



# FHA STANDARD & HIGH BALANCE Matrix

## Primary Residence

Units	Purchase		No Cash-Out		Cash-Out		Minimum Loan Amount	Terms Available
	Max LTV/CLTV	Minimum FICO	Max LTV/CLTV	Minimum FICO	Max LTV/CLTV	Minimum FICO		
1 - 4 Units	96.50%	580 <sup>1,2</sup>	97.75% <sup>3</sup>	580	80%	580	\$75,000	15, 20, 25, 30 Year Fixed
Manufactured	96.50%	580	97.75% <sup>3</sup>	580	N/A	N/A		

### Reference:

- Loans utilizing DPA requires a minimum of 600 FICO.
- Temporary Interest Buydowns require min. 660 FICO.
- No Cash Out is limited to maximum 85% LTV for borrower with less than 12 months occupancy prior to case assignment date, or for borrowers that have not occupied the property since acquisition.

Annual Mortgage Insurance Premiums (MIP)			
Base Loan Amount	LTV	MIP	Duration
Mortgage Terms: 20, 25, 30 Years			
≤ \$726,200	≤ 90%	50	11 years
	90.01 - 95%	50	Life of Loan
	95.01% and above	55	Life of Loan
> \$726,200	≤ 90%	70	11 years
	90.01 - 95%	70	Life of Loan
	95.01% and above	75	Life of Loan
Mortgage Terms: 10, 15 Years			
< \$726,200	≤ 90%	15	11 years
	> 90%	40	Life of Loan
	≤ 78%	15	11 years
> \$726,200	78.01% - 90.00%	40	11 years
	90.01% and above	65	Life of Loan

2025 Maximum Loan Limits		
Property Type	Low Cost Area "Floor"	High Cost Area "Ceiling"
1 Unit	\$524,255	\$1,209,750
2 Unit	\$671,200	\$1,548,975
3 Unit	\$811,275	\$1,872,225
4 Unit	\$1,008,300	\$2,326,875

<b>Upfront Mortgage Insurance Premiums</b>
All Mortgages: 1.75% of Base Loan Amount
<b>FHA Condo Search</b>
<a href="#">FHA Approved Condo Search</a>
<b>FHA Max County Loan Limits</b>
<a href="#">FHA Mortgage Limits by County</a>
<b>AUS</b>
DU only
<b>Property Types</b>
SFRs, PUDs, Condos, 2-4 unit, Multi-Wide Manufactured Homes.

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# FHA STANDARD & HIGH BALANCE Requirements

Quick Reference		
Temporary Interest Buydowns		Minimum 660 FICO
		<ul style="list-style-type: none"> <li>Owner Occupied only</li> </ul>
		<ul style="list-style-type: none"> <li>Purchase only</li> </ul>
		<ul style="list-style-type: none"> <li>Must qualify at the standard note rate without benefit of the buydown</li> </ul>
		<ul style="list-style-type: none"> <li>Must meet all other applicable FHA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.</li> </ul>
Occupancy Requirements on Refinance	Rate and Term Refinance	The maximum LTV for a <b>Rate and Term</b> refinance is:
		<ul style="list-style-type: none"> <li>97.75% for Principal Residences that have been owner-occupied for the previous 12 months, or owner-occupied since <b>acquisition if acquired within 12 months</b> of case number assignment;</li> </ul>
		<ul style="list-style-type: none"> <li>85% for a Borrower who has occupied the subject Property as their Principal Residence for fewer than 12 months prior to the case number assignment date; or if owned less than 12 months, has not occupied the Property for that entire period of ownership;</li> </ul>
		<b>**Note:</b> Value used for qualifying on subject property owned less than 12 months from Case Assignment Date for All Standard Refinance including No Cash-Out is the lesser of Purchase Price plus documented costs or appraised value. Appraised value is used for subject owned over 12 months as of Case Assignment Date.
	Cash-Out Transactions	Subject property must have been <b>owned and occupied by at least one</b> Borrower as their Principal Residence for the <b>12 months prior to the date of case number assignment</b> .
Cash-Out Transactions		<b>Exception:</b> In the case of inheritance, a Borrower is not required to occupy the Property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject Property as an Investment Property at any point since inheritance of the Property. If the Borrower rents the Property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the Property as a Principal Residence for at least 12 months.
		Cash-Out Seasoning from Existing Loan:
		<ul style="list-style-type: none"> <li>6 months payments from 1st payment due date to Note date. Properties owned free and clear may be refinanced as cash-out transactions.</li> </ul>
		<ul style="list-style-type: none"> <li>210 days has lapsed from 1st payment due date to Note date</li> </ul>
		Occupancy:
Collateral Value used to determine Maximum Mortgage Amount		<ul style="list-style-type: none"> <li>12 months of ownership and occupancy prior to Case Number Assignment date is required.</li> </ul>
		<ul style="list-style-type: none"> <li><b>Manufactured Home</b> - must be permanently installed on a site for <b>more than 12 months prior to Case Number Assignment</b>.</li> </ul>
		<b>Purchase</b> transactions, the Adjusted Value is the lesser of:
		<ul style="list-style-type: none"> <li>purchase price less any inducements to purchase; or</li> </ul>
		<ul style="list-style-type: none"> <li>the Property Value.</li> </ul>
		<b>Refinance</b> transactions:
		<ul style="list-style-type: none"> <li>For Properties acquired by the Borrower <b>within 12 months of the case number assignment date</b>, the Adjusted Value is the lesser of:               <ul style="list-style-type: none"> <li>the Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or</li> <li>the Property Value.</li> </ul> </li> </ul>
		<ul style="list-style-type: none"> <li>Properties acquired by the Borrower within 12 months of case number assignment by inheritance or through a Gift from a Family Member may utilize the calculation of Adjusted Value for properties purchased 12 months or greater.</li> </ul>
		<ul style="list-style-type: none"> <li>For properties acquired by the Borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value.</li> </ul>

Quick Reference (Continued)	
Resale Restrictions (Property Flipping less than 90 days & less than 180 days)	<p><b>Time Restriction on Transfers of Title</b> - The eligibility of FHA loan is determined by the time that has elapsed between the date the seller has acquired title to the Property and the resale date.</p> <p>The Seller's Date of Acquisition refers to the date the seller acquired legal ownership of that Property. The Resale Date refers to the date all parties have executed the sales contract that will result in the FHA-insured Mortgage for the resale of the Property.</p>
	<p><b>Restriction on Resales Occurring 90 Days or Fewer after Acquisition</b> - A Property that is being resold 90 Days or fewer following the seller's date of acquisition is not eligible for an FHA-insured Mortgage.</p>
	<p><b>Resales Occurring between 91 Days and 180 Days after Acquisition</b> - A Mortgagee must obtain a second appraisal by another Appraiser if:</p>
	<ul style="list-style-type: none"> <li>the resale date of a Property is between 91 and 180 Days following the acquisition of the Property by the seller; and</li> </ul>
	<ul style="list-style-type: none"> <li>the resale price is 100 percent or more over the price paid by the seller to acquire the Property.</li> </ul>
	<p>If the second appraisal supports a value of the Property that is <b>more than 5 percent lower</b> than the value of the first appraisal, the <b>lower value must be used</b> as the Property Value in determining the Adjusted Value.</p> <p>The cost of the second appraisal may not be charged to the Borrower.</p>

Credit Requirements	
Age of Documents	All items are measured from Note Date
	<ul style="list-style-type: none"> <li>120 Days for Credit Report, Income, Assets and</li> </ul>
	<ul style="list-style-type: none"> <li>180 Days for Appraisals.</li> </ul>
	<ul style="list-style-type: none"> <li>90 days Title</li> </ul>
Alimony, Child Support and Maintenance Expense	<ul style="list-style-type: none"> <li>Alimony: May be subtracted from income or included in DTI.</li> <li>Child Support and Maintenance must be included in DTI.</li> </ul>
	<ul style="list-style-type: none"> <li>Evidence of legal order of decree is required such as official signed divorce decree, separation agreement.</li> </ul>
	<ul style="list-style-type: none"> <li>Borrower's paystubs covering no less than 26 days to verify any garnishments.</li> </ul>
	<ul style="list-style-type: none"> <li>Monthly obligation is the greater of:</li> </ul>
	<ul style="list-style-type: none"> <li>the amount shown on the most recent decree or agreement establishing the Borrower's payment obligation; OR</li> </ul>
	<ul style="list-style-type: none"> <li>the monthly amount of the garnishment.</li> </ul>
Authorized User	Accounts for which the Borrower is an authorized user must be included in a Borrower's DTI ratio unless the primary account holder can document that all required payments on the account for the previous 12 months are made. If there are less than three payments required on the account in the previous 12 months, the payment amount must be included in the Borrower's DTI.
Bankruptcy	<p><b>AUS Approve:</b> &gt; 2 years since date of discharge at time of case number assignment. Borrower must have reestablished satisfactory credit or have chosen not to incur new debt.</p>
	<p><b>Manual Underwrite:</b> Chapter 7: If &lt; 2 years, but not &lt; 12 months, may be acceptable under documented extenuating circumstances. Evidence that borrower has overcome the extenuating circumstance and was not due to financial mismanagement.</p>
	<p>In addition, re-established satisfactory credit after the occurrence and ability to repay is required.</p> <p>Chapter 13: Open Chapter 13 allowed after 1 yr. of pay-out period, satisfactory payment history and permission from the BK court for transaction.</p>
Borrower Eligibility	<p><b>Eligible Borrowers:</b> Must have legal residency and valid Social Security Number</p>
	<ul style="list-style-type: none"> <li>US Citizens and Permanent Residents Only</li> </ul>
	<ul style="list-style-type: none"> <li>Inter-Vivos Revocable Trusts</li> </ul>
	<p><b>Ineligible Borrowers:</b></p> <ul style="list-style-type: none"> <li>Foreign Nationals</li> </ul>

Credit Requirements (Continued)	
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>Limited and General Partnerships</li> </ul>
	<ul style="list-style-type: none"> <li>Irrevocable Trusts</li> </ul>
	<ul style="list-style-type: none"> <li>ITIN borrowers</li> </ul>
<b>CAIVRS</b>	Clear CAIVRS for each borrower is required for all transactions
<b>Charged Off Accounts</b>	Charge off accounts do not need to be included in the debt. Repossessions are treated as charge-offs unless specifically notated that the account was sent to collections. Guideline for collections are followed in those instances.
<b>Closed End Debts less than 10 months</b>	Closed-end debts do not have to be included if they will be paid off within 10 months from the date of closing and the cumulative payments of all such debts are less than or equal to 5 percent of the Borrower's gross monthly income. The Borrower may not pay down the balance in order to meet the 10-month requirement.
<b>Collection Accounts</b>	Collection account balances of \$2000 or greater,
	<ul style="list-style-type: none"> <li>verify that debt is paid in full at or prior to closing using acceptable source of funds; or</li> </ul>
	<ul style="list-style-type: none"> <li>Use 5% of the outstanding balance</li> </ul>
	<ul style="list-style-type: none"> <li>Also includes non-borrowing spouse in a community property state, unless excluded by state law</li> </ul>
<b>Condominiums</b>	<p>Single Project Approvals are eligible.</p> <p>Case Number will not be issued until project is approved by HUD.</p> <p>Appraisal cannot be ordered until project is approved by HUD and case number released. Form #9991 HUD</p>
	Questionnaire is required.
<b>Contingent Liabilities</b>	Cosigned Debts
	<ul style="list-style-type: none"> <li>Documentation that the other party is obligated to the debt, AND</li> </ul>
	<ul style="list-style-type: none"> <li>Documentation that the other party obligated has been making regular on-time payments during the previous 12 months had there is no history of delinquency payments on the loan.</li> </ul>
<b>Debt Paid By Borrower's Business</b>	The account payment does not need to be considered as part of the borrower's DTI ratio if:
	<ul style="list-style-type: none"> <li>The account in question does not have a history of delinquency, AND</li> </ul>
	<ul style="list-style-type: none"> <li>The business provides acceptable evidence that the obligation was paid out of company funds (such as 12 months of canceled company checks), and</li> </ul>
	<ul style="list-style-type: none"> <li>Tax returns show that cash flow analysis of the business took payment of the obligation into consideration.</li> </ul>
<b>Federal Income Tax Installment Agreements</b>	Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least 3 months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of 3 months of payments. Except for federal tax liens, the lien holder must subordinate the tax lien to the FHA Mortgage. Payment must be included in the DTI.
<b>Disputed Derogatory Account</b>	<p>Disputed Derogatory Credit Accounts refer to disputed Charge Off Accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. If the credit report of the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, the Mortgage must be downgraded to a Refer and manually underwritten.</p> <p>Exclusions from the \$1,000 cumulative balance include:</p>
	<ul style="list-style-type: none"> <li>disputed medical accounts; and</li> </ul>
	<ul style="list-style-type: none"> <li>disputed derogatory credit resulting from identity theft. To exclude these balances, a copy of the police report or other documentation from the creditor to support the status of the accounts must be provided.</li> </ul>
	<ul style="list-style-type: none"> <li>Accounts of a non-borrowing spouse in a community property state</li> </ul>
	<ul style="list-style-type: none"> <li>Non-derogatory disputed accounts</li> </ul>
	Non-Derogatory Disputed Accounts include the following types of accounts:
	<ul style="list-style-type: none"> <li>disputed accounts with zero balance</li> </ul>
	<ul style="list-style-type: none"> <li>disputed accounts with late payments aged 24 months or greater</li> </ul>

Credit Requirements (Continued)			
Disputed Derogatory Account	<ul style="list-style-type: none"><li>disputed accounts that are current and paid as agreed</li></ul>		
Housing History (Mortgage/Rental)	Purchase and Rate and Term refinances that have an AUS Approve/Eligible: Follow the AUS. Loan must be downgraded to a Refer and manually underwritten if any mortgage tradeline, including lines of credit, during the 12 months prior to case number assignments reflect any of the following:		
	<ul style="list-style-type: none"><li>3x30 or more.</li></ul>		
	<ul style="list-style-type: none"><li>1x60 plus at least 1x30.</li></ul>		
	<ul style="list-style-type: none"><li>1x90 in the 12 months.</li></ul>		
	<ul style="list-style-type: none"><li>Borrower(s) made less than three consecutive payments since completion of a mortgage forbearance plan prior to the case assignment date.</li></ul>		
	All Cash out Refinance transactions must be 0x30X12. Manually underwritten transactions refer to the 4000.1 for specifics.		
Max Ratios for Downgrades and Manual Underwrite	For AUS Approve/Eligible loans, follow the AUS.		
	For manually underwritten loans, refer to the 4000.1 for specifics.		
	Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
	580 and above	31/43	No compensating factors required.
	580 and above	37/47	One of the following:
			<ul style="list-style-type: none"><li>verified and documented additional 3 months PITI for 1-2 units; 6 mos. for 3-4 units Reserves</li></ul>
			<ul style="list-style-type: none"><li>minimal increase in housing payment; or</li><li>residual income.</li></ul>
	580 and above	40/40	No discretionary debt.
	580 and above	40/50	Two of the following:
			<ul style="list-style-type: none"><li>verified and documented additional 3 months PITI for 1-2 units; 6 mos. for 3-4 units Reserves</li></ul>
<ul style="list-style-type: none"><li>minimal increase in housing payment;</li></ul>			
<ul style="list-style-type: none"><li>significant additional income not</li><li>reflected in Effective Income; and/or residual income.</li></ul>			
Non-Occupant CoBorrower	Non-occupant co-borrowers:		
	<ul style="list-style-type: none"><li>Must be either US Citizens or have Principal Residence in US</li></ul>		
	<ul style="list-style-type: none"><li>Limited to max 75% LTV. Maximum LTV is eligible if the occupant borrowers are family members and does not involve:</li></ul>		
	<ul style="list-style-type: none"><li><ul style="list-style-type: none"><li>a Family Member selling to a Family Member who will be a non occupying co-Borrower; or</li></ul></li></ul>		
	<ul style="list-style-type: none"><li><ul style="list-style-type: none"><li>a transaction on a two- to four-unit Property</li></ul></li></ul>		
	<ul style="list-style-type: none"><li>are not eligible on Cash Out transactions</li></ul>		
	<ul style="list-style-type: none"><li>are eligible to qualify for another FHA insured mortgage as non-occupant subject to qualification</li></ul>		
	<ul style="list-style-type: none"><li>may qualify for another FHA-insured Mortgage on a new Property to be their own Principal Residence.</li></ul>		
Open 30-day Accounts	<ul style="list-style-type: none"><li>A Borrower with an existing FHA-insured Mortgage on their own Principal Residence may qualify as a non occupying co-Borrower on other FHA-insured Mortgages.</li></ul>		
	<ul style="list-style-type: none"><li>30-Day Accounts that are paid monthly are not included in the Borrower’s DTI.</li></ul>		
	<ul style="list-style-type: none"><li>Verification that Borrower paid the outstanding balance in full on every 30-Day Account each month for the past 12 months.</li></ul>		
	<ul style="list-style-type: none"><li>If the credit report reflects any late payments in the last 12 months, 5 percent of the outstanding balance must be used as the Borrower’s monthly debt to be included in the DTI</li></ul>		
Solar Panels (Leased or PPA)	<ul style="list-style-type: none"><li>The monthly solar payment is not included in the DTI ratio calculation.</li></ul>		
Student Loan Qualification	For outstanding Student Loans, the following must be used regardless of the payment status:		

Credit Requirements (Continued)		
Student Loan Qualification		<ul style="list-style-type: none"> <li>the payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or</li> <li>0.5 percent of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.</li> </ul>
		Student monthly debt may only be excluded if there is written documentation from the student loan program, creditor or student loan servicer that indicates that the loan balance for that student loan account is forgiven, canceled, discharged or otherwise paid in full.

Employment / Income / Assets		
ADU Rental Income	Limited (< 12 mos.) or No History of ADU Rental Income	Prospective and existing ADU rents allowed in accordance with HUD 4000.1. A renter of an ADU is not the same as a Boarder. See Boarder income in matrix.
		1) Provide Appraisal 1004 & 1007 and prospective lease if applicable
		2) The amount of Rental Income from ADU used to qualify must not exceed 30% of the total monthly income used to qualify the borrower.
		3) Qualify with 75% of the lesser of:
		i. Fair market rent reported by Appraiser, OR
		ii. Rent reflected in the lease or rental agreement.
	12 months or more ADU Rental Income History	4) 2 mos. PITIA reserves is required when using ADU rental income
		1) Qualify with Borrower's most recent 2 yrs. tax returns with Schedule E are required.
		2) If the property is owned less than 2 yrs., evidence of acquisition date is required. Income must be annualized for the length of time the property has been owned.
		3) Appraisal 1004 & 1007 required along with lease if applicable.
Alimony, Child Support, and Maintenance Income		4) 2 months PITIA reserves
		When using a final divorce decree, legal separation agreement or court order, if the Borrower has received consistent Alimony, Child Support, and Maintenance Income for the most recent 3 months, that payment may be used.
		Voluntary payment agreement is allowed with 12 months of canceled checks, deposit slips, or tax returns. If the borrower has received consistent income of this type for the most recent 6 months, current payment may be used.
		The Mortgagee must provide evidence that the claimed income will continue for at least 3 years.
		The Mortgagee may use the front and pertinent pages of the divorce decree/settlement agreement and/or court order showing the financial details.
Assets		If the Alimony, Child Support, and Maintenance Income have not been consistently received for the most recent 3 months if court ordered or 6 months if voluntary, 2 years average must be used. If Alimony, Child Support, and Maintenance Income have been received for less than two years, the average over the time of receipt must be used.
		Verification required on all EMD that exceed 1% of sales price and any large deposit > 1% of purchase price on purchase transactions/appraised value on refi transactions. Cash on hand is not acceptable.
Boarder Income		<ul style="list-style-type: none"> <li>Boarder refers to an individual renting space inside the Borrower's Dwelling Unit.</li> <li>Rental Income from Boarders is only acceptable if the Borrower has a two year history of receiving income from Boarders that is shown on the tax returns and the Borrower is currently receiving Boarder income.</li> <li> <b>Refinance:</b> 2 yrs. of the Borrower's tax returns evidencing income from Boarders AND the current lease.  <b>Purchase:</b> obtain a copy of the executed written agreement documenting their intent to continue boarding with the Borrower. Along with 2 yr. history of boarder income from 2 yrs. tax returns.  Income used is the lesser of the 2 yr. average or the current lease. </li> </ul>
COVID-19 Related Economic Event (Non Self-Employment)		COVID-19 Related Economic Event refers to temporary loss of employment, temporary reduction of income, or temporary reduction of hours worked during the Presidentially-Declared COVID-19 National Emergency.
		<b>Salary Employee:</b> Current salary used
		<b>Hourly Employee:</b> For employees who are paid hourly and whose hours <b>do not vary</b> , the Mortgagee must use the current hourly rate to calculate Effective Income.

Employment / Income / Assets (Continued)	
COVID-19 Related Economic Event (Non Self-Employment)	For employees who are paid hourly and whose <b>hours vary</b> , the Mortgagee must calculate the Effective Income by using the <b>lesser of</b> :
	<ul style="list-style-type: none"> <li>the avg of the income over the previous 2 years. If the Mortgagee can document an increase in pay rate the Mortgagee may use the most recent 12-month avg of hours at the current pay rate; or</li> </ul>
	<ul style="list-style-type: none"> <li>the avg of the income earned since the COVID-19 Related Economic Event.</li> </ul>
Conversion of Primary / Departure Residence	The Borrower must be relocating to an area more than 100 miles from the Borrower's current Principal Residence.
	<ul style="list-style-type: none"> <li>A lease agreement of at least one year's duration must be obtained after the Mortgage is closed AND</li> </ul>
	<ul style="list-style-type: none"> <li>evidence of the payment of the security deposit or first month's rent</li> </ul>
	If the borrower does not have a history of rental income, an appraisal report including 1007 & 216 supporting 25% equity and fair market rent in departing residence is required. The lesser of:
	<ul style="list-style-type: none"> <li>Monthly operated income on Form 216 OR</li> </ul>
	<ul style="list-style-type: none"> <li>75% of the lesser of:</li> </ul>
	<ul style="list-style-type: none"> <li>Fair market rent reported by Appraiser OR</li> <li>rent reflected in the lease agreement</li> </ul>
Employment Gap	For borrowers with gaps in employment of 6 months or more, the borrower's current income may be considered effective income if it can verify and document:
	<ul style="list-style-type: none"> <li>the Borrower has been employed in the <b>current line of work</b> for at least 6 months at the time of <b>case number assignment</b>; and</li> </ul>
	<ul style="list-style-type: none"> <li>a two year work history prior to the absence from employment using standard or alternative employment verification.</li> </ul>
Employment Gaps or Reduction of Income Due to COVID-19 Related Economic Event	<b>Non-Self-Employment Income</b> - For Borrowers with gaps in employment, reduction of income, or reduction of hours due to a COVID-19 Related Economic Event, the Mortgagee may consider the Borrower's income calculated in accordance with the Exception Due to COVID-19 Related Economic Event for the applicable income type as Effective Income if it can verify and document that:
	<ul style="list-style-type: none"> <li>the Borrower has been employed in a different job or line of work for at least six months at the time of case number assignment; and the Borrower has an aggregate two-year work history prior to case number assignment excluding gaps in employment, using traditional or alternative employment verification; or</li> </ul>
	<ul style="list-style-type: none"> <li>the Borrower has been employed in the current job or same line of work for at least one month at the time of case number assignment.</li> </ul>
	<b>Required Documentation</b>
	<ul style="list-style-type: none"> <li>written VOE identifying the time period of temporary loss of employment, temporary loss of income, or temporary loss of hours.</li> </ul>
Frequent Changes in Employment	<b>Self-Employment Income:</b> For Borrowers with gaps in self-employment, reduction in income, or reduction of hours due to a COVID-19 Related Economic Event, the Mortgagee may exclude the months where the business was closed, or income was reduced when calculating Effective Income. The total time period of the Borrower's self-employment must still meet the minimum length of self-employment in accordance with Exception Due to COVID-19 Related Economic Event.
	If the Borrower has changed jobs more than three times in the previous 12-month period, or has changed lines of work, additional documentation must be provided to document the stability of the Borrower's employment income. Additional analysis is not required for fields of employment that regularly require a Borrower to work for various employers (such as Temp Companies or Union Trades).
	<ul style="list-style-type: none"> <li>transcripts of training and education demonstrating qualification for a new position; or</li> </ul>
	<ul style="list-style-type: none"> <li>employment documentation evidencing continual increases in income and/or benefits.</li> </ul>
Reserves	<b>AUS Approve:</b>
	<ul style="list-style-type: none"> <li>1-2 units: none</li> </ul>
	<ul style="list-style-type: none"> <li>3-4 units: 3 months PITIA</li> </ul>
	<b>Manual underwrite:</b>
	<ul style="list-style-type: none"> <li>1-2 units: additional 1 months' PITI after closing. *If the DTI exceeds 31/43, additional reserves are required as a compensating factor.</li> <li>3-4 units: additional 3 months' PITI after closing. *Gifts are not acceptable source of reserves on Manual Underwrite</li> </ul>



Employment / Income / Assets (Continued)	
Stability of Self-Employment Income	<b>Stability of Self-Employment Income:</b> Income obtained from businesses with annual earnings that are stable or increasing is acceptable. If the income from businesses shows a greater than 20 percent decline in Effective Income over the analysis period, the Mortgagee must downgrade and manually underwrite.
	<b>Calculation of Effective Income:</b> The Mortgagee must calculate gross Self-Employment Income by using the <b>lesser of:</b>
	<ul style="list-style-type: none"> <li>the average gross Self-Employment Income earned over either: <ul style="list-style-type: none"> <li>the previous 2 years; or</li> <li>the length of time Self-Employment Income has been earned if less than two years (where permitted); or</li> </ul> </li> <li>the average gross Self-Employment Income earned over the previous 1 year</li> </ul>
Stability of Self-Employment Income affected by COVID-19	The Mortgagee may consider Self-Employment Income if the Borrower has an aggregate self-employment history before and after the COVID-19 Related Economic Event totaling two years.
	If the Borrower has an aggregate self-employment history before and after the COVID-19 Related Economic Event totaling between one and two years, the Mortgagee may only consider the income as Effective Income if the Borrower was previously employed in the same line of work in which the Borrower is self employed or in a related occupation for at least two years.
	For self-employed Borrowers with a COVID-19 Event that have since regained income at a level less than 80 percent of their income prior to the COVID-19 Related Economic Event, the Mortgagee must downgrade and manually underwrite
	Self-employed Borrowers with a reduction of income due to a COVID-19 Related Economic Event, the Mortgagee must provide the following documentation in addition to the current Self-Employment Income required documentation:
	<ul style="list-style-type: none"> <li>letter of explanation for the time period of income loss or reduction;</li> <li>the Borrower's business tax returns for the most recent two years; and</li> <li>either of the following: <ul style="list-style-type: none"> <li>an audited year-to-date P&amp;L statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the case assignment date; or</li> <li>an unaudited year-to-date P&amp;L statement signed by the Borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the case assignment date, and three of the most recent business bank statements no older than the latest three months represented on the year-to-date P&amp;L statement. Monthly deposits on the business bank statements must support the earnings on the unaudited year-to-date P&amp;L.</li> </ul> </li> </ul>
	Calculation of Effective Income: For self-employed Borrowers with a COVID-19 Related Economic Event that have since regained income at a level greater than or equal to 80 percent of their income prior to the COVID-19 Related Economic Event for a minimum of six months, the Mortgagee must calculate gross Self-Employment Income by using the lesser of:
	<ul style="list-style-type: none"> <li>the average gross Self-Employment Income earned over the previous 2 years prior to the COVID-19 Related Economic Event; or</li> <li>the average gross Self-Employment Income earned over the previous 6 months after the COVID-19 Related Economic Event.</li> </ul>
Tax Returns: Amended	Amended tax returns must be filed before the loan application date. An increase in income of 20% or more from the original return will not be allowed without Management's approval.
Tax Transcripts	<ul style="list-style-type: none"> <li>All loans require a signed 4506-C form. Additional 4506-C form is required to be signed by Borrower's LLC, SCorp or Corporation Name and EIN</li> <li>Tax Transcripts are required for: <ul style="list-style-type: none"> <li>Self-employed borrowers</li> <li>Borrower employed by family member</li> <li>Using rental income to qualify per tax returns</li> <li>Relationship between the parties</li> </ul> </li> </ul>
Trust Income	<ul style="list-style-type: none"> <li>Trust Agreement or Other Trustee Statement created prior to application date, documenting the frequency, duration and amount of distribution.</li> <li>Document receipt of distribution for a minimum of 2 months with bank statements or transaction history</li> </ul>

Employment / Income / Assets (Continued)		
Trust Income	•	If trust account is newly opened, document the source to open account. Must be opened prior to application date
	•	Regular distributions are required to continue for a minimum of 3 years

Property		
3-4 Units	A 3 to 4 unit Property is either:	
	•	a Single Family residential Property with three or four individual Dwelling Units; or
	•	a Single Family residential Property with two individual Dwelling Units and one ADU or three individual Dwelling Units and one ADU.
	<b>Self-Sufficiency</b> - The PITI divided by the monthly Net Self-Sufficiency Rental Income may not exceed 100% for 3-4-unit Properties.	
	<b>Calculation</b> - Net Self-Sufficiency Rental Income is calculated by using the Appraiser's estimate of fair market rent from all units, including the unit the Borrower chooses for occupancy, and subtracting the greater of the Appraiser's estimate for vacancies and maintenance, or 25% of the fair market rent.	
	<b>Reserves</b> - 3 months PITI reserves required after closing for 3-4 unit properties.	
Accessory Unit / ADU	•	An Accessory Dwelling Unit (ADU) refers to a single habitable living unit added to, with ingress and egress that is subordinate in size.
	•	It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities.
	•	An SFR with an ADU remains a one-unit Property. For any Property with two or more units, a separate additional Dwelling Unit must be considered as an additional unit.
	•	Hotel and Transient Use Form is required when a 1 unit subject property includes an Accessory Dwelling Unit.
Appraisal Requirements	Transferred Appraisal permitted	
DPA	•	Allowed per FHA guidelines
	•	Minimum Credit Score is 600
Escrow Accounts / Impounds	Required	
Ineligible Properties	•	No Land Trusts, Indian Leased Land, Vacant land
	•	Property Condition rating C6 and/or, Quality condition Q6
	•	Non-Warrantable Condo, Condo-tels, Co-Ops, Manufactured Condos
	•	Commercial Property, Boarding houses, Bed and Breakfast
	•	Working Farms
	•	Non FHA Approved Condos
	•	One Time Close Construction to Perm Loans
Manufactured Homes	•	1 unit Primary Residence, Fixed Rate, Fee Simple Only
	•	Structural Engineer's report is required that meets HUD requirements. Existing engineer's cert acceptable as long as there is no new modifications made.
	•	Property must not be located in a deed restricted area including restrictions for age and income
	•	HUD Data Plates (Paper Certification located on the interior of the property) or IBTS Verification
	•	Built on or after June 15, 1976
	•	Built on a permanent chassis in compliance with the applicable Manufactured Homes (HUD Codes) in effect as of the date the Manufactured Home was constructed.
	•	Must be at least 12 feet wide (single-wide not allowed) and have a minimum of 600 square feet of gross living area.
	•	Manufactured Condos not allowed
	•	Dwellings cannot be located within Flood Zones A or V are ineligible. It is however acceptable for the land to be located within Flood Zone A or V.
	•	Manufactured home must be on original site, relocated homes are not permitted
	•	HUD Certification Labels (metal plates attached) or IBTS Verification if not attached to the property

Property (Continued)		
Manufactured Homes	•	Additions to the property are not permitted if the addition was to add GLA or if there were structural changes
	•	Borrower must own the land on which the home is located
	•	Affidavit of Affixture (or its equivalent) to evidence property is classified and taxed as real property

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