

FHA Loan Program

Summary

Product Types	30-year Fixed, 15-year Fixed ¹ , 5/1 ARM
Eligible Programs	203(b) 1-4 family, 234(c) Condominiums, ARM loans (251), and ARM Condo (251C)

Standard Balance

Loan Purpose	Minimum FICO	Maximum LTV	Maximum CLTV
Purchase	640	96.50%	100%
Refinance No Cash-Out / Streamlines	640	97.75%	100%
Refinance Cash-Out	640	85.00%	85.00%

High Balance²

Loan Purpose	Minimum FICO	Maximum LTV	Maximum CLTV
Purchase	640	96.50%	96.50%
Refinance No Cash-Out / Streamlines	640	97.75%	97.75%
Refinance Cash-Out	660	85.00%	85.00%

¹ 15-year Fixed product is not available for High Balance loans.

² For High Balance Loan Amounts, see the State/County limits at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

Mortgage Insurance

> 15 Year Term			≤15 Year Term		
LTV	UFMIP	Annual	LTV	UFMIP	Annual
>95%	1.00%	1.15%	>90%	1.00%	0.50%
≤95%	1.00%	1.10%	78.01% to 90%	1.00%	0.25%
			≤78%	1.00%	None

Program eligibility is determined using the base loan amount prior to financing UFMIP. Pricing is determined using the Note loan amount (Base loan amount + UFMIP). UFMIP must be 100% financed into the mortgage or paid entirely by cash; partial financing is not allowed.

Credit Requirements

Bankruptcy	<ul style="list-style-type: none"> • Bankruptcy – Chapter 7; 2 years discharged exception for 1 year with extenuating circumstances beyond customer control (illness, job loss, etc.) & no derog since BK. Chapter 13; 1 year since discharge, discharged already or through closing (considered cash out if through closing), 0x30 on BK and no other derog since. •
Credit Report	<ul style="list-style-type: none"> • Minimum FICO score for all products is 640 and tri merge credit bureau is required for all transactions (except non-credit qualifying streamline refinances). Use the lowest of the middle score of all borrowers. • Maximum number of financed properties is 4 including the subject property. • Non borrowing spouse credit report required in community property states and debts must be included in debt ratio. • Use of non-traditional credit is not allowed. • Revolving debts must be included in the DTI regardless of the number of remaining payments. • All loans (except non-credit qualifying streamline refinances) must be decisioned through FHA TOTAL scorecard. • Borrowers must explain all inquires shown on the credit report in the last 90 days. • Explanations from the borrower required on all lates in last 2 years and all major lates beyond last 2 years. • Trade line requirements determined by DU findings. • CCCS: 1 yr since filing, all payments must have been made on time & written permission from CCCS required. • Disputed Accounts: If the credit report reveals that the borrower is disputing any credit accounts or public records, the mortgage loan application must be referred to a DE underwriter for review (manual underwrite), unless: <ul style="list-style-type: none"> ○ the account has a zero balance; ○ the account is marked as “paid in full” or “resolved; OR ○ the account has <u>both</u> a balance less than \$500 and the date of the dispute is more than 24 months old.
Foreclosure / Deed in Lieu / Short Sale / Restructured Loans	<ul style="list-style-type: none"> • 3 year seasoning required on Foreclosure, NOD, deed in lieu (extenuating circumstances considered as exception) • 2 years seasoning required if was current for preceding 12 mos prior to short sale; 3 years seasoning required if delinquent prior to short sale.
High Balance	<ul style="list-style-type: none"> • If loan is a manual underwrite, DTI can not exceed 31/43 and zero housing/rental lates in last 12 months; this includes all mortgages and rent payments. • Cash Out Refinance Foreclosure or Bankruptcy is not allowed with in most recent 7 years. • If total Mortgage indebtedness exceeds \$1mm, additional management review is required and may result in additional conditions.
Major Adverse Accounts	<ul style="list-style-type: none"> • Collections over 12 months may not have to be paid unless they affect title or are court ordered. Tax liens may be left open if they are subordinated and included in the DTI.
Mortgage Rating	<ul style="list-style-type: none"> • Last 12 months mortgage history must be shown on credit report, documented via institutional VOM or 12 months cancelled checks. • Last 12 months rental history must be documented via apartment management company, VOR or last 12 months cancelled checks (if VOR required per DU) • Borrower may not have defaulted on any prior government loans (exceptions can be considered if the borrower has rectified the debt with the government). • Borrower may be delinquent on current non-government ARM loan if reason for delinquency is due to ARM re-set.

Property Requirements

Appraisal	<ul style="list-style-type: none"> • Appraisal must be completed by HUD approved appraiser and must dated within 120 days of the funding date. • When a 2nd appraisal is required, the lower of the 2 appraisals will be used. • Properties purchased within the last 90 days, must be arms-length transaction and reflect no pattern of previous flipping. Value increases by more than 20% of the original purchase price are not eligible. Values increasing up to 20% must be supported and subject to a 2nd appraisal (if 2nd appraisal required, cannot be charged to borrower) The 90 days is calculated from the seller's acquisition date to the purchase contract date of the new transaction. • Recently listed for sale: Rate & Term refi's; the listing agreement must be cancelled at least one day prior to the loan application. Cash-Out refi's; the listing agreement must be cancelled 6 months prior to the application date or the loan is subject to a max 70% LTV (the listing agreement must be cancelled at least one day prior to the loan application). This policy does not apply to streamline refinance loans. • Loan amounts greater than \$1Million require Capital Markets approval and are subject to additional appraisal review requirements.
Condo/PUD Projects	<ul style="list-style-type: none"> • Condos must be FHA approved project, spot approvals not eligible. • Site Condos must be presented on a Fannie Mae form 1073, Individual Condominium Unit Appraisal report. • All Condo Projects must have HO6 coverage if the HOA Master Policy does not provide coverage for the interiors of the project units.
Property and Occupancy	<p>Eligible:</p> <ul style="list-style-type: none"> • SFR, Condo's, PUD's (attached & detached), 2-4 units. <p>Ineligible:</p> <ul style="list-style-type: none"> • Co-ops, manufactured homes, condotels, non-warrantable condo's, condos purchased at auction, earth-berm homes, board & care homes, working farm/ranches, vacant land, unique properties, properties with less than 600sq feet, condo projects in and Nevada and Hawaiian Homelands.
States	<p>Where Nations Direct Mortgage lends (see www.nationsdirectmortgage for licensed states) Texas – Only purchase loans, no refinances</p>

General Requirements

Assets	<ul style="list-style-type: none"> Asset verification is required per DU findings. Copy of all funds used to close must be in the file at time of closing and must be from verified source. Note: Any “critical” finding from our fraud prevention tool and/or Brokers in probation status will require a Lender ordered VOD to verify bank statements.
Automated Underwriting	<ul style="list-style-type: none"> Loans must receive a DU Approve/Eligible
Borrowers	<p>Eligible:</p> <ul style="list-style-type: none"> US Citizens, non occupant co-borrowers, inter vivos revocable trusts, permanent and non permanent resident aliens. Loans made to individual persons only Max 4 borrowers on a transaction <p>Ineligible:</p> <ul style="list-style-type: none"> Borrowers in negative equity position Borrowers who are related to or employed by the submitting broker, regardless of job function. Borrowers related to or have an ownership interest in the builder, property seller and/or any other party on title, including but not limited to registered agents, sales agents, partners or employees. Trusts, corporations, LLC’s, and other non-individual entities <p>Non-occupant Co-borrower(s):</p> <ul style="list-style-type: none"> Loans with non-occupant borrower, at least one the occupant borrower(s) must have a valid credit score. The non-occupant co-borrower must be or have been a homeowner or provide 12-months cancelled checks or VOR from a property management company. The non-occupant housing costs must be included in the DTI ratios.
Debt Ratio	<ul style="list-style-type: none"> Determined per DU – When you have a non occupant borrower the occupant borrower must be able to support the total housing payment independent of the non occupant borrower.
Down Payment / Source of Funds	<ul style="list-style-type: none"> Down payment/funds to close (limited to borrower own funds and gift funds). Must have 3.5% into transaction. Funds must be sourced with any large deposits sourced and explained. VOD for the most recent 60 days account information, must be supported by the most current month’s bank statement.
Gifts	<ul style="list-style-type: none"> Allowed from immediate family member with gift letter, proof of funds and proof of transfer (certified check for deposit into borrowers account) are required. Must also have the donor bank statement showing the ability to gift funds and statement showing the transfer of gift from the donor’s bank account to borrower account and/or escrow. Gifts funds are required prior to docs (PTD) and the gift letter must match the gift amount exactly. Gift funds from a donor that has had a foreclosure in the last 3 years are not acceptable.

<p>Income Documents</p>	<ul style="list-style-type: none"> Salaried Borrowers: 2 years W-2's, current paystub and verbal VOE required within 7 days prior to closing date (date borr signs note) Self Employed Borrower: 2 years signed/dated tax returns (all schedules) & YTD P&L and verbal VOE required within 7 days of requesting loan documents. <p>Two year employment history, any gaps in employment require explanation letter</p> <ul style="list-style-type: none"> 4506T will be processed for the most recent 2 years. No handwritten paystubs or W-2's. Paystubs must have year to date earnings. If no year to date earnings, VOE may be acceptable only if DU allows. The use of trailing secondary wage earner income is not allowed.
<p>Purchases</p>	<ul style="list-style-type: none"> If the subject property was acquired in a bulk transaction, the loan is subject to additional review. Max 8% sales commission – any aggregate real estate commission greater than 8% of the sales price of the subject property is considered an excessive real estate commission. The portion of the aggregate commission greater than 8% must be deducted from the sales price for underwriting purposes. Borrowers with previous short sales and short payoffs are treated the same as borrowers with a previous foreclosure, regardless of whether or not the borrower was current on their mortgage and installment debts prior to the short sale/payoff. Loans with the following characteristics are ineligible: A restructured (including rate reductions) or short payoff loan is a mortgage in which the terms of the original transaction have been changed, resulting in either the absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan. NDM will not accept Re-negotiated Purchase Agreements that increase the sales price after the original appraisal has been completed if the appraised value is higher than the contracted sales price provided to the appraiser, and the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and the only change to the purchase agreement is an increase in sales price. If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the LTV will be based on the lower of the original purchase price or the appraised value, unless: re-negotiated of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables. Purchase transactions with existing FHA financing require 2nd signature.
<p>Refinance – Rate/Term</p>	<p>Rate/Term Refinances:</p> <ul style="list-style-type: none"> The maximum insurable mortgage is the lesser of 97.75% of the appraised value of the property or the total amount of the applicable items below, any UFMIP refund must then be subtracted Existing 1st lien, any purchase money 2nd lien, any junior liens over 12 months old, borrower paid closing costs, prepaid expenses, borrower paid repairs (if required) or discount points The existing 1st lien may include up to 60 days interest but may not include delinquent interest Prepaid expenses may include per diem interest, hazard insurance, real estate taxes to establish escrow account If the property was acquired <12 month before the loan application and is not currently FHA-insured, use the lower of the original sales price or appraised value. Repairs and rehab incurred after purchase of the property may be added to the original sales price when calculating the max mortgage amount Properties currently listed for sale not permitted. The listing agreement must be canceled at least 1 day prior to date of loan application. A copy of the canceled/expired listing should be placed in the file and a search of the current MLS should be completed to verify the property is not currently listed by different agency. \$500 max. cash back allowed for minor adjustments in estimated versus final closing costs Texas – Purchase only. Refinance transactions not allowed. Refinances – A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements.

General Requirements (continued)

Refinance – Cashout	Cashout Refinances: <ul style="list-style-type: none"> • With new subordinate financing, the maximum CLTV is 85%. • Value Determination: If the subject property has been the borrower’s principal residence owned for: <ul style="list-style-type: none"> • 12 months: Use current appraised value • < 12 months: Use the lesser of current appraised value or the acquired sales price • Non-occupant co-borrowers or co-signers may not be added to meet credit underwriting guidelines • Properties owned free and clear may be financed as cash-out transactions • Borrowers whose loans are delinquent or in arrears are not eligible • Properties currently listed for sale are not permitted. The listing agreement must be canceled for 6 months prior to the loan application date or the loan is subject to the maximum LTV of 70%. • Unlimited cash out on refinances. • Texas - Cash-Out transactions are not allowed. • Loan amounts > \$417,000: No FC or BK in last 7 years, 660 FICO required and borrow must occupy the property. • A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements. • Seasoning; Require 6 months seasoning, measured from note date/closing date to application date
Reserves	<ul style="list-style-type: none"> • Purchase; 3 months PITI (sourced & seasoned for 3 months) required on 3-4 units only and must be the borrowers own funds. Refinance: not required.

General Requirements (continued)

Streamline Refinance	<ul style="list-style-type: none"> • The initial Broker 1003 must be completed (including employment, assets & liabilities). • The savings is calculated comparing old Principal and Interest plus MIP to the new Principal and Interest plus MIP and must be a 5% savings to show benefit to borrower. • At application, the borrower must have made at least 6 monthly payments on the mortgage being refinanced • The borrower may not make payments forward in order to qualify, If the borrower has owned the home less than 12 months, there must be no other delinquency on any other mortgage's tied to borrower within last 12 months • Mortgage history: For mortgages less than 12 mos, all payments must have been paid in the month due. For mortgages with a 12 month payment history or greater, the borrower must have 0X30 day late payment in preceding last 12 mos. • If assets are needed to close, must verify and document the assets. • \$500 max cash back allowed for minor adjustments in estimated versus final closing costs • CAIVRS does not need to be checked; LDP & GSA are still required • The term of the new loan must be the lesser of 30 years or the remaining term of the mortgage plus 12 years • Owner occupied only. Not allowed on manufactured, 2nd homes and investment properties • Texas – Purchase only. Refinance transactions not allowed. • Refinances – A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements. <p>Streamline Refi without an appraisal: The maximum insurable mortgage may not exceed:</p> <ul style="list-style-type: none"> • Outstanding principal balance minus applicable refund of UFMIP, plus up to 59 days of interest, plus the new UFMIP that will be charged. • CLTV exceeds LTV, ok if CLTV does not exceed the original purchase price <p>Streamline Refi with an appraisal: The lesser of the two below;</p> <ul style="list-style-type: none"> • 97.75% of the appraised value of the property plus the new UFMIP that will be charged on the refinance, OR • Outstanding principal balance minus the applicable refund of UFMIP plus up to 60 days of interest, borrower paid closing costs, prepaids (taxes and insurance) as necessary to establish the escrow account, the new UFMIP that will be charge on the refinance
Subordinate Financing	<ul style="list-style-type: none"> • Secondary Financing must be financed by Government, Agency, or non-profit institution. • Streamlines: Existing subordinate financing may remain in place. • No Cash-Out Refi: Existing subordinate financing (purchase money 2nd or 2nd mortgage > 6 months old) may remain in place subject to CLTV. • New subordinate financing (non-purchase money 2nd or 2nd mortgage < 6 months old) is limited to 100% CLTV. • Nations Direct does not allow “City Seconds”.