: ~ Verified, and documented cash reserves of at least 3 months for 1-2 units, or at least 6 months for 3-4 units ~ Minimal increase in housing payment: the new total PITI cannot exceed the current total housing payment by more than \$100 or 5% whichever is less ~ Residual income in excess of the standard requirement utilized by the VA			
40%/50%	At least TWO compensating factors from the following list: ~ Verified, and documented cash reserves of at least 3 months for 1-2 units, or at least 6 months for 3-4 units ~ Minimal increase in housing payment: the new total PITI cannot exceed the current total housing payment by more than \$100 or 5% whichever is less ~ Significant additional income not used in qualifying such as overtime, bonus, part-time, or seasonal income that has been received for at least one year, and is likely to continue; and the income, if had been included in qualifying would reduce the ratios to not more than 37/47%* ~ Residual income in excess of the standard requirement utilized by the VA			
*Income from a non-borrowing spouse or any other parties not obligated on the loan may not be considered as a compensating factor				
Annual Mortgage Insurance Premium (MIP) Chart				
Term	Base Loan Amount	Loan To Value (LTV)	MIP Factor	Term/Duration
More than 15 years	Less than or equal to \$625,500	Less than or equal to 90%	0.80%	11 years (132 months)
		Greater than 90%, but less than or equal to 95%	0.80%	Mortgage Term
		Greater than 95%	0.85%	
	Greater than \$625,500	Less than or equal to 90%	1.00%	11 years (132 months)
		Greater than 90%, but less than or equal to 95%	1.00%	Mortgage Term
		Greater than 95%	1.05%	
Less than or equal to 15 years	Less than or equal to \$625,500	Less than or equal to 90%	0.45%	11 years (132 months)
		Greater than 90%	0.70%	Mortgage Term
	Greater than \$625,500	Less than or equal to 78%	0.45%	11 years (132 months)
		Greater than 78%, but less than or equal to 90%	0.70%	
		Greater than 90%	0.95%	Mortgage Term