FHA Express Conforming & High Balance Fixed Program Guidelines

Revised 4/1/2024 rev. 115

(Click the link to go straight to the section)

Section 1 Program Summary

The FHA Express program is a subset of Plaza's FHA Fixed and ARM program and is designed to provide customers with best-in-class turn times. This program is for DU or LPA approved loans qualifying with W-2 or fixed income only and a minimum 700 credit score. FHA Express does not allow for manual underwriting or loans qualifying with tax returns. Loan submissions under this program require the inclusion of all income documentation at time of submission. Plaza offers FHA Express with fixed rate terms from 15 – 30 years including odd terms between 180 – 360 months for conforming balance transactions. A brief summary follows however refer to these full program guidelines for complete details.

- 700 Credit Score
- W-2 and fixed income (self-employed borrowers or any loan requiring or using tax returns are not eligible).
- DU or LPA approval (manual underwrite not eligible) and complete income and asset documentation per the DU or LPA findings must be included with the loan submission.
- Primary residence, 1-unit detached SFR/PUD and FHA Approved condos (manufactured housing and Single Unit Approved (SUA) condos are not eligible).
- The subject property must be the borrower's only property as of the application date, regardless if the other properties are financed or owned free and clear.
  - Borrowers who will be retaining their current residence and can qualify with the full PITIA of both properties without the use of rental income are eligible.
- Purchase, Rate/Term and Cash-out refinances are eligible.
- Conforming Balance and High Balance loan amounts are eligible.

AllRegs Version of FHA Single Family Housing Policy Handbook 4000.1
PDF Version of FHA Single Family Housing Policy Handbook 4000.1

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
FHA Express 15 Year Fixed	FHA150X	180
FHA Express 30 Year Fixed	FHA300X	181-360
FHA Express High Balance 15 Year Fixed	FHA150XHB	180
FHA Express High Balance 30 Year Fixed	FHA300XHB	360
FHA Express 30 Year Fixed w/2-1 Buydown	FHA300XBD21	360
FHA Express 30 Year Fixed w/1-0 Buydown	FHA300XBD10	360

Section 3 Program Matrix

Conforming Balance and High Balance – Primary Residence					
Purpose	LTV	CLTV	Min Credit Score	Max DTI Underwriting Method	
				AUS	Manual
Purchase	96.5%	96.5%	700	Per AUS	N/A
Rate/Term Refinance or Simple Refinance	97.75%[1]	97.75%[1]	700	Per AUS	N/A
Cash-out Refinance	80%	80%	700	Per AUS	N/A

1. Maximum LTV is 85% if the borrower has not owned and occupied the property for the last 12 months. If the property has been owned less than 12 months and has been owner occupied since acquisition then the LTV is not restricted to 85%. Seasoning is based on case number assignment date.

Section 4 Occupancy

Primary Residence Only:

A primary residence is a property that will be occupied by the borrower the majority of the calendar year and meets the following criteria:

- The borrower must occupy the property and sign the Note and security instrument for the property to be considered owner-occupied.
- The borrower must occupy the property within 60 days after the loan closes with continued occupancy for at least 1 year. The only exceptions allowed are due to hardship or extenuating circumstances.
- Military Personnel stationed elsewhere are considered occupant-borrowers and are eligible for maximum financing provided a member of the immediate family will occupy the property as a principal residence.

Mortgagors Who Will Re-Occupy a Former Investment Property:

When the subject property is a former investment property that the borrowers are now re-occupying:

- Seasoning is calculated based on the loan application date.
- Maximum financing is allowed when 12 months or more occupancy seasoning exists.
- When < 12 months occupancy seasoning exists, the maximum LTV/CLTV is 85% for a rate/term transaction

- Purchase
- Rate/Term Refinance
- Simple Refinance
- Cash-Out Refinance

Rate and Term Refinance:

All proceeds are used to pay existing liens and costs associated with the transaction. The mortgage being paid off is not required to be an FHA-insured mortgage. Cash back to the borrower is not allowed with the exception of minor adjustments at closing, provided the amount does not exceed $500.

The maximum mortgage amount is the lower of the LTV or the existing debt calculation described below, and may never exceed the **Nationwide Mortgage Limit** except by the amount of any new up-front MIP.

Existing Debt:

Add together the amount of the existing first lien, any purchase money second mortgage, any junior liens over 12 months (seasoning based on the note date of the new loan), borrower-paid closing costs, prepaid expenses, borrower paid repairs required by the appraisal, discount points, and then subtract any refund of UFMIP.

Existing First Mortgage:

- The amount of the existing first mortgage may include the interest charged by the servicing lender when the payoff will not likely be received on the first day of the month as is typically assessed on FHA-insured mortgages and the MIP due on the existing mortgage. The amount also may include any prepayment penalties assessed on a conventional mortgage.
- The amount of the existing first mortgage may not include delinquent interest. Prepaid expense may include the per-diem interest to the end of the month on the new loan, hazard insurance premium deposits, flood insurance, mortgage insurance premium and any real estate tax deposits needed to establish the escrow account.

Equity Line of Credit:

If the balance or any portion of an equity line of credit in excess of $1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new Mortgage.

Buy Out Co-mortgagor Equity:

If the new loan is used to refinance an existing mortgage to buy out an ex-spouse's or other co-mortgagors' equity, the specified equity to be paid is considered property-related indebtedness and is eligible for inclusion in calculating the new mortgage. The divorce decree, settlement agreement, or other equity agreement must be provided to document the equity awarded to the ex-spouse or co-mortgagor.

Simple Refinance:

All proceeds are used to pay the existing FHA-insured lien and costs associated with the transaction. The mortgage being paid must be an FHA-Insured mortgage. Cash back to the borrower is not allowed with the exception of minor adjustments at closing, provided the amount does not exceed $500.

A Simple Refinance allows a borrower to include closing costs and prepaid items in the loan amount provided there is sufficient equity in the subject property. Additionally, borrowers are able to benefit from the lower Mortgage Insurance Premium (MIP) afforded to Streamline refinances of FHA-insured loans endorsed on or before May 31, 2009. A simple refinance requires an appraisal and full credit qualifying.

The maximum mortgage amount is per the calculation described below, and may never exceed the **Nationwide Mortgage Limit** except by the amount of any new up-front MIP.

The maximum loan amount is the lesser of the sum of:

- The existing principal balance
- Plus the interest due and the MIP due on the existing mortgage
- Late charges
- Escrow shortages
- Minus the applicable refund of UFMIP
- Plus closing costs, prepaid items to establish the escrow account and the new Up Front Mortgage Insurance Premium (UFMIP) that will be charged on the refinance, **OR**
- 97.75% of the appraised value of the property for properties acquired over 12 months from the case number assignment date. If the property was acquired within 12 months of the case number assignment date, refer to **Refinances – Calculating Adjusted Value**
- Plus the new UFMIP that will be charged on the refinance

Prepaid expenses may include:

- Per Diem interest to the end of the month on the new loan.
- Hazard insurance and flood insurance premium deposits
- Monthly MIPs **AND**
- Any real estate tax deposits needed to establish the escrow account.

Refer to **4000.1.II.A.8-Simple Refinance**

Cash-Out Refinances:

A cash-out is a first lien in which the loan proceeds may include the funds required to pay off any existing liens, related prepaid items, closing costs, and the disbursement of cash to the borrower.

- The borrower must have made at least six consecutive monthly payments on the mortgage that is being refinanced beginning with the payment made on the first payment due date.
- The first payment due date of the refinance loan must occur no earlier than 210 days after the first payment due date of the existing loan.
- The borrower must have owned and occupied the subject property as their principal residence for the 12 months prior to the date of case number assignment.
    - Exceptions are allowed in the case of inheritance.

  Refer to **4000.1.II.A.8.v-Cash-Out Refinances**

Refinances - Calculating Adjusted Value:

- For properties acquired by the Borrower within 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.
- 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.
- Inherited Properties: Properties acquired by the Borrower within 12 months of the case number assignment date by inheritance or through a gift from a family member may utilize the calculation of Adjusted Value for properties purchased 12 months or greater.

Properties Listed For Sale:

Refinances of properties listed for sale are not permitted. The listing agreement must be cancelled at least 1 day prior to the date the application is taken.

Section 6 Property Flips/ Resale Requirements

Property flipping is a practice whereby a property recently acquired is resold for a considerable profit with an artificially inflated value.

To address the issue of property flipping, FHA has placed certain time restrictions and additional documentation requirements on purchase transactions involving the resale of an existing property, including 203(k) loans.

Property eligibility is based upon the time that has elapsed between the date the seller obtained legal ownership of the property (based upon the date of settlement) and the date the buyer and seller execute the sales contract that will result in the FHA mortgage insurance (the re-sale date).

If uncertain about property eligibility, check with the local Homeownership Center (HOC).

Resale Less Than or Equal to 90 Days: If the re-sale date is 90 days or less following the date of acquisition by the seller, the property is not eligible for a mortgage to be insured by FHA.

Transactions involving one of the following exemptions are not subject to the time restrictions on resale mentioned above:

- FHA REO properties sold by FHA.
- Resale of properties purchased by an employer or relocation agency in connection with employee relocation. What FHA intends to exempt is bona fide relocation agencies that contract with employers to handle relocations of their employees. A relocation agency DOES NOT include individual real estate agents that advertise themselves as relocation experts and who purchase properties from persons who are relocating from the area.
- A builder selling a newly built home or building a home for a homebuyer wanting to use FHA-insured financing. Example: A builder selling to another builder prior to the completion of a home would be exempt from the time restrictions.
- Property inherited by the property seller. The property seller will not be required to hold title to that property for 90 days before he/she can sell it with FHA insured financing. The property seller must still be the owner of record but the 90 day ownership period will not be required. Further, since there was no previous sale of the property because it was inherited, there is no previous sales price that might trigger the second appraisal requirement set forth in the flipping rules. The underwriter must include the documentation evidencing the inheritance in the case binder when submitting the case for insurance.
- Sales of properties by state and federally charted financial institutions and Government Sponsored Enterprises (GSE) (e.g. Fannie Mae and Freddie Mac). **Note:** Mortgage Insurance companies are not considered a state or federally chartered financial institution and are not qualified as a GSE.
- Sales of properties by nonprofits approved to purchase HUD-owned single family properties at a discount with resale restrictions.
- Sales of properties by local and state government agencies.
- Sales of properties within Presidentially-Declared Disaster Areas, upon FHA's announcement of eligibility in a mortgagee letter specific to said disaster.

Resale Greater Than 90 Days: Loans with resale dates greater than 90 days and up to 180 days are generally eligible for a mortgage insured by FHA but may require supplemental documentation, including an additional appraisal.

- If the resale price is greater than or equal to 100% over the property seller's acquisition price, a second FHA appraisal from a new appraiser is required. The second appraisal cannot be provided by or paid for by the borrower. If the resale price is less than 100% of the property seller's acquisition price, then no additional appraisal documentation is required.

Unexpired Redemption Period: Foreclosed properties that are located in a state where a redemption period is allowed, including Fannie Mae and Freddie Mac owned or HUD REO are not eligible until all of the following are met:

- The redemption period has expired. **AND**
- The foreclosure sale has been confirmed. **AND**
- Clear and marketable title is obtained.

Refer to **4000.1.II.A.1.b-Restrictions on Property Flipping**

Section 7 Identity of Interest

The terms Identity of Interest and Non-Arm's Length describe certain transactions between parties with family or business relationships that may pose increased risk and warrant additional precautions when evaluating that risk.

Refer to **4000.1.II.A.2.b-Limitations Based on Identity of Interest**

Conflicts of Interest:

Participants that have a direct impact on the mortgage approval decision are prohibited from having multiple roles or sources of compensation, either directly or indirectly, from a single FHA-insured transaction. These participants are:

- Underwriters
- Appraisers
- Inspectors
- Engineers

Indirect compensation includes any compensation resulting from the same FHA-insured transaction, other than for services performed in a direct role. Examples include, but are not limited to:

- Compensation resulting from an ownership interest in any other business that is a party to the same FHA-insured transaction; or
- Compensation earned by a spouse, domestic partner, or other Family Member that has a direct role in the same FHA-insured transaction.

Participants that do not have a direct impact on the mortgage approval decision may have multiple roles and/or sources of compensation for services actually performed and permitted by HUD, provided that the FHA-insured transaction complies with all applicable federal, state, and local laws, rules, and requirements.

Section 8 Loan Limits

For most single-family mortgage insurance programs, the maximum insurable amount is the lesser of:

- The **Nationwide Mortgage Limit** for the area, usually a county or metropolitan statistical area (MSA). **OR**
- The applicable LTV limit, determined by a fixed percentage of the lesser of the sales price or the appraised value.

Maximum Base Loan Amount				
Units	Contiguous States		Hawaii[1]	
	Standard	High Balance	Standard	High Balance
1	$766,550	$1,149,825	$1,149,825	N/A

1. There are no properties in Hawaii with loan limits higher than the applicable base conforming limits for 2024. As a result, there are no High Balance limits specific for this state.

Maximum base loan amounts are county specific and may be lower in a particular county.

Maximum loan limits are determined by geographic areas. HUD's website contains a complete schedule of FHA **Nationwide Mortgage Limits**.

Section 9 Subordinate Financing

New or existing subordinate financing is allowed per the LTV/CLTV limits.

Properties with Property Assessed Clean Energy (PACE) obligations are ineligible.

- Any PACE obligations or liens must be paid and satisfied at or prior to closing.
- PACE liens may not be subordinated.

Refer to **4000.1.II.A.4-Secondary Financing (TOTAL)** and **4000.1.II.A.5-Secondary Financing (Manual)**.

Section 10 Borrower Eligibility

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens
- Non-permanent resident aliens
- Deferred Action for Childhood Arrivals (DACA) program recipients

Non-permanent Resident Aliens:

- Must be principal residence
- Have a valid Social Security number.
- Are eligible to work in the United States as evidenced by an Employment Authorization Document (EAD) issued by the USCIS.
    - A Social Security card cannot be used as evidence of work status.

Deferred Action for Childhood Arrivals (DACA) program recipients:

- Must be borrower's principal residence;
- Borrower must have a valid Social Security Number (SSN), except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD;
- Borrower must be eligible to work in the U.S. as evidenced by the Employment Authorization Document issued by USCIS, 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 will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender 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 is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained.

First Time Home Buyers:

- A first time homebuyer is defined as a borrower who has had no ownership interest, sole or joint, in a principal residence during the 3 year period preceding the date of purchase of the subject property.
- A borrower does not have to have housing counseling in order to obtain an FHA mortgage. However, housing counseling is still highly encouraged for first time buyers.
- For information on housing counseling and to find a counselor go to the following HUD website: **http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor** or call HUD's interactive voice system at 1-800-569-4287.

Valid Social Security Number:

Eligible borrowers must provide evidence of a valid Social Security number on all FHA loans. Evidence includes a copy of the borrower's:

- Social Security card. Tax Identification numbers (TINs) are not allowed.
- Paystub, W-2 or other government-issued card that includes the borrower's Social Security number.
- FHA requires validation of Social Security numbers for consistency with the borrower's name through FHA Connections.

Ineligible Borrowers:

- Non-occupant co-borrowers
- Charitable organizations
- Non-profit agencies
- State or local government agencies
- Foreign Nationals

Section 11 Underwriting Method

All loans must be decisioned through FHA TOTAL Scorecard. Provide a copy of the TOTAL Scorecard recommendation from DU, LPA or TOTAL Scorecard. Loans must receive AUS approval, manual underwriting is not eligible on FHA Express.

Regardless of the risk assessment made by TOTAL, the DE underwriter remains accountable for compliance with FHA guidelines and eligibility requirements, as well as for any credit, capacity and documentation requirements covered herein.

Section 12 Credit

Credit Score: 700

Qualifying Credit Score:

- A tri-merge credit report is required on all loans.
- Qualifying score:
    - Where three scores are reported, the middle score is the qualifying score
    - Where two scores are reported, the lowest score is the qualifying score
    - Where only one score is reported, that score is the qualifying score
- Where the Mortgage involves multiple Borrowers, the lowest qualifying score of all borrowers is used
- Where the Mortgage involves multiple Borrowers and one or more of the Borrowers do not have a credit score (non-traditional or insufficient credit), the lowest qualifying score of the Borrower(s) with credit score(s) is used

- At least one occupant borrower must have a credit score. Mortgages where one or more of the co-borrowers do not have a credit score are only eligible with AUS “Approve/Eligible” or “Accept/Eligible” recommendations. If a co-borrower does not have a credit score, feedback Certificates showing a Refer recommendation and requiring manual underwriting are not eligible.

Housing Payment History:

- For purchases and refinances, the mortgage payment history may be deemed satisfactory when the mortgage credit rating is disclosed on the credit report, is evaluated by the AUS, and the loan receives an “Approve/Eligible” or “Accept/Eligible” recommendation.
- The rental payment history will be deemed acceptable per the AUS findings for loans that receive an “Approve/Eligible” or “Accept/Eligible” recommendation.
- When the housing payment history is not evaluated by an AUS:
  - There may be no history of any 30-day late mortgage or rental payments within the last 12 months.
  - There may be no more than two 30-day late mortgage or rental payments in the previous 24 months.
  - The housing payment history must be documented by:
    - The credit report; or
    - VOR received directly from the landlord (for landlords with no Identity of Interest with the borrower); or
    - VOM received directly from an institutional mortgage servicer; or
    - Canceled checks that cover the most recent 12-month period.
- Borrowers who are living rent free are eligible provided the Mortgagee obtains verification directly from the property owner that the borrower has been living rent-free and the amount of time the borrower has been living rent free.

Revolving and Installment Accounts – Per AUS

Bankruptcy: Borrowers with a previous Chapter 7 or Chapter 13 bankruptcy must meet the requirements in **4000.1.II.A.4-Bankruptcy (TOTAL)** or **4000.1.II.A.5-Bankruptcy (Manual)**.

Foreclosures, Deed in Lieu, Pre-foreclosures and Short Sales: Borrowers must meet the requirements in **4000.1.II.A.4-Foreclosure and Deed in Lieu of Foreclosure (TOTAL)** or **4000.1.II.A.5-Foreclosure and Deed in Lieu of Foreclosure (Manual)**.

Consumer Credit Counseling: Consumer Credit Counseling does not require a downgrade to manual underwriting. For manual underwriting refer to the **4000.1.II.A.5-Credit Counseling/Payment Plan (Manual)**.

Collections, Judgments & Charge-offs:

- **Explanation:** No documentation or letter of explanation is required for loans run through TOTAL Mortgage Scorecard receiving an “Accept/Approve” despite the presence of collection accounts, charge-offs or judgments. These accounts have been already taken into consideration in the borrower’s credit score.
- **Including payment:** Regardless of the Accept/Approve/Refer recommendation by TOTAL Mortgage Scorecard, the lender must include the payment amount in the calculation of the borrower’s DTI ratio. Payment amounts for charge-offs are not included.

The borrower *must* provide a letter of explanation with supporting documentation for each outstanding collection account, charge-off and judgment. The explanation and supporting documentation must be consistent with other credit information in the file.

Payoff Requirements for Judgments and Collection Accounts:

Judgments:

Judgments must be paid prior to or at closing. An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. Provide a copy of the agreement and proof of 3 months payments made prior to credit approval. Borrowers may not prepay the scheduled payments to qualify. If exception is made the payment must be included in the calculation of the DTI ratio.

Judgments of a non-purchasing spouse in a community property state must be paid in full, or meet the exception guidance for judgments.

Collection Accounts:

If the total outstanding balance for all borrowers is less than $2,000, a capacity analysis is not required. However, if the total outstanding balance of all collection accounts for all borrowers is equal to or greater than $2,000, the underwriter must perform a capacity analysis. Collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance.
Medical collections and charge off accounts are excluded from this guidance and do not require resolution.

Tax Liens:

Tax liens may remain unpaid if:

- The Borrower has entered into a valid repayment agreement with the lien holder to make regular payments on the debt. **AND**
- The Borrower has made timely payments for at least 3 months of scheduled payments.
- The Borrower cannot prepay scheduled payments in order to meet the required minimum of 3 months of payments.
- The lien holder must subordinate the tax lien to the FHA-insured Mortgage.

Capacity Analysis for the Payment/Payoff of Collections, Judgments and Disputed Accounts:

- At the time of or prior to closing, payment in full of the collection account, verification of acceptable source of funds required.
- The borrower makes payment arrangements with the creditor. A credit report or creditor letter verifying the monthly payment is required and the monthly payment must be included in the DTI ratio.
- If evidence of a payment arrangement is not available, the underwriter must calculate the monthly payment using 5% of the outstanding balance of each collection, and the monthly payment included in the DTI ratio.

Disputed Accounts:

The existence of potentially inaccurate information on a borrower's credit report resulting in a dispute must be reviewed by an underwriter. Accounts that appear as disputed on the borrower's credit report are not considered in the credit score utilized by TOTAL Mortgage Scorecard in rating the application.

If the credit report indicates that the borrower is disputing derogatory credit accounts, the borrower must provide a letter of explanation and documentation supporting the basis of the dispute.

Disputed derogatory credit accounts are defined as follows:

- Disputed charge-off accounts.
- Disputed collection accounts. **AND**
- Disputed accounts with late payments in the last 24 months.

Disputed derogatory credit accounts of a non-purchasing spouse in a community property state are not included.

TOTAL Mortgage Scorecard Accept/Approve Loans with Disputed Derogatory Accounts:

Disputed Derogatory Credit Accounts greater than or equal to $1,000	If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is equal to or greater than $1,000, the mortgage application must be downgraded to a “Refer” and a DE underwriter is required to manually underwrite the loan.
Disputed Derogatory Credit Accounts less than $1,000	If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is less than $1,000, a downgrade is not required.
Excluded Accounts	• Disputed medical accounts are excluded from the $1,000 limit and do not require documentation. • Disputed derogatory credit accounts resulting from identity theft, credit card theft, or unauthorized use are also excluded from the $1,000 limit. However, the lender must provide in the case binder a credit report, letter from the creditor, or other appropriate documentation to support the dispute, such as a police report disputing the fraudulent charges.

Non-derogatory Disputed Accounts:

- Non-derogatory disputed accounts are excluded from the $1,000 cumulative total.
- 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. **AND**
    - 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, the underwriter is not required to downgrade the application to a “Refer.” However, the underwriter must analyze the effect of the disputed accounts on the borrower’s ability to repay. 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.

Section 13 Income and Employment

Refer to **4000.1.II.A.4-Income Requirements (TOTAL)** or **4000.1.II.A.5-Income Requirements (Manual)**

Verbal Verification of Employment:

- Required on all loans.
- VOE must cover the most recent 2-year period.
- Must be performed within 10 days of the loan closing.

IRS Form 4506-C:

- All transactions require a signed and dated IRS Form 4506-C for all borrowers completed prior to closing.
- Refer to Plaza’s **Credit Guidelines** to determine if transcripts are required.

Section 14 Qualifying Ratios

Debt Ratios: Refer to the **Program Matrix** for specific debt ratio requirements by loan scenario.

Qualifying Rate: Qualify based on the Note rate.

Installment Debt:

- Payments on all installment debts with 10 months or more of remaining payments must be included in the DTI.
- Installment debts may be excluded if they will be paid off within 10 months **AND** the cumulative payment of all such debts are less than or equal to 5% of the borrower's gross monthly income.
- Installment accounts cannot be paid down to 10 months in order to be excluded.

Auto Lease: Payment must be included in the DTI regardless of the remaining number of payments.

Revolving Debt: If the account shown on the credit report has an outstanding balance and is not reporting a minimum monthly payment, the monthly payment for qualifying purposes must be calculated at the greater of 5% of the balance or $10.

30-Day Accounts:

- In order to exclude payment in the debt ratio, the borrower must have paid the outstanding balance in full on every 30-day account each month for the past 12 months.
- If there are any late payments in the last 12 months, a payment of 5% of the outstanding balance must be used.
- Sufficient funds to pay off the account, in excess of funds required to close and for reserves, must be documented.

Deferred Obligations: Deferred obligations (excluding Student Loans) must be included in the borrower's liabilities. Written documentation of the deferral including the outstanding balance and terms of the deferred liability must be obtained from the creditor.

- The actual monthly payment (after deferral) must be used when available.
- If the payment is not known, the greater of the terms of the debt or 5% of the outstanding balance must be used.

Student Loans: Refer to **FHA Mortgagee Letter 2016-08**:

- All Student Loans must be included in the borrower's liabilities regardless of payment type or status of payments.
- The amount included in the liabilities must be:
  - the greater of 1% of the outstanding balance 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. Documentation must include:
    - The actual monthly payment
    - The payment status
    - Evidence of the outstanding balance
    - Terms from the creditor

Authorized User: Payments on accounts for which the borrower is an authorized user must be included in the debt ratio, unless:

- It can be documented that the primary account holder has made all required payments in the last 12 months, **AND**
- At least 3 payments have been required in the last 12 months

401(k) Loans: Repayment of debt secured by 401(k) funds is not included in the qualifying DTI.

Paying off Debt:

- Installment debt may be paid off to qualify.
- Revolving debt may be paid off; however, a minimum monthly payment of $10 must be included in the debt ratio.

Co-signed Obligations: Refer to **4000.1.II.A.4-Contingent Liabilities (TOTAL)** or **4000.1.II.A.5-Contingent Liabilities (Manual)**.

Section 15 Down Payment / Gifts

Down Payment:

- On purchase transactions the borrower must make Minimum Required Investment (MRI) of 3.5% of the lesser of the appraised or sales price. This amount is in addition to any borrower closing costs.
- The deposit amount and source of funds must be documented if the amount of the earnest money deposit exceeds 1% of the sales price or is excessive based on the Borrower's history of accumulating savings.
- All funds that are used for the purpose of qualifying for or closing a Mortgage must be documented, including those to satisfy debt or pay costs outside of closing.
- The existence of and amounts in the Borrower's checking and savings accounts must be documented and verified. For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value, documentation of the deposits must be obtained. It must also be verified that no debts were incurred to obtain part, or all, of the MRI.

Gift Funds:

Gifts Funds, including gifts of equity are allowed and may be used to meet the borrower's MRI. Refer to **4000.1.II.A.4-Gifts (Personal and Equity) (TOTAL)** or **4000.1.II.A.5-Gifts (Personal and Equity) (Manual)**.

An outright gift of the cash investment is acceptable if the donor is:

- The borrower's family member
- The borrower's employer or labor union
- A charitable organization (see below)
- A governmental agency or public entity that has a program to provide homeownership assistance to low- and moderate-income families or first-time homebuyers.
- A close friend with a clearly defined interest in the borrower.

A gift from any other source is considered an inducement to purchase and requires a reduction to the sales price. Donors may borrow gift funds from an acceptable source, not from a party to the loan transaction, including the mortgage lender. Cash-on-hand is not an acceptable source of donor gift funds.

Unacceptable Gift Funds:

The donor of the gift may not be a person or entity with an interest in the sale of the property, such as the seller, seller funded down payment assistance, real estate agent or broker, builder, or any entity associated with them. This restriction may be waived by the local FHA HOC, certain restrictions and requirements apply.

Gift Letter Requirements:

The gift letter must:

- Specify the dollar amount given.
- Be signed by the donor and the borrower.
- State that no repayment is required.
- Show the donor's name, address, telephone number, and relationship to the borrower.

Additionally, the gift letter must also contain language asserting that the funds given to the homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them.

Gift Transfer Documentation:

If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account.

If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.

Regardless of when the gift funds are made available to the homebuyer, the underwriter must be able to:

- Determine that the gift funds were not ultimately provided from an unacceptable source and were indeed the donor's own funds. **AND**
- Trace the gift funds from the donor to the homebuyer.

When the transfer occurs at closing, the underwriter remains responsible for obtaining verification that the closing agent received funds from the donor for the amount of the purported gift and that those funds came from an acceptable source.

The full amount of the gift(s) received by the borrower and the source of the gift(s) must be accurately entered and identified in the AUS used to submit to TOTAL Scorecard in order to receive an accurate TOTAL Scorecard recommendation. All gift funds must be identified, regardless of whether or not they have been deposited into the borrowers account. If the dollar amount of the gift or the gift source in FHA Connection does not match the data provided to TOTAL Scorecard at the time of insuring the transaction is automatically rescored and a "REFER" recommendation is returned along with an error message that "TOTAL CASE RESCORED AS REFER; MANUAL UNDERWRITING REQUIRED; ZFHA INVALID".

Down Payment Assistance from Charitable Organizations/Non-Profit Agencies:

For complete requirements on Down Payment Assistance refer to **4000.1.II.A.4-Downpayment Assistance Programs (TOTAL)** or **4000.1.II.A.5-Downpayment Assistance Programs (Manual)**.

FHA does not approve specific down payment assistance programs in the form of gifts administered by charitable organizations (non-profits). In addition, FHA does not allow non-profit entities to provide gifts to homebuyers for the purpose of paying off installment loans, credit cards, collections, judgments and similar debts.

If a charitable organization loses or gives up its federal tax-exempt status, FHA will recognize the gift provided the gift is made to the homebuyer and properly documented and the homebuyer 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.

Gift funds from a non-profit agency must be sent directly to the closing agent from the Agency. The escrow/funding agent must provide proof that the funds were received via a cashier's check or a wire transfer from the non-profit agency. This must be a condition of loan closing.

Seller-Funded Non-Profit Agencies: Not allowed. Examples include: Nehemiah and Ameridream.

Requirement for Federal Tax Identification:

If the non-profit agency is providing down payment assistance in the form of a gift, enter the Federal Tax identification number of the non-profit agency into the CHUMS system in the field designated for a charitable organization's tax identification number. Failure to do this will result in the loan not being insured by FHA.

Section 16 Reserves

Reserve Requirements:

- Cash reserves are not a requirement for 1-unit FHA loans approved through TOTAL Scorecard.
- All assets submitted to TOTAL Scorecard must be verified.

Refer to **4000.1.II.A.4-Reserves (TOTAL)** or **4000.1.II.A.5-Reserves (Manual)**

Section 17 Interested Third Party Contributions

Interested Party Contributions are limited to 6%

Fees not included in the contribution limitation:

Fees typically paid by the property seller under local or state law, local custom such as real estate commissions, charges for pest inspections, fees paid for trustees to release a deed of trust, etc., are not considered contributions that must be counted in the 6% limit. The dollar limit for property seller contributions is calculated using Attachment A on the HUD-92900-PUR/HUD-92900WS.

Closing Costs Paid by Seller: Closing costs normally paid by the borrower are considered contributions if paid by the property seller.

Real Estate Commissions:

- Sales commission consistent with the prevailing rate but not to exceed 6 percent. Anything exceeding this amount is considered a sales concession and that excess commission and/or bonus must be deducted from the sales price.
- The appraiser is required to disclose whether the purchase contract was reviewed and, if so, comment on any excessive sales commission. Any excessive sales commission should be taken into consideration when arriving at the final value.

Fees for Builder Forward Commitments:

- Fees for builder forward commitments that a builder obtains for blanket coverage before it enters into a contract with a borrower are not subject to contribution limits because they are not attributable to the specific mortgage transaction.

Refer to **4000.1.II.A.4-Interested Party Contributions (TOTAL)** or **4000.1.II.A-5-Interested Party Contributions (Manual)**

Section 18 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- FHA-approved Condos

Single Unit Approved (SUA) Condos: SUA Condos are ineligible on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

Manufactured Housing: Manufactured housing is ineligible on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

New Construction – Refers to Proposed Construction, Properties Under Construction and Properties Existing Less than One Year:

FHA treats the sale of an occupied Property that has been completed less than 1 year from the issuance of the Certificate of Occupancy or local authority equivalent as an "existing" Property.

- New Construction must comply with the minimum documentation requirements per Sections II.A.8.i.i-iv of the 4000.1 Handbook.
- Refer to **Plaza's FHA New Construction Documentation Requirements** document.

Ineligible Properties:

- 2-4 units
- Manufactured Housing
- SUA Approved Condos
- Commercial property
- Cooperatives
- Condotels
- Geothermal homes
- Geodesic Domes
- Mobile homes
- Non-warrantable condos
- Timeshares
- Working farms, ranches, orchards

Section 19 Appraisal

Refer to **4000.1.II.D.1-Appraiser and Property Requirements**

All appraisals for FHA loans must be completed by a HUD-approved appraiser

Property Type	Form Name/Number
Single-Family Residence, including PUD	Uniform Residential Appraisal Form (#1004 / # 70)
Condominiums	Individual Condo Appraisal Report (#1073 / # 465)
All properties	Appraisal Updated and /or Completion Report 1004D/442

Plaza FHA Appraisal Transfer Policy:

Plaza will accept FHA appraisals from other lenders that meet the following criteria:

- Plaza must receive the original PDF and XML of the appraisal from the original lender
- The appraisal must include a Certificate of Compliance (COC) certifying the appraisal was ordered and completed in accordance with Appraiser Independence Requirements (AIR). The COC is normally issued by the AMC and accompanies the appraisal.
- Plaza must receive the last successful SSR from the original lender.
- FHA Connection must identify the appraiser who actually conducted the appraisal that is used for Insuring.
- Plaza's branch to confirm that the appraiser was on FHA active roster as of the effective date of the appraisal.
- The effective date of the appraisal must be after the FHA case number assignment date.
- For transactions that are brokered to Plaza the appraisal cannot be in the broker's name. This does not apply to Principal Authorized Agent Relationships or Correspondent loans sold to Plaza from FHA approved Lenders.
- Plaza may not request the appraiser to re-address the transferred appraisal. If Plaza finds deficiencies in the appraisal, a new appraisal must be ordered.
  - Both appraisals are to be retained in the loan file and case binder.
  - The file must be documented regarding why a second appraisal was ordered and retain the explanation in the case binder.
- The appraiser cannot be on Plaza's exclusionary list.

Section 20 Geographic Restrictions

State or geographic restrictions are identified here, however at this time Plaza may not be lending in all states listed. Properties are limited to those states where Plaza branches are currently authorized to originate loans.

Hawaii: Properties in Lava Flow Zones 1 or 2 are not allowed.

Iowa: An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.

Kansas: Properties located in the State of Kansas require the lender to obtain the market value.

Massachusetts: Septic system inspection required when a property is transferred to a different owner (purchase money). All systems must be inspected within 2 years prior to the transfer of title to the property served by the system. Inspections conducted up to 3 years before the purchase may be eligible when accompanied by records demonstrating that the system was pumped at least once a year during that time.

Montana: Lot size of the property may not exceed 40 acres.

Texas: Cash out refinance transactions are not eligible in Texas.

Section 21 Max Financed Properties

The subject property must be the borrower's only property as of the application date, regardless if the other properties are financed or owned free and clear.

- Borrowers who will be retaining their current residence and can qualify with the full PITIA of both properties without the use of rental income are eligible.

Section 22 Mortgage Insurance Premiums

UFMIP Premiums:

Effective for loans with case numbers **endorsed on or after March 20, 2023 AND** base loan amounts **less than or equal to $726,200**, the following premiums apply:

LTV	Up-Front and Annual Mortgage Insurance Premium Mortgage Term Greater Than 15 Years		
	Purchase and Refinance	**Simple Refinance Endorsed after 5/31/2009**	**Simple Refinance Endorsed on or before 5/31/2009**
> 95%	1.75% / 0.55%	1.75% / 0.55%	0.01% / 0.55%
<= 95%	1.75% / 0.50%	1.75% / 0.50%	
LTV	**Up-Front and Annual Mortgage Insurance Premium Mortgage Term Less Than or Equal to 15 Years**		
	Purchase and Refinance	**Simple Refinance Endorsed after 5/31/2009**	**Simple Refinance Endorsed on or before 5/31/2009**
> 90%	1.75% / 0.40%	1.75% / 0.40%	0.01% / 0.55%
<= 90%	1.75% / 0.15%	1.75% / 0.15%	

Effective for loans with case numbers **endorsed on or after March 20, 2023 AND** base loan amounts **greater than $726,200,** the following premiums apply:

LTV	Up-Front and Annual Mortgage Insurance Premium Mortgage Term Greater Than 15 Years		
	Purchase and Refinance	**Simple Refinance Endorsed after 5/31/2009**	**Simple Refinance Endorsed on or before 5/31/2009**
> 95%	1.75% / 0.75%	1.75% / 0.75%	0.01% / 0.55%
<= 95%	1.75% / 0.70%	1.75% / 0.70%	
LTV	**Up-Front and Annual Mortgage Insurance Premium Mortgage Term Less Than or Equal to 15 Years**		
	Purchase and Refinance	**Simple Refinance Endorsed after 5/31/2009**	**Simple Refinance Endorsed on or before 5/31/2009**
> 90%	1.75% / 0.65%	1.75% / 0.65%	0.01% / 0.55%
>= 78.01 to <= 90%	1.75% / 0.40%	1.75% / 0.40%	
<= 78%	1.75% / 0.15%	1.75% / 0.15%	

Upfront Mortgage Insurance Premium (UFMIP) and Refinance Transactions:

If a borrower is refinancing an FHA-insured mortgage to another FHA insured Mortgage within 3 years, a refund credit is applied to reduce the amount of the UFMIP on the new loan. See the table below for refund percentages.

UFMIP Refund Percentages												
Year	Month of Year											
	1	2	3	4	5	6	7	8	9	10	11	12
1	80%	78%	76%	74%	72%	70%	68%	66%	64%	62%	60%	58%
2	56%	54%	52%	50%	48%	46%	44%	42%	40%	38%	36%	34%
3	32%	30%	28%	26%	24%	22%	20%	18%	16%	14%	12%	10%

Section 23 Escrow Accounts

Escrow/impound accounts are required for property taxes and insurance. The amount must be included in qualifying ratios.

Section 24 Repair Escrow

Not available on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

Section 25 ARM Adjustments

Reserved for future use.

Section 26 Temporary Buydowns

Temporary Buydowns are eligible subject to the following:

- 2-1 and 1-0 buydowns are offered
- 30-Year Fixed Rate
- Purchase transactions only
- Qualify at the note rate
- Funds may come from the seller or other eligible interested party
  - Interested Party Contribution (IPC) limits apply
  - Seller paid buydowns must be documented on the sales contract or applicable legally binding document. When a legally binding document other than the sales contract is used to document the Interested Party Contributions, a copy of this document must be provided to the assigned Appraiser.
  - The amount and source of all IPCs must be submitted to the AUS as applicable
- Buydown Agreement required and will print with Plaza loan docs
- **Plaza's Buydown Calculator** can be used to estimate the buydown payment and total contribution amount

Section 27 Prepayment Penalty

Not allowed.

Section 28 Streamline Refinance

Not available on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

Section 29 Energy Efficient Mortgages

Not available on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

Section 30 Good Neighbor Next Door (GNND)

Not available on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

Section 31 HUD REO

Not available on FHA Express. Refer to Plaza's standard FHA Fixed and ARM program guidelines.

Section 32 Insurance

Attached PUD:

If the master or blanket policy does not provide interior unit coverage replacement of improvements and betterment coverage to cover any improvements that the borrower may have made, the borrower must obtain an HO-6 Policy or "walls-in" coverage, as determined by the insurer, which is sufficient to repair the attached PUD unit to its condition prior to a loss claim event.

For all other insurance requirements refer to Plaza's **Loan Closing Manual**.