

# FHA FAQ WEBINAR

## 9:00 AM MOUNTAIN TIME



ALL AUDIO FOR THIS  
WEBINAR IS THROUGH  
YOUR COMPUTER — THERE  
IS NO SEPARATE  
CALL-IN NUMBER

PLEASE ENSURE THAT YOU  
ARE ABLE TO RECEIVE  
SOUND THROUGH YOUR  
COMPUTER AND THAT  
YOUR SPEAKERS ARE UN-  
MUTED

IF YOU HAVE ANY  
TECHNICAL OR AUDIO  
ISSUES — PLEASE  
REVIEW THE **SUPPORT  
FOR TECHNICAL  
ISSUES** DOCUMENT BY  
CLICKING ON THE  
**SUPPORTING MATERIAL**  
**BUTTON** LOCATED  
JUST BELOW THIS  
SCREEN

# IMPORTANT THINGS TO KNOW



## QUESTION AND ANSWER FORMAT

UTILIZE “ASK A QUESTION” BUTTON ON YOUR SCREEN

TO VIEW RESPONSE TO A QUESTION, CLICK ON “ANSWERED QUESTIONS” TAB

AUDIO/TECHNOLOGY QUESTIONS UTILIZE THE “HELP” BUTTON

## SUPPORTING MATERIAL

A COPY OF THIS POWER POINT PRESENTATION

A PDF VERSION OF THE PRESENTATION

FREQUENTLY ASKED QUESTIONS RELATED TO TECHNICAL ISSUES (PDF)

IF YOU HAVE AUDIO ISSUES OR THE SLIDES STOP ADVANCING — SIMPLY REFRESH OR RELOAD THE PAGE DISPLAYING THE WEBINAR

# MAKE SURE POP-UP BLOCKERS ARE DISABLED



POP-UP BLOCKER IS TURNED ON IN INTERNET EXPLORER BY DEFAULT. TO TURN IT OFF OR TO TURN IT ON AGAIN IF YOU'VE ALREADY TURNED IT OFF, FOLLOW THESE STEPS:

OPEN INTERNET EXPLORER BY CLICKING THE START BUTTON , AND THEN CLICKING INTERNET EXPLORER.

CLICK THE TOOLS BUTTON, AND THEN CLICK POP-UP BLOCKER.

DO ONE OF THE FOLLOWING:

TO TURN OFF POP-UP BLOCKER, CLICK TURN OFF POP-UP BLOCKER.

TO TURN ON POP-UP BLOCKER, CLICK TURN ON POP-UP BLOCKER.

# IMPORTANT THINGS TO KNOW



## ARCHIVE VERSION (POP-UP)

[HTTP://WWW.HUD.GOV/OFFICES/HSG/SFH/TALK/PARC/  
PHIARCH.CFM](http://www.hud.gov/offices/hsg/sfh/talk/parc/phiarch.cfm)

# WHERE TO GET MORE INFORMATION



**WWW.HUD.GOV/FHA**

**THE MAIN WEB SITE FOR THE LATEST NEWS ON FHA  
PROGRAMS**

**HTTP://WWW.HUD.GOV/OFFICES/ADM/HUDCLIPS/  
INDEX.CFM**

**HUDCLIPS - THE SOURCE FOR FHA POLICY DOCUMENTS  
(HANDBOOKS, MORTGAGEE LETTERS AND NOTICES)**



**July 2012**



# FHA FAQs/HOT TOPICS

1-800-CALL FHA

[www.hud.gov](http://www.hud.gov)

# DISCLAIMER



- **THE PURPOSE OF THIS PRESENTATION IS AN OVERVIEW OF THE** SUBJECT MATTER WITH SUMMATION AND EXPLANATION OF RECENT CHANGES IN FHA POLICY. IT INTRODUCES AND EXPLAINS, RATHER THAN SUPPLANTS, OFFICIAL POLICY ISSUED IN HANDBOOKS AND MORTGAGEE LETTERS. IF YOU FIND A DISCREPANCY BETWEEN THE PRESENTATION AND HANDBOOKS, MORTGAGEE LETTERS, ETC., THE OFFICIAL POLICIES PREVAIL. PLEASE NOTE THE INFORMATION PROVIDED IN THIS TRAINING IS SUBJECT TO CHANGE.
- PLEASE CONSULT HUD ONLINE HANDBOOKS AND MORTGAGEE LETTERS THROUGH [HTTP://PORTAL.HUD.GOV/HUDPORTAL/HUD?SRC=/PROGRAM\\_OFFICES/ADMINISTRATION/HUDCLIPS](http://portal.hud.gov/hudportal/HUD?SRC=/PROGRAM_OFFICES/ADMINISTRATION/HUDCLIPS) FOR THE MOST RECENT UPDATES AND CURRENT POLICY.

# PRESENTERS



CONNIE SCHOENWALD  
LAURA ARUNDEL



# AGENDA



UPDATES  
FHA CONNECTION  
MAXIMUM MORTGAGE CALCULATIONS  
REFINANCES  
PROPERTY  
REAL ESTATE OWNED  
CREDIT  
INCOME/EMPLOYMENT  
ASSETS



# Homeownership Centers

■ Santa Ana

□ Philadelphia

★ HOC Office Locations

■ Denver

■ Atlanta

○ Community Property States

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# WHATS NEW WITH FHA



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# ML 12-10: UNDERWRITING CHANGES



- ❖ DISPUTED & COLLECTION ACCOUNTS POLICY FROM ML 12-03 IS RESCINDED BY ML 12-10
- ❖ COLLECTIONS & JUDGMENTS: 4155.1 4.C.2.E
- ❖ DISPUTED ACCOUNTS:  
TOTAL SCORECARD USER GUIDE, DATED 4/6/12  
[HTTP://PORTAL.HUD.GOV/HUDPORTAL/DOCUMENTS/HUDDOC?ID=TOTAL\\_USERGUIDE.PDF](http://portal.hud.gov/hudportal/documents/huddoc?id=TOTAL_USERGUIDE.PDF)

# ML 12-10: UNDERWRITING CHANGES



DISPUTED ACCOUNTS REQUIRE MANUAL  
DOWNGRADE UNLESS:

- ❖ THE DISPUTED ACCOUNT HAS A ZERO BALANCE  
*OR*
- ❖ THE DISPUTED ACCOUNT IS MARKED AS “PAID IN  
FULL” OR “RESOLVED” *OR*
- ❖ THE DISPUTED ACCOUNT IS BOTH
  - LESS THAN \$500 AND
  - MORE THAN 24 MONTHS OLD

# ML 12-04: UPFRONT MORTGAGE INSURANCE PREMIUMS



- ❖ EFFECTIVE APRIL 9, 2012
- ❖ UFMIP: 1.75% OF BASE LOAN AMOUNT FOR MOST FORWARD MORTGAGES EXCEPT:
  - TITLE I
  - HECM
  - SECTION 247 (HAWAIIAN HOMELANDS)
  - SECTION 248 (INDIAN RESERVATIONS)
  - SECTION 223(E) DECLINING NEIGHBORHOODS
- ❖ NO REFUND OF UFMIP WHEN LOAN IS PAID OFF EXCEPT ON CERTAIN FHA-TO-FHA LOANS.

# ML 12-04: ANNUAL MORTGAGE INSURANCE PREMIUMS



FOR ALL LOAN AMOUNTS EFFECTIVE JUNE 11, 2012.

## LOAN TERMS > 15 YEAR

LOAN AMOUNT	LTV	ANNUAL MIP
≤ \$625,500	≤ 95.00%	1.20%
≤ \$625,500	> 95.00%	1.25%
ABOVE \$625,500	≤ 95.00%	1.45%
ABOVE \$625,500	> 95.00%	1.50%

## LOAN TERMS < 15 YEARS

LOAN AMOUNT	LTV	ANNUAL MIP
≤ \$625,500	≤ 90.00%	.35%
≤ \$625,500	> 90.00%	.60%
ABOVE \$625,500	≤ 90.00%	.60%
ABOVE \$625,500	> 90.00%	.85%

TERMS OF 15 YEARS OR LESS AND LTV OF 78% OR LESS: EXEMPT FROM ANNUAL MIP.

# ML 12-04: STREAMLINE REFINANCES



## DECREASE IN UPFRONT AND ANNUAL MORTGAGE INSURANCE PREMIUM ON CERTAIN STREAMLINE REFINANCE TRANSACTION

- ❖ IF EXISTING FHA LOAN WAS ENDORSED ON OR BEFORE MAY 31, 2009.
- ❖ UFMIP IS .01% OF THE BASE LOAN AMOUNT
- ❖ ANNUAL MIP IS .55% OF THE BASE LOAN AMOUNT
- ❖ EFFECTIVE FOR CASE NUMBERS ASSIGNED ON OR AFTER JUNE 11, 2012.



# ML 12-04: ANNUAL MORTGAGE INSURANCE PREMIUMS



BORROWER HAS AN EXISTING FHA LOAN THAT WAS ENDORSED ON JANUARY 12, 2008, APPLIED FOR A STREAMLINE REFINANCE WITH LENDER ON APRIL 2, 2012 WHO ORDERED A NEW CASE NUMBER ON THAT DATE. THE LENDER WISHES TO OFFER THE BORROWER A STREAMLINE REFINANCE LOAN WITH THE REDUCED UFMIP AND ANNUAL MIP PER ML 12-04. MAY THE LENDER CANCEL THE EXISTING CASE NUMBER ORDERED ON APRIL 2, 2012 AND OBTAIN A NEW CASE NUMBER SO THAT BORROWER BENEFITS?

# ML 12-04: ANNUAL MORTGAGE INSURANCE PREMIUMS



## ❖ CANCELLATION REQUESTS BY EMAIL:

- ATLANTA: ATLINSURANCE&UNDERWRITING@HUD.GOV
- DENVER: DENHOCINSURE@HUD.GOV
- PHILADELPHIA: PHOCINSURE@HUD.GOV
- SANTA ANA: SNAHOCINSURE@HUD.GOV

## ❖ SUBJECT LINE: CASE NUMBER & “CASE NUMBER CANCELLATION: REDUCE MIP PER ML 12-04)”

## ❖ EMAIL TEXT

- LENDER’S NAME, PHONE NUMBER, EMAIL AND CONTACT PERSON
- LOAN DETAILS: CREDIT QUALIFYING (Y/N), APPRAISAL (Y/N), PROJECT, CLOSING DATE, APPRAISAL EXPIRATION DATE

# ML 12-03: UNDERWRITING CHANGES



## SELF-EMPLOYED BORROWERS

- ❖ P&L & BALANCE SHEET REQUIRED IF MORE THAN A CALENDAR QUARTER HAS ELAPSED SINCE MOST RECENT CALENDAR OR FISCAL YEAR FILING DATE.
- ❖ AUDITED P&L REQUIRED IF INCLUDING IN INCOME CALCULATION.
- ❖ NO EXCEPTIONS TO THIS POLICY.
- ❖ CASE NUMBERS ISSUED ON OR AFTER 4/1/2012.

## ML 12-03: UNDERWRITING CHANGES



WYATT IS EMPLOYED AS A FURNITURE SALESPERSON  
WITH THE LOCAL FURNITURE STORE, IS PAID VIA  
1099 AND HAS FILED SCHEDULE C ON HIS TAX  
RETURNS FOR THE MOST RECENT 24 MONTHS.

IS A PROFIT & LOSS STATEMENT AND BALANCE  
SHEET REQUIRED FOR THIS BORROWER

????

# ML 12-03: UNDERWRITING CHANGES



## THE DEFINITION OF FAMILY MEMBER IS:

- ❖ CHILD (SON/STEPSON/DAUGHTER/STEPDAUGHTER)
- ❖ PARENT (INCLUDES STEP-PARENT/FOSTER PARENT)
- ❖ GRANDPARENT (STEP-GRANDPARENT OR FOSTER GRANDPARENT)
- ❖ SPOUSE
- ❖ LEGALLY ADOPTED SON OR DAUGHTER
- ❖ FOSTER CHILD
- ❖ BROTHER/STEPBROTHER/SISTER/STEPSISTER
- ❖ UNCLE/AUNT

# ML 12-02: CLOSING IN NAME OF FHA- APPROVED LENDER



## ❖ NON-FHA-APPROVED SPONSORED THIRD-PARTY ORIGINATORS

- MAY NOT CLOSE LOANS IN THEIR OWN NAMES
- LOANS ORIGINATED BY SUCH PARTIES MUST CLOSE IN THE NAME OF THE SPONSORING FHA-APPROVED MORTGAGEE

## ❖ FHA-APPROVED DE LENDERS SPONSORING THIRD-PARTY ORIGINATORS:

- MUST ENSURE EACH SPONSORED TPO ADHERES TO FHA REQUIREMENTS
- MUST DILIGENTLY MONITOR AND EVALUATE THE ACTIVITIES AND PERFORMANCE OF ALL SPONSORED TPOS, *INCLUDING* FHA-APPROVED MORTGAGEES ACTING AS SPONSORED TPO

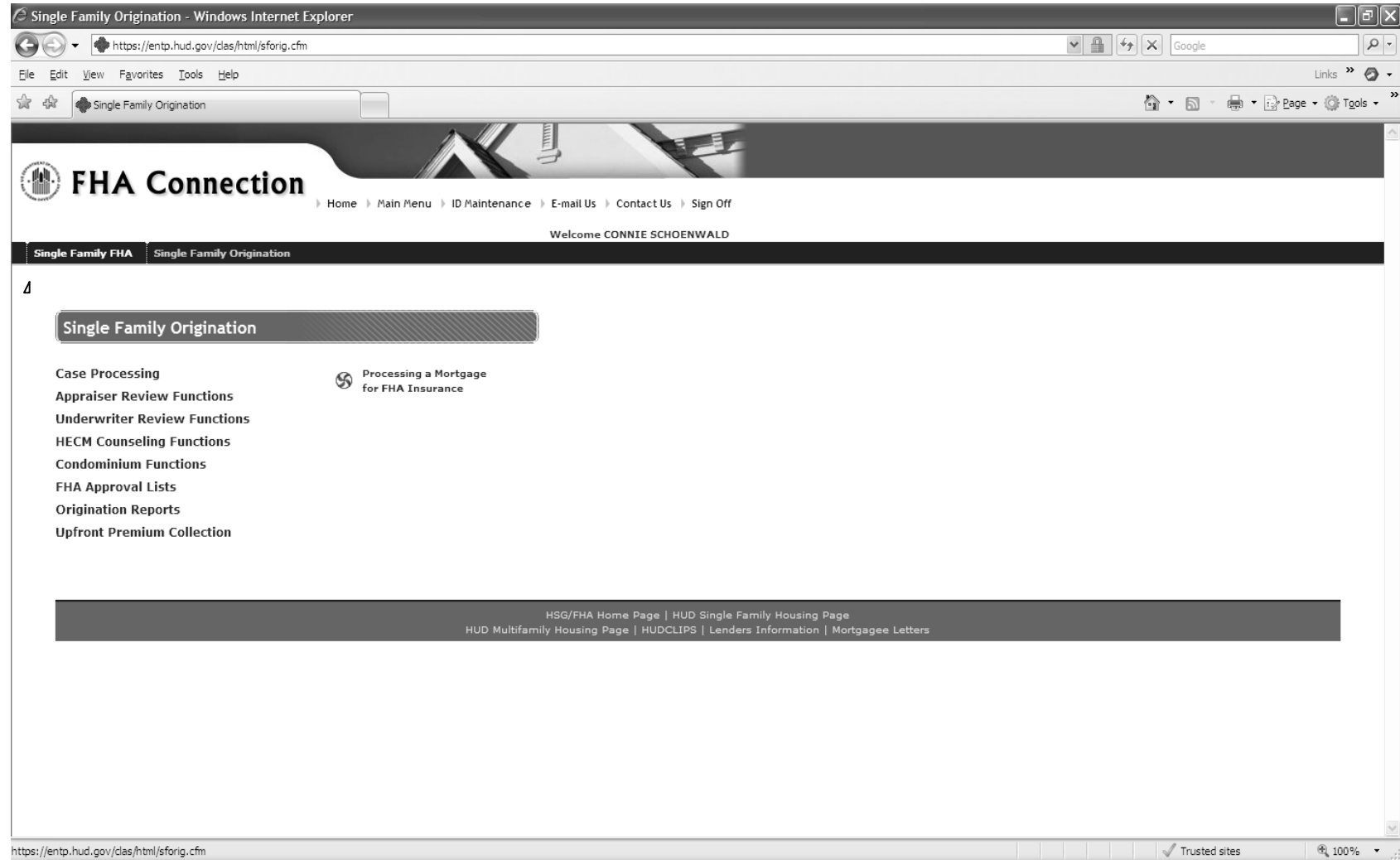
# FHA CONNECTION



1-800-CALL FHA

[www.hud.gov](http://www.hud.gov)

# FHA CONNECTION



1-800-CALL FHA

www.hud.gov



# FHAC CASE PROCESSING



Case Processing - Windows Internet Explorer

https://entp.hud.gov/cas/html/f17case.cfm

File Edit View Favorites Tools Help

Case Processing

Welcome CONNIE SCHOENWALD

Single Family FHA Single Family Origination > Case Processing

## Case Processing

- Case Number Assignment
- Appraisal Logging
- Insurance Application
- HECM Insurance Application

Processing a Mortgage for FHA Insurance

What I Need to Know

Borrower/Address Change	Binder Selection
CAIVRS Authorization	Binder Request
Case Query	Case Cancel/Reinstate
Case Transfer	Case Warning
Conditional Commitment	Closing Package Logging
EEM Calculator	Electronic Binder Additions
Electronic Binder Additions Upload	Indemnification Maintenance
Electronic Case Binder Upload	TOTAL Scorecard Emulator
Escrow Closeout	TOTAL Scorecard Reports
Firm Commitment	
Inspector Assignment	
MIC/NOR List	
MIP Calculator	

# APPRAISAL LOGGING



- ❖ APPRAISAL LOGGING SHOULD BE COMPLETED UPON LENDER'S RECEIPT OF APPRAISAL
- ❖ NEED TO COMPLETE PRIOR SALES PRICE ON FORECLOSURES
- ❖ THE APPRAISAL CANNOT HAVE AN EFFECTIVE DATE PRIOR TO THE CASE ASSIGNMENT DATE

# APPRAISAL LOGGING



Appraisal Logging Update - Windows Internet Explorer

https://entp.hud.gov/clar/html/f17aplog.cfm

File Edit View Favorites Tools Help

Appraisal Logging Update

Living Area: 2282 Central Air: ☒ Yes ☐ No Car Storage: Two-car Garage

**\* Property Title Information \***

Estate Will be Held in: Fee Simple Leasehold Expiration Date:

**\* Prior Sale Information \***

Was prior sale/transfer of this property within the past 3 years? No Sale/Transfer within 3 yrs

Date of Prior Sale/Transfer: Price of Prior Sale/Transfer:

**\* Reconciliation Fields \***

Appraised Value: 174000

Actual Appraiser (State Certificate or License No.): Effective Date of Appraisal:

ID: TX1331108 05/17/12

Name: SCORZA, GREGORY M

**\* Appraisal Update \***

Appraiser (State Certificate or License No.): Effective Date of Appraisal Update:

ID:

Name:

Certify subject property did not decline in value ☐

Second Appraisal Select link if you wish to enter second appraisal

Send Reset New Request

Message Board Monday June 04, 2012

start

Inbox - Microsoft ... Document1 - Mic... 09-16ml (Read-O... Microsoft PowerP... http://portal.hud... Siebel Call Center... Appraisal Logging...

1:50 PM Wednesday

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www.hud.gov

# APPRAISAL LOGGING



## ❖ 2<sup>ND</sup> APPRAISALS:

- ML 2006-14: PROPERTY FLIPPING PROHIBITION AMENDMENT
- ML 2009-48 : SECOND APPRAISAL REPORTING REQUIREMENTS
- PROPERTY RESOLD FOR MORE THAN 100% BETWEEN 91 AND 180 DAYS
- MUST BE COMPLETED BY FHA ROSTER APPRAISER

# APPRAISAL LOGGING



# STREAMLINE CASE NUMBERS

Case Number Assignment - Windows Internet Explorer

https://entp.hud.gov/cas/html/f17ra-c.cfm

File Edit View Favorites Tools Help

Case Number Assignment

Case Type: Regular DE Construction Code: Existing Construction Processing Type: N/A Financing Type: N/A

ADP Code: 703 Living Units: 01 Program ID: (00)-Default Loan Term: 360

**ADP Code Characteristics:**

Amortization Type: Fixed Housing Program: FHA Standard Mortgage Program (203b) Property Type: Not a condominium

Special Program: No Special Program Buydown: No Principal Write-down: Not a principal write-down

Type of Case: Forward Refinance

If Purchase: Was this case previously sold as Real Estate Owned (previously sold by HUD)? ☐ Yes ☐ No

If Refinance: Specify type of refinance: Prior FHA

**\* As Required \***

All Refinances: (a) Select streamline refinance type: w/o Appraisal (b) Is this a Cash-out Refinance: ☐ Yes ☒ No

Prior FHA and prior REO cases: Enter case number of previous case: 493 - 7310745

203k Consultant ID:

PUD/Condo Indicator: N/A PUD/Condo ID: Submission: Site Condo: N/A

Month/Year Completed: 11 / 2002 VA CRV Expire Date: VA CRV Number:

HECM Counsel TIN:

Done HFCM Trusted sites 100%

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# CASE NUMBERS



- ❖ I HAVE A CASE NUMBER AND THE APPRAISAL FOR THE LOAN HAS EXPIRED. DO I ORDER ANOTHER APPRAISAL AND LOG AS A 2<sup>ND</sup> APPRAISAL?



# CASE NUMBERS



I AM ORDERING A CASE NUMBER FOR AN REO PROPERTY. THE CASE NUMBER HAS AN APPRAISAL BY THE ASSET MANAGER. WHICH DO I CHOOSE FOR MY PROCESSING TYPE:

- A. REAL ESTATE OWNED WITH APPRAISAL
- B. REAL ESTATE OWNED WITHOUT APPRAISAL



# REO CASE NUMBER



Case Number Assignment - Windows Internet Explorer

https://entp.hud.gov/cas/html/f17ra-c.cfm

File Edit View Favorites Tools Help

Case Number Assignment

Field Office: Dallas, TX

Lender Case Ref:

Is this a Sponsored Originator Case? No

Originator ID: 3105200001  
TEXAS SECURITY BANK  
DALLAS TX 752076614  
NMLS ID: 404906

Sponsor/Agent ID: Not Entered

Loan Officer Name: First Name: BARBARA MI: Last Name: ROCH Suffix: Select Suffix

Loan Officer NMLS ID: 219276

Case Type: Regular DE Construction Code: Existing Construction Processing Type: Real Estate Owned w/o Appraisal Financing Type: N/A

ADP Code: 703 Living Units: 01 Program ID: (00)-Default Loan Term: 360

ADP Code Characteristics:

Amortization Type: Fixed Housing Program: FHA Standard Mortgage Program (203b) Property Type: Not a condominium

Special Program: No Special Program Buydown: No Principal Write-down: Not a principal write-down

Type of Case: Forward Purchase

If Purchase: Was this case previously sold as Real Estate Owned (previously sold by HUD)? Yes No

If Refinance: Specify type of refinance: Not a Refinance

\* As Required \*

All Refinances: (a) Select streamline refinance type: Not Streamlined (b) Is this a Cash-out Refinance: Yes No

Prior FHA and prior REO cases: Enter case number of previous case: 511 - 1234567

start

FHA-FAQ Webinar... FHA FAQ Webinar... Microsoft PowerP... http://portal.hud... Case Number Assi... huddoc (Read-Onl...

8:12 AM Thursday

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# CASE WARNINGS



- ❖ MULTIPLE FHA LOANS
- ❖ SSN VALIDATION
- ❖ MORTGAGE CREDIT REJECT
- ❖ MORTGAGE CREDIT SANCTION/CAIVRS
- ❖ FREE FORM COMMENTS EXIST

# CASE WARNINGS



## ❖ MULTIPLE FHA LOAN

- LENDER MUST DETERMINE STATUS OF OTHER PROPERTY
- VERIFY SUBJECT LOAN MEETS EXCEPTION FOR MULTIPLE LOAN 4155.1, 4.B.2.D
- PROVIDE DOCUMENTATION AND UNDERWRITER EXPLANATION FOR MULTIPLE FHA LOAN.

# CASE WARNINGS



## ❖ SOCIAL SECURITY VALIDATION:

- NAME, BIRTHDATE AND SOCIAL SECURITY NUMBER MUST MATCH SOCIAL SECURITY ADMINISTRATION (EXAMPLE- DOE III, JOHN T)
- IF FAILING VALIDATION, LENDER MUST PROVIDE AN ACCEPTABLE 3<sup>RD</sup> PARTY VERIFICATION FROM A SERVICE PROVIDER WITH DIRECT ACCESS TO THE SOCIAL SECURITY ADMINISTRATION

# CASE WARNINGS



## ❖ MORTGAGE CREDIT REJECT

- PRIOR REJECT ON SUBJECT CASE
- MAY BE DIFFERENT BORROWER

## ❖ MORTGAGE CREDIT SANCTION/CAIVRS

- CAIVRS ALERT ON SUBJECT BORROWER OR
- PRIOR REJECT FOR BORROWER ON A DIFFERENT CASE

*LENDER MUST DETERMINE ACCEPTABILITY, PROVIDE  
NECESSARY DOCUMENTATION AND JUSTIFICATION  
FOR LOAN APPROVAL*

## ❖ FREE FORM COMMENTS EXIST-INTERNAL HUD NOTES

# CAIVRS



LENDERS ARE RESPONSIBLE FOR SCREENING ALL BORROWERS USING HUD'S CREDIT ALERT INTERACTIVE VOICE RESPONSE SYSTEM (CAIVRS).

CAIVRS IS A FEDERAL GOVERNMENT-WIDE REPOSITORY OF INFORMATION ON

## COMMON CODES

A – CLEAR

B – BANKRUPTCY

C – CLAIM

D – DEFAULT

E – DEPARTMENT OF EDUCATION

F – FORECLOSURE

J – DEPARTMENT OF JUSTICE

# INSURANCE APPLICATION



- ❖ THE LOAN AMOUNT WAS MISCALCULATED AND IS OVER INSURED. WHAT DO I NEED TO DO?
- ❖ I HAVE AN ERROR “LOAN RESCORED AS REFER, MANUAL UNDERWRITE REQUIRED”. WHAT DOES THIS MEAN?
- ❖ I HAVE AN ERROR IN THE INSURANCE APPLICATION SCREEN FOR A CASH OUT REFINANCE THAT REFLECTS “VERIFY THAT FIELD SIGN (+OR -) IS ACCURATE FOR TOTAL REQUIREMENTS. VERIFY THAT BORROWER WAS REQUIRED TO BRING CASH TO CLOSING.” WHAT DOES THIS MEAN?

# ENDORSEMENT / NOR



## ❖ IF CASE CANNOT BE ENDORSED (NON LI LENDER):

- ❖ BINDER IS RETURNED TO LENDER AS *NOR* /NOTICE OF RETURN

- ❖ LENDER RE-SUBMITS ORIGINAL BINDER WITH REQUESTED DOCUMENTATION TO CLEAR NOR

- ❖ ORIGINAL BINDER IS IDENTIFIED WITH *NOR* STAMP AND DATE

- ❖ TAB / IDENTIFY NOR DOCUMENTS





# TRANSACTIONS THAT AFFECT MAXIMUM MORTGAGE CALCULATIONS

4155.1 HANDBOOK  
SECTION 2.B.

# MAXIMUM MORTGAGE CALCULATION



- ❖ DOES A BORROWER QUALIFY FOR AN FHA INSURED MORTGAGE WHEN HE/SHE IS EMPLOYED AS A CIVILIAN MILITARY CONTRACTOR ASSIGNED TO WORK OVERSEAS ?
- ❖ CAN AN ACTIVE DUTY MILITARY PERSONNEL BE CONSIDERED AN OWNER OCCUPANT ON A PROPERTY IN TEXAS IF HE/SHE IS STATIONED IN CALIFORNIA ?

# MAXIMUM MORTGAGE CALCULATION



DAD IS SELLING HIS CURRENT PRIMARY HOME TO SON AND WILL QUALIFY ON THE FHA 1<sup>ST</sup> MORTGAGE LOAN WITH SON AS A NON OCCUPANT CO-BORROWER. WHAT IS THE MAXIMUM LOAN TO VALUE LIMIT ALLOWED ON THIS TRANSACTION?

# MAXIMUM MORTGAGE CALCULATION



## THREE AND FOUR UNIT PROPERTIES

PER ML 1 1-1 1 THE SELF-SUFFICIENCY TEST APPLIES IN ITS ENTIRETY TO BOTH REFINANCE AND PURCHASE TRANSACTIONS.

- ❖ MUST HAVE 3 MONTHS PITI RESERVES AFTER CLOSING FROM OWN FUNDS AND CANNOT BE FROM A GIFT.
- ❖ MAXIMUM MORTGAGE IS LIMITED SO THAT THE RATIO OF THE MONTHLY MORTGAGE PAYMENT, DIVIDED BY THE MONTHLY NET RENTAL INCOME, DOES NOT EXCEED 100%

# SELF SUFFICIENCY



TOTAL MORTGAGE  
PAYMENT DIVIDED  
BY NET RENTAL  
INCOME MUST  
EQUAL A RATIO  
NOT TO EXCEED  
100%

## Three and Four Units: (Purchase Only) Self-Sufficiency Analysis Worksheet

(A)

P & I \$ \_\_\_\_\_

MMI \$ \_\_\_\_\_

Taxes \$ \_\_\_\_\_

Insurance \$ \_\_\_\_\_

Flood Insurance \$ \_\_\_\_\_

Total \$ \_\_\_\_\_

(B)

Market Rent (per appraisal, \$ \_\_\_\_\_  
All units, including unit chosen by the  
Borrower for occupancy)

Vacancy Factor - \$ \_\_\_\_\_  
(per HUD office)

Net Rental Income \$ \_\_\_\_\_

# VACANCY FACTORS



ALL AREAS COVERED BY SANTA HOC HAVE A 15%  
VACANCY RATE

ALL AREAS COVERED BY PHILADELPHIA HOC HAVE  
A 15% VACANCY RATE.

ALL AREAS COVERED BY DENVER HOC HAVE A 25%  
VACANCY RATE .

ALL AREAS COVERED BY ATLANTA HOC HAVE A  
15% VACANCY RATE.

# IDENTITY OF INTEREST

4155.1 HANDBOOK, SECTION 2.B.2



**AN IDENTITY OF INTEREST TRANSACTION IS DEFINED AS A PURCHASE TRANSACTION BETWEEN A BUYER AND SELLER WITH A FAMILY OR BUSINESS TYPE RELATIONSHIP**

# IDENTITY OF INTEREST



THERE ARE SEVERAL EXCEPTIONS THAT MAY  
BE GRANTED TO ALLOW MAXIMUM  
FINANCING FOR IDENTITY OF INTEREST  
TRANSACTIONS:

- ❖ FAMILY MEMBER PURCHASE
- ❖ BUILDERS EMPLOYEE PURCHASE
- ❖ TENANT PURCHASE:
- ❖ CORPORATE TRANSFER



# IDENTITY OF INTEREST



DAVID BLACK IS EMPLOYED BY BLACK AND COMPANY BUILDERS AND INTENDS TO PURCHASE ONE OF BUILDER'S NEW HOMES. THE BUILDER/EMPLOYER IS ALSO THE BORROWERS BROTHER.

IS MAXIMUM FINANCING ALLOWED FOR THIS TRANSACTION?

# IDENTITY OF INTEREST



BOB AND CAROL CREDITWORTHY ARE PURCHASING A HOME FROM CAROL'S FATHER. CAROL IS NOT ON THE LOAN. CAROL'S FATHER HAS AGREED TO GIVE THEM A GIFT OF EQUITY.

IS THIS TRANSACTION ACCEPTABLE???

# BUILD ON OWN LAND

## 4155.1 HANDBOOK, SECTION 2.B.5



- ❖ TRUE OR FALSE: FOR MANUFACTURED HOMES THAT HAVE BEEN PERMANENTLY ERECTED ON A SITE FOR LESS THAN ONE YEAR PRIOR TO THE DATE OF THE APPLICATION FOR MORTGAGE INSURANCE, IT IS NO LONGER PERMITTED FOR THE BORROWER TO RECEIVE CASH BACK AT CLOSING - EVEN IF THE LOAN-TO-VALUE (LTV) IS LESS THAN 85 PERCENT.
  
- ❖ TRUE OR FALSE: BORROWER TRANSFERRED OWNERSHIP OF LAND TO BUILDER PRIOR TO CONSTRUCTION OF PROPERTY. LENDER MAY PROCESS LOAN AS BUILD ON OWN LAND.
  
- ❖ TRUE OR FALSE: BORROWER MAY ACT AS HIS OWN GENERAL CONTRACTOR ON A BUILD ON OWN LAND TRANSACTION.

# BUILD ON OWN LAND



## MAXIMUM MORTGAGE CALCULATION

COST (VALUE) OF UNIT	+	LAND PAYOFF	+
COST (VALUE) OF LAND	+	UNIT PAYOFF	+
HARD COSTS	+	LESS TRADE IN	-
SOFT COSTS (CONSTR. LOAN)	+	CONSTRUCTION LOAN PAYOFF	+
TOTAL ACQUISITION COSTS	=	REMOVAL EXISTING STRUCTURE	+
		BORROWER CASH EXPENDED	+
APPRAISED VALUE	=	SOFT COSTS (CONSTR. LOAN)	+
		FHA ALLOWABLE CLOSING COSTS, PREPAIDS, DISCOUNT POINTS	+
		BUILDER/SELLER/LENDER CREDITS	-
LTV X LESSER OF APPRAISED OR ACQUISITION (1)	=	TOTAL PAYOFF (2)	=

MAXIMUM MORTGAGE IS THE LESSER OF (1) OR (2)

1-800-CALL FHA

[www.hud.gov](http://www.hud.gov)

# NEW CONSTRUCTION DOCUMENTS



AT TIME OF APPRAISAL	PROPOSED	UNDER CONSTRUCTION	EXISTING CONSTRUCTION < 1 YEAR
<b>LTV</b>			
90% OR LESS	<ul style="list-style-type: none"> <li>• NPCA (NPMA) 99A, 99B</li> <li>• 92541</li> <li>• 92051 BY <b>FEE INSPECTOR</b> <u>OR</u></li> <li>• BUILDING PERMIT &amp; CO</li> <li>• WELL &amp; SEPTIC APPROVAL IF APPLICABLE</li> </ul>	<ul style="list-style-type: none"> <li>• NPCA (NPMA) 99A, 99B</li> <li>• 92541</li> <li>• 92051 BY <b>FEE INSPECTOR</b> <u>OR</u></li> <li>• BUILDING PERMIT &amp; CO</li> <li>• WELL &amp; SEPTIC APPROVAL IF APPLICABLE</li> </ul>	<ul style="list-style-type: none"> <li>• NPCA (NPMA) 99A, 99B</li> <li>• 92541</li> <li>• WELL &amp; SEPTIC APPROVAL IF APPLICABLE</li> </ul>
OVER 90%	<ul style="list-style-type: none"> <li>• NPCA (NPMA) 99A, 99B</li> <li>• 92541</li> <li>• 92544</li> <li>• 10 YR WARRANTY &amp; FINAL 92051 BY <b>FEE INSPECTOR</b> <u>OR</u></li> <li>• 3 92051 INSPECTIONS BY FEE INSPECTOR (&amp; EARLY START LETTER IF NEEDED)</li> <li>• BUILDING PERMIT &amp; CO</li> <li>• WELL &amp; SEPTIC APPROVAL IF APPLICABLE</li> </ul>	<ul style="list-style-type: none"> <li>• NPCA (NPMA) 99A, 99B</li> <li>• 92541</li> <li>• 92544</li> <li>• 10 YR WARRANTY &amp; FINAL 92051 BY <b>FEE INSPECTOR</b> <u>OR</u></li> <li>• BUILDING PERMIT &amp; CO</li> <li>• WELL &amp; SEPTIC APPROVAL IF APPLICABLE</li> </ul>	<ul style="list-style-type: none"> <li>• NPCA (NPMA) 99A, 99B</li> <li>• 92541</li> <li>• 92544</li> <li>• 10 YR WARRANTY <u>OR</u></li> <li>• BUILDING PERMIT &amp; CO</li> <li>• WELL &amp; SEPTIC APPROVAL IF APPLICABLE</li> </ul>

REQUIREMENTS ABOVE ARE FOR STICK-BUILT PROPERTIES; SEE 09-16 FOR MANUFACTURED HOME REQUIREMENTS.

NEW CONSTRUCTION IN FLOOD ZONE: REQUIRES ELEVATION CERT OR LOMA/LOMR SHOWING IMPROVEMENTS ARE NOT IN FLOOD ZONE

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# MULTIPLE FHA INSURED LOANS



BORROWERS OWN A CURRENT HOME THAT HAS 2 BEDROOMS, ONE WHICH IS VERY SMALL. THE HOME IS FHA INSURED. BORROWERS HAVE ONE CHILD AND THE BORROWERS SELF EMPLOYED BUSINESS HAS TAKEN OFF AND THEY ARE IN NEED OF AN OFFICE AREA.

BORROWERS ARE REQUESTING AN EXCEPTION FOR 2 FHA INSURED LOANS AND WISH TO PURCHASE A NEW HOME USING FINANCING THAT HAS 3 BEDROOMS STATING THE CURRENT HOME IS TOO SMALL AND NO LONGER MEETS THEIR NEEDS.

## WHAT DO YOU THINK?

# MULTIPLE FHA INSURED LOANS



DAN IS CO-OBLIGATED ON HIS DAUGHTERS  
FHA INSURED MORTGAGE AS A NON  
OCCUPYING CO-BORROWER. HE MAY  
PURCHASE OR REFINANCE A PRIMARY  
HOME WITH FHA INSURED FINANCING.

*TRUE OR FALSE?*

# ENERGY EFFICIENT MORTGAGES



FINANCE ENERGY EFFICIENCY UPGRADES INTO  
PURCHASE OR REFINANCE LOAN

USE WITH 203(B), 203(H), 203(K)

CAN USE WITH STREAMLINE REFINANCE

CANNOT BE USED WITH CASH-OUT REFINANCE

IMPROVEMENTS BASED RECOMMENDATION

QUALIFIED HOME ENERGY RATER TOOL, HOME  
ENERGY RATING SYSTEM (HERS)

IMPROVED ENERGY EFFICIENCY INCREASING A  
HOME'S AFFORDABILITY BY REDUCING OPERATING  
COSTS



# ENERGY EFFICIENT MORTGAGES



FOR MORE DETAIL, VIEW THE EEM WEBINAR AT:

[HTTP://PORTAL.HUD.GOV/HUDPORTAL/HUD?  
SRC=/PROGRAM\\_OFFICES/HOUSING/SFH/  
TALK/PARC/PHIARCH](http://portal.hud.gov/hudportal/hud?SRC=/PROGRAM_OFFICES/HOUSING/SFH/TALK/PARC/PHIARCH)

# ENERGY EFFICIENT MORTGAGES



THE MAXIMUM AMOUNT OF THE PORTION  
OF THE EEM FOR ENERGY IMPROVEMENTS  
IS THE LESSER OF 5% OF:

- ❖ THE VALUE OF THE PROPERTY, OR
- ❖ 115% OF THE MEDIAN AREA PRICE OF A SINGLE FAMILY DWELLING, OR
- ❖ 150% OF THE CONFORMING FREDDIE MAC LIMIT.

*[HTTP://PORTAL.HUD.GOV/HUDPORTAL/HUD?SRC=/  
PROGRAM\\_OFFICES/HOUSING/SFH/EEM/EEMHOME](http://portal.hud.gov/hudportal/hud?src=/PROGRAM_OFFICES/HOUSING/SFH/EEM/EEMHOME)*



# REFINANCES

## 4155.1-CHAPTER 3 AND CHAPTER 6

# RATE/TERM REFINANCE



- ❖ BORROWER HAD A LOAN MODIFICATION. CAN THE DEFERRED INTEREST BE INCLUDED IN THE LOAN AMOUNT CALCULATION?
  
- ❖ CAN AN ESCROW SHORTAGE BE INCLUDED IN THE LOAN AMOUNT FOR A RATE/TERM REFINANCE?

# RATE/TERM REFINANCE



- ❖ HUSBAND AND WIFE ARE CURRENTLY BOTH IN TITLE TO THEIR PRIMARY RESIDENCE AND HAVE BEEN FOR THE MOST RECENT 16 MONTHS. THE WIFE ALONE IS RESPONSIBLE ON THE CURRENT MORTGAGE. HUSBAND WISHES TO REFINANCE THE SUBJECT HOME UNDER A RATE/TERM REFINANCE, REMOVING THE WIFE FROM THE LOAN.

IS THIS LOAN ELIGIBLE FOR A RATE/TERM REFINANCE?

# CASH OUT REFINANCE



CAN THE BORROWER OBTAIN A CASH OUT  
REFINANCE ON THIS PROPERTY?

BORROWER HAS OWNED  
A HOME FOR 3 YEARS, LEASING  
IT OUT FOR THE PAST 2.5 YEARS.  
THE BORROWER HAS RECENTLY  
RE-OCCUPIED  
THE HOME AS HIS PRIMARY RESIDENCE.

# CASH OUT REFINANCE



THE REFINANCING MORTGAGEE MUST DOCUMENT THAT THE MORTGAGOR HAS AN ACCEPTABLE PAYMENT HISTORY. THE PAYMENT HISTORY IS ACCEPTABLE IF THE MORTGAGOR:

- ❖ IS CURRENT AND
- ❖ HAS MADE ALL PAYMENTS ON THE MORTGAGE BEING REFINANCED WITHIN THE MONTH DUE FOR THE PREVIOUS 12 MONTHS.
- ❖ FOR MORTGAGES WITH MORE THAN 6 MONTHS AND LESS THAN 12 MONTHS OF PAYMENT HISTORY, THE MORTGAGOR MUST HAVE MADE ALL PAYMENTS WHEN DUE.
- ❖ MORTGAGES WITH LESS THAN 6 MONTHS OF PAYMENT HISTORY ARE NOT ELIGIBLE FOR A CASH-OUT REFINANCE.

# STREAMLINE REFINANCES



- ❖ AM I REQUIRED TO VERIFY ASSETS IF MY BORROWER NEEDS FUNDS TO CLOSE ON THEIR STREAMLINE REFINANCE?
  
- ❖ MAY THE LOAN AMOUNT INCLUDE 60 DAYS INTEREST ON THE EXISTING LOAN TO BE PAID OFF EVEN IF THE CURRENT MONTHS PAYMENT HAS BEEN MADE?
  
- ❖ CAN I APPROVE A CREDIT QUALIFYING STREAMLINE REFINANCE WITH RATIOS ABOVE 31%/43%



# STREAMLINE REFINANCES



- ❖ IS THE NET TANGIBLE BENEFIT BASED ON PITI OR JUST THE P&I ON OLD LOAN TO NEW LOAN?
- ❖ IS REDUCTION IN MORTGAGE TERM ELIGIBLE TO MEET GUIDES FOR NET TANGIBLE BENEFIT TO BORROWER?
- ❖ BORROWER HAS A PURCHASE MONEY 2<sup>ND</sup> THAT WILL NOT SUBORDINATE. BORROWER HAS NO OTHER OPTION BUT TO PAYOFF. CAN THEY INCLUDE THAT AMOUNT IN A STREAMLINE REFINANCE?

# STREAMLINE REFINANCES



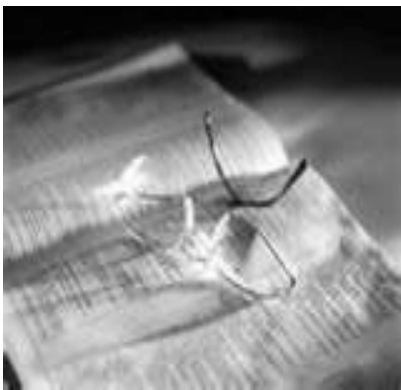
LENDER IS PROCESSING A HYBRID 5/1 ARM STREAMLINE REFINANCE. THE EXISTING LOAN IS A HYBRID 3/1 ARM IN THE 4<sup>TH</sup> YEAR OF THE LOAN. LENDER HAS DETERMINED THAT BORROWER HAS MET THE NET TANGIBLE BENEFIT AS THE PAYMENT IS BEING REDUCED BY 5% (P&I + MIP).

HAS THE LENDER APPLIED THE NET TANGIBLE BENEFIT GUIDELINE APPROPRIATELY?

# STREAMLINE REFINANCES



LENDER PREMIUM PRICING  
MAY BE USED TO PAY AMOUNTS  
FOR CLOSING COSTS AND PREPAID  
COSTS ON THE NEW FHA LOAN.



4155.1, 5.A.2.I

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# PROPERTY



# 203K



## THE 203K LOAN IS HUD'S REHAB PROGRAM

- ❖ ABILITY TO MARKET PROPERTIES THAT NEED UPDATING OR REPAIR
- ❖ INCREASING A PROPERTY'S VALUE AND IMPROVE APPEARANCE
- ❖ INCREASE THE FUNCTIONALITY AND COMFORT OF A BORROWER'S HOME

# 203(k) VS. 203(k) STREAMLINE



## 203(k)

- ✓ REPAIRS/IMPROVEMENTS MUST BE AT LEAST \$5000
- ✓ CONSULTANT REQUIRED
- ✓ ARCHITECTURAL EXHIBITS REQUIRED
- ✓ BORROWER CAN DO REPAIRS/IMPROVEMENTS IF QUALIFIED
  
- ✓ ML 2000-25

## 203(k) STREAMLINE

- ✓ FACILITATE UNCOMPLICATED REPAIRS/IMPROVEMENTS
- ✓ NO CONSULTANT REQUIRED
- ✓ NO ARCHITECT REQUIRED
- ✓ BORROWER CAN DO REPAIRS/IMPROVEMENTS IF QUALIFIED
- ✓ INCLUDE UP TO \$35,000
  
- ✓ ML 2005-50

# 203(K) AND 203(K) STREAMLINE

(CONTINUED)



- ❖ ARE THE 203(K) PROGRAMS ALLOWED ON INVESTMENT HOMES?
- ❖ ARE THE 203(K) PROGRAMS LIMITED TO SINGLE FAMILY PROPERTIES?
- ❖ CAN A POOL BE INSTALLED WITH THE 203(K) PROGRAMS?

# 203K REFERENCES



## ❖ HANDBOOK 4240.4

## ❖ 203K WORKSHEET

- HUD FORM 92700
- DATED 6/09 WITH EXPIRATION 6/30/2014
- [HTTP://PORTAL.HUD.GOV/HUDPORTAL/DOCUMENTS/HUDDOC?ID=92700.PDF](http://portal.hud.gov/portal/documents/duddoc?id=92700.pdf)

## ❖ ADDITIONAL INFORMATION:

- [HTTP://WWW.HUD.GOV/OFFICES/HSG/SFH/203K/203KMENU.CFM](http://www.hud.gov/offices/hsg/sfh/203k/203kmenu.cfm)





# WHAT IS 203(H)



*THE 203(H) IS A MORTGAGE INSURANCE PROGRAM ADMINISTERED BY THE FEDERAL HOUSING ADMINISTRATION (FHA) TO INSURE MORTGAGES MADE BY QUALIFIED LENDERS TO VICTIMS OF A MAJOR DISASTER WHO HAVE LOST THEIR HOMES AND ARE IN THE PROCESS OF BUYING HOME.*

*ELIGIBLE PROPERTIES ARE 1 UNIT DETACHED HOMES OR FHA APPROVED CONDOMINIUMS*

# 203(H)



- BORROWERS PREVIOUS RESIDENCE MUST HAVE BEEN IN A PRESIDENTIALLY DECLARED DISASTER AREA
- LOAN APPLICATION MUST BE SUBMITTED WITHIN 1 YEAR OF THE PRESIDENT'S DECLARATION
- RECONSTRUCTION OR REPLACEMENT NECESSARY

# 203(H)



## EVIDENCE BORROWER WAS A PERMANENT RESIDENT IN THE AFFECTED AREA:

- ❖ VALID DRIVERS LICENSE, VOTER REGISTRATION CARD, UTILITY BILLS ARE ALL EXAMPLES, BUT NOT AN INCLUSIVE LIST.

## EVIDENCE OF DESTRUCTION OF RESIDENCE:

- ❖ INSURANCE REPORT
- ❖ INSPECTION REPORT BY AN INDEPENDENT FEE INSPECTOR OR GOVERNMENT AGENCY
- ❖ CONCLUSIVE PHOTOGRAPHIC EVIDENCE SHOWING THE DESTRUCTION OR DAMAGE.

# 203(H)



EVIDENCE OF A PRESIDENTIALLY DECLARED  
DISASTER CAN BE FOUND AT:

[HTTP://WWW.FEMA.GOV/DISASTERS](http://www.fema.gov/disasters)

ADDITIONAL INFORMATION CAN BE FOUND AT:

4155.1 CHAPTER 6, SECTION A

# PROPERTY FLIPPING



*FLIPPING WAIVER FROM FEBRUARY 1, 2010*  
*EXTENDED THROUGH 2012*

WAIVER OF REQUIREMENTS OF 24CFR 203.37A(B)(2) PURSUANT TO  
42 USC AT 3535(Q) AND 24 CFR 5.110

[HTTP://PORTAL.HUD.GOV/HUDPORTAL/DOCUMENTS/HUDDOC?  
ID=WAIVPROPFLIP2010.PDF](http://portal.hud.gov/hudportal/documents/huddoc?id=waivpropflip2010.pdf)

# FLIPPING WAIVER



*ALL TRANSACTIONS MUST BE ARMS-LENGTH WITH  
NO IDENTITY OF INTEREST BETWEEN BUYER AND  
SELLER OR OTHER PARTIES PARTICIPATING IN THE  
SALES TRANSACTION.*

- ❖ SELLER HOLDS TITLE TO THE PROPERTY
- ❖ LLC'S, CORPORATIONS OR TRUSTS AS SELLERS
- ❖ NO MULTIPLE TITLE TRANSFERS OF THE SUBJECT WITHIN A  
12 MONTH TIME FRAME
- ❖ THE PROPERTY WAS MARKETED OPENLY AND FAIRLY
- ❖ ADDITIONAL REQUIREMENTS IF SALES PRICE OF PROPERTY  
IS 20% OR MORE ABOVE SELLER ACQUISITION COST.

# APPRAISAL VALIDITY



THE VALIDITY PERIOD FOR ALL APPRAISAL ON EXISTING, PROPOSED AND UNDER CONSTRUCTION PROPERTIES IS 120 DAYS.

- ❖ CAN USE PART A OF 1004D/442-SUMMARY APPRAISAL UPDATE REPORT
- ❖ CAN EXTEND HUD FORM 92800.5B CONDITIONAL COMMITMENT

# 2<sup>ND</sup> APPRAISAL REO



A SECOND APPRAISAL MAY NOT BE ORDERED SIMPLY TO SUPPORT A PURCHASE PRICE THAT IS HIGHER THAN THE VALUE ON THE CURRENT APPRAISAL. A SECOND APPRAISAL CAN ONLY BE ORDERED TO SUPPORT A HIGHER SALES PRICE IF THERE ARE MATERIAL DEFICIENCIES WITH THE CURRENT APPRAISAL OR THE CURRENT APPRAISAL WILL NOT BE VALID ON THE DATE OF CONTRACT RATIFICATION.



# 2<sup>ND</sup> APPRAISAL CASE TRANSFER



A 2<sup>ND</sup> APPRAISAL MAY BE ORDERED BY THE SECOND LENDER UNDER THE FOLLOWING LIMITED CIRCUMSTANCES:

- ❖ THE FIRST APPRAISAL CONTAINS MATERIAL DEFICIENCIES AS DETERMINED BY THE DIRECT ENDORSEMENT UNDERWRITER FOR THE SECOND LENDER.
- ❖ THE APPRAISER PERFORMING THE FIRST APPRAISAL IS ON THE SECOND LENDER'S EXCLUSIONARY LIST OF APPRAISERS.
- ❖ FAILURE OF THE FIRST LENDER TO PROVIDE A COPY OF THE APPRAISAL TO THE SECOND LENDER IN A TIMELY MANNER WOULD CAUSE A DELAY IN CLOSING, POSING POTENTIAL HARM TO THE BORROWER.



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# REAL ESTATE OWNED



**Sales Contract** U.S. Department of Housing and Urban Development  
Property Disposition Program Office of Housing  
Federal Housing Commissioner

HUD Case No. \_\_\_\_\_

1. I (We), \_\_\_\_\_  
(Purchaser(s)) agree to purchase on the terms set forth herein, the following property, as more particularly described in the deed conveying the property to the Secretary of Housing and Urban Development:  
\_\_\_\_\_  
(street number, street name, unit number, if applicable, city, county, State)

2. The Secretary of Housing and Urban Development (Seller) agrees to sell the property at the price and terms set forth herein, and to prepare a deed containing a covenant which warrants against the acts of the Seller and all claiming by, through or under him. Title will be taken in the following name(s) and style: \_\_\_\_\_

3. The agreed purchase price of the property is ..... ➤ \$ \_\_\_\_\_  
Purchaser has paid \$ \_\_\_\_\_ as earnest money to be applied on the purchase price, and agrees to pay the balance of the purchase price, plus or minus prorations, at the time of closing, in cash to Seller. The earnest money deposit shall be held by \_\_\_\_\_

4. ☐ Purchaser is applying for FHA insured financing [ ☐ 203(b), ☐ 203(b) repair escrow, ☐ 203(k) ] with a cash down payment of \$ \_\_\_\_\_ due at closing and the balance secured by a mortgage in the amount of \$ \_\_\_\_\_ for \_\_\_\_\_ months (does not include FHA Mortgage Insurance Premium, prepaid expenses or closing costs Seller has agreed to fund into mortgage.).  
☐ Said mortgage involves a repair escrow amounting to \$ \_\_\_\_\_

4 ☐ Purchaser is paying cash or applying for conventional or other financing not involving FHA.

5. Seller will pay reasonable and customary costs, but not more than actual costs, nor more than paid by a typical Seller in the area, of obtaining financing and/or closing (excluding broker's commission) in an amount not to exceed ..... ➤ 5. \$ \_\_\_\_\_

6a. Upon sales closing, Seller agrees to pay to the broker identified below a commission (including selling bonus, if offered by seller) of ..... ➤ 6a. \$ \_\_\_\_\_

6b. If broker identified below is not the broad listing broker, broad listing broker will receive a commission of: .... ➤ 6b. \$ \_\_\_\_\_

7. The net amount due Seller is (Purchase price [Item 3] less Items 5 and 6) ..... ➤ 7. \$ \_\_\_\_\_

8. Purchaser is: ☐ owner-occupant (will occupy this property as primary residence) ☐ investor  
☐ nonprofit organization ☐ public housing agency ☐ other government agency. Discount at closing: \_\_\_\_\_ %

# REAL ESTATE OWNED



- ❖ IS THERE A MAXIMUM DOLLAR AMOUNT THAT A HUD REO PROPERTY IS INSURABLE WITH A REPAIR ESCROW?
- ❖ DO I ALWAYS NEED TO USE THE APPRAISAL COMPLETED BY THE A&M CONTRACTOR?

# REAL ESTATE OWNED



- ❖ HOW DO YOU CALCULATE THE MAXIMUM MORTGAGE FOR A GOOD NEIGHBOR NEXT DOOR PROGRAM?
- ❖ CAN I COMBINE A \$100 DOWN PROGRAM WITH A 203K PROGRAM?

REAL ESTATE OWNED



HOW DO YOU CALCULATE  
THE MAXIMUM MORTGAGE  
FOR THE \$100 DOWN  
HUD REO PROGRAM?

# REAL ESTATE OWNED



SALES PRICE / APPRAISED VALUE	\$135,000
DOWNPAYMENT	\$ 100
BASE LOAN AMOUNT (A)	\$134,900
UFMIP 1.75%	\$ 2,360
LOAN AMOUNT WITH UFMIP (B)	\$137,260
MAXIMUM ALLOWABLE TOTAL LOAN AMOUNT (LESSER OF A OR B)	\$134,900

**TOTAL LOAN AMOUNT MAY NOT EXCEED APPRAISED  
VALUE**

# CREDIT

## 4155.1 HANDBOOK SECTION 4.C



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# CREDIT



## ❖ TRUE OR FALSE:

LOAN IS ELIGIBLE FOR FHA INSURANCE WHEN THE OCCUPANT BORROWER HAS ACCEPTABLE CREDIT AND FICO SCORE, BUT HAS NO EMPLOYMENT, INCOME OR ASSETS. NON OCCUPYING CO-BORROWER HAS SUFFICIENT INCOME AND ASSETS AND THE LOAN RECEIVES AN AUS/TOTAL SCORECARD APPROVE/ELIGIBLE.

# CREDIT



## ❖ TRUE OR FALSE:

BORROWER IS A PERMANENT RESIDENT ALIEN FROM CANADA. BORROWER HAS ESTABLISHED CREDIT IN CANADA, BUT NOT THE USA. THIS CREDIT CAN BE USED FOR QUALIFYING UNDER NON-TRADITIONAL CREDIT.

# TRADITIONAL CREDIT



JOE ADAMS AND BEVERLY WHITE HAVE APPLIED FOR AN FHA INSURED LOAN TO PURCHASE A NEW HOME. BOTH BORROWERS WILL OCCUPY THE PROPERTY. JOE HAS ESTABLISHED CREDIT WITH AN ACCEPTABLE FICO SCORE; BEVERLY HAS NOT. THE AUS/TOTAL SCORECARD IS APPROVE/ELIGIBLE.

IS THE LOAN ELIGIBLE  
FOR FHA INSURED  
FINANCING?

IS NON TRADITIONAL  
CREDIT REQUIRED  
FOR BEVERLY?

# CREDIT



**TONY HAS A PRIOR MORTGAGE THAT WAS INCLUDED AND  
DISCHARGED THROUGH HIS BANKRUPTCY.**

**HOW MANY YEARS BEFORE TONY IS ELIGIBLE FOR A NEW  
FHA MORTGAGE?**

# CREDIT



❖ IN ORDER TO OMIT CONTINGENT LIABILITY, THE PERSON MAKING THE PAYMENTS MUST BE CO-OBLIGATED ON THE DEBT:

A) MOTHER MAKING BORROWER'S AUTOMOBILE LOAN PAYMENT, IS A CO-BORROWER ON THE DEBT AND HAS PROVIDED 12 MONTHS CANCELLED CHECKS EVIDENCING MOTHER HAS MADE THIS PAYMENT. THIS WOULD BE ELIGIBLE FOR OMISSION

B) FATHER MAKING BORROWER'S STUDENT LOAN PAYMENT, IS NOT A CO-BORROWER ON THE LOAN AND HAS PROVIDED 12 MONTHS CANCELLED CHECKS. THIS WOULD NOT BE ELIGIBLE FOR OMISSION.

# CREDIT



## LIABILITY BEING PAID BY A BORROWERS SCHEDULE C BUSINESS:

A SCHEDULE C BUSINESS IS A SOLE PROPRIETOR BUSINESS WHICH MEANS THAT THE BORROWER IS SOLELY AND INDIVIDUALLY RESPONSIBLE FOR ALL INCOME, EXPENSES AND DEBT. THE BUSINESS ITSELF WOULD NOT BE CO OBLIGATED ON THE DEBT AND THUS, THIS LIABILITY WOULD NOT BE CONSIDERED A CONTINGENT LIABILITY. THE LIABILITY MUST BE COUNTED IN QUALIFICATION OF BORROWER.

# HOW DOES TOTAL WORK?



AUTOMATED UNDERWRITING  
SYSTEM (AUS)

FHA TOTAL SCORECARD

AUS RECEIVES TOTAL  
RECOMMENDATION

AUS ISSUES REPORT / RECOMMENDATION

# AUS TOTAL SCORECARD



## ❖ AUS TOTAL SCORECARD USER GUIDE

- UPDATE EFFECTIVE APRIL 6, 2012
- [HTTP://PORTAL.HUD.GOV/PORTAL/DOCUMENTS/HUDDOC?ID=TOTAL\\_USERGUIDE.PDF](http://portal.hud.gov/portal/documents/हुडडॉक?ID=TOTAL_USERGUIDE.PDF)



# MANUAL DOWNGRADE



## ❖ TRUE OR FALSE:

LENDER MAY APPROVE AN FHA-INSURED LOAN USING A TOTAL SCORECARD/AUS APPROVE/ELIGIBLE FINDING WHEN A BORROWER HAS A CHAPTER 13 BANKRUPTCY THAT WAS DISCHARGED ONE YEAR AGO.

# MANUAL DOWNGRADE



**WHEN A LENDER IS NOT ABLE TO  
DOCUMENT THE CASE FILE PER  
THE AUS/FHA TOTAL  
SCORECARD FINDINGS, THE LOAN  
MUST BE DOWNGRADED TO REFER  
AND MANUALLY UNDERWRITTEN**

# NON PURCHASING SPOUSE



- ❖ IS A CREDIT REPORT REQUIRED FOR THE NON PURCHASING SPOUSE WHEN THE NON PURCHASING SPOUSE DOES NOT HAVE A SSN?
  
- ❖ IS A CREDIT REPORT REQUIRED FOR THE NON PURCHASING SPOUSE OF THE NON OCCUPANT CO-BORROWER WHO RESIDES IN A COMMUNITY PROPERTY STATE WHEN THE SUBJECT PROPERTY IS NOT LOCATED IN A COMMUNITY PROPERTY STATE?

# SHORT SALES



- ❖ MORTGAGE LETTER 09-52
- ❖ ONLY APPLIES TO FORWARD MORTGAGE
- ❖ NOT ELIGIBLE FOR NEW FHA-INSURED LOAN IF:
  - ❖ BORROWERS TOOK ADVANTAGE OF DECLINING MARKET CONDITION.
  - ❖ BORROWERS PURCHASED, AT A REDUCED PRICE, A SIMILAR OR SUPERIOR PROPERTY.
  - ❖ IN DEFAULT ON THEIR MORTGAGE AND INSTALLMENT DEBT AT THE TIME OF THE SHORT SALE
  - ❖ SHORT SALE IS NOT CONFIRMED AS PAYMENT IN FULL

# SHORT PAYOFFS



❖ TO BE ELIGIBLE FOR REFINANCING WITH A SHORT PAYOFF, BORROWER MUST:

- BE CURRENT ON MORTGAGE
- EXISTING MORTGAGE SERVICER MAY WRITE OFF AMOUNT NOT ELIGIBLE FOR INCLUSION IN NEW FHA MORTGAGE IF INSUFFICIENT EQUITY IN SUBJECT PROPERTY
- EXISTING MORTGAGE SERVICER MAY SUBORDINATE ANY AMOUNT NOT PAID BY THE NEW FHA MORTGAGE IF ALL CLTV GUIDES ARE MET, WHICH MAY INCLUDE GUIDES FOR NEGATIVE EQUITY LOANS:

4155.1, 3.B.1.C , 3.B.1.F AND 6.F



# INCOME/EMPLOYMENT

4155.1 HANDBOOK

SECTIONS 4.D, 4.E, 4.F

# INCOME/EMPLOYMENT



WILL FHA ALLOW THE USE OF INCOME FOR  
QUALIFICATION OF THIS BORROWER?

TRACY IS CURRENTLY EMPLOYED AS A DENTAL  
HYGIENIST FOR THE MOST RECENT 2 MONTHS.  
PRIOR TO THAT SHE WAS UNEMPLOYED FOR 1  
YEAR LOOKING FOR WORK. HER PAST  
EMPLOYMENT HISTORY VERIFIES A 2 YEAR  
HISTORY OF WORKING AS A DENTAL HYGIENIST  
PRIOR TO THE UNEMPLOYMENT.

# INCOME/EMPLOYMENT



IT IS THE SUMMER OF 2012 AND BORROWER HAS JUST FINISHED HIS ASSIGNMENT AS A TEACHER FOR SCHOOL A. BORROWER IS NOT CURRENTLY WORKING AND IS UNABLE TO PROVIDE A CURRENT PAYSTUB. HE HAS PROVIDED A FULLY EXECUTED EMPLOYMENT CONTRACT AND WILL BEGIN TEACHING AT SCHOOL B IN SEPTEMBER. HIS INCOME APPEARS TO BE SIMILAR BETWEEN THE 2 SCHOOLS.

IS INCOME ELIGIBLE?



# INCOME/EMPLOYMENT



## DID YOU KNOW?

RENTAL INCOME SHOULD NOT BE CONSIDERED  
IF RENTAL HISTORY OVER THE PREVIOUS 24  
MONTHS SHOWS UNEXPLAINED GAPS  
GREATER THAN THREE MONTHS



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# INCOME/EMPLOYMENT



- ❖ COMMUNITY PROPERTY STATE; NON PURCHASING SPOUSE SHOWS A LOSS ON SCHEDULE C. THE LENDER DID NOT COUNT THE LOSS AS A REDUCTION TO INCOME NOR AS A DEBT.



WHAT WOULD YOU DO?

# INCOME/EMPLOYMENT



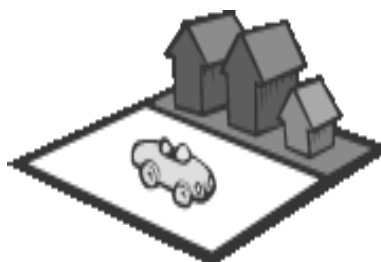
DENISE OWNS A CURRENT HOME WITH CONVENTIONAL FINANCING WHICH SHE WILL RETAIN AND HAS APPLIED FOR FHA FINANCING TO PURCHASE ANOTHER HOME IN THE SAME CITY. SHE HAS PROVIDED A 12 MONTH LEASE AGREEMENT AS WELL AS COPIES OF CANCELLED SECURITY DEPOSIT AND 1<sup>ST</sup> MONTHS RENTAL CHECKS ON THE HOME SHE WILL RETAIN.

MAY THE LENDER USE THE RENTAL INCOME TO QUALIFY BORROWER?

# ASSETS

## 4155.1

### CHAPTER 5



# ASSETS



CAN A BORROWER OBTAIN A  
GIFT FOR CASH TO CLOSE ON  
A STREAMLINE REFINANCE  
????

# ASSETS



WHAT IS THE NUMBER ONE MISSING LINK  
WHEN DOCUMENTING GIFT FUNDS FOR  
CLOSING?



# ASSETS



A BORROWER MAY SELL PERSONAL PROPERTY FOR FUNDS TO CLOSE THEIR FHA MORTGAGE LOAN:

- ❖ EVIDENCE OF OWNERSHIP OF THE PERSONAL PROPERTY
- ❖ A SATISFACTORY ESTIMATE OF THE VALUE OF THOSE ITEMS PROVIDED BY A DISINTERESTED THIRD PARTY
- ❖ EVIDENCE THAT THE ITEMS WERE SOLD.
- ❖ EVIDENCE OF RECEIPT OF FUNDS BY BORROWER .

# ASSETS



*CAN A BORROWER  
USE FUNDS FROM A  
STUDENT LOAN FOR  
DOWN PAYMENT ON A  
PURCHASE TRANSACTION?*





# RESOURCES

# CONTACTS AND RESOURCES



1-800-CALLFHA (800-225-5342)

[HTTP://PORTAL.HUD.GOV/HUDPORTAL/HUD?SRC=/FHAFAQ](http://portal.hud.gov/hudportal/hud?src=/fhaFAQ)

EMAIL: [ANSWERS@HUD.GOV](mailto:ANSWERS@HUD.GOV)

[WWW.HUD.GOV/ANSWERS](http://WWW.HUD.GOV/ANSWERS)



**Contact Us**

JERROLD.H.MAYER @HUD.GOV TO  
SIGN UP FOR HUD NEWS AND  
UPDATES INCLUDING UPCOMING  
TRAININGS AND WEBINARS

1-800-CALL FHA

[www.hud.gov](http://www.hud.gov)

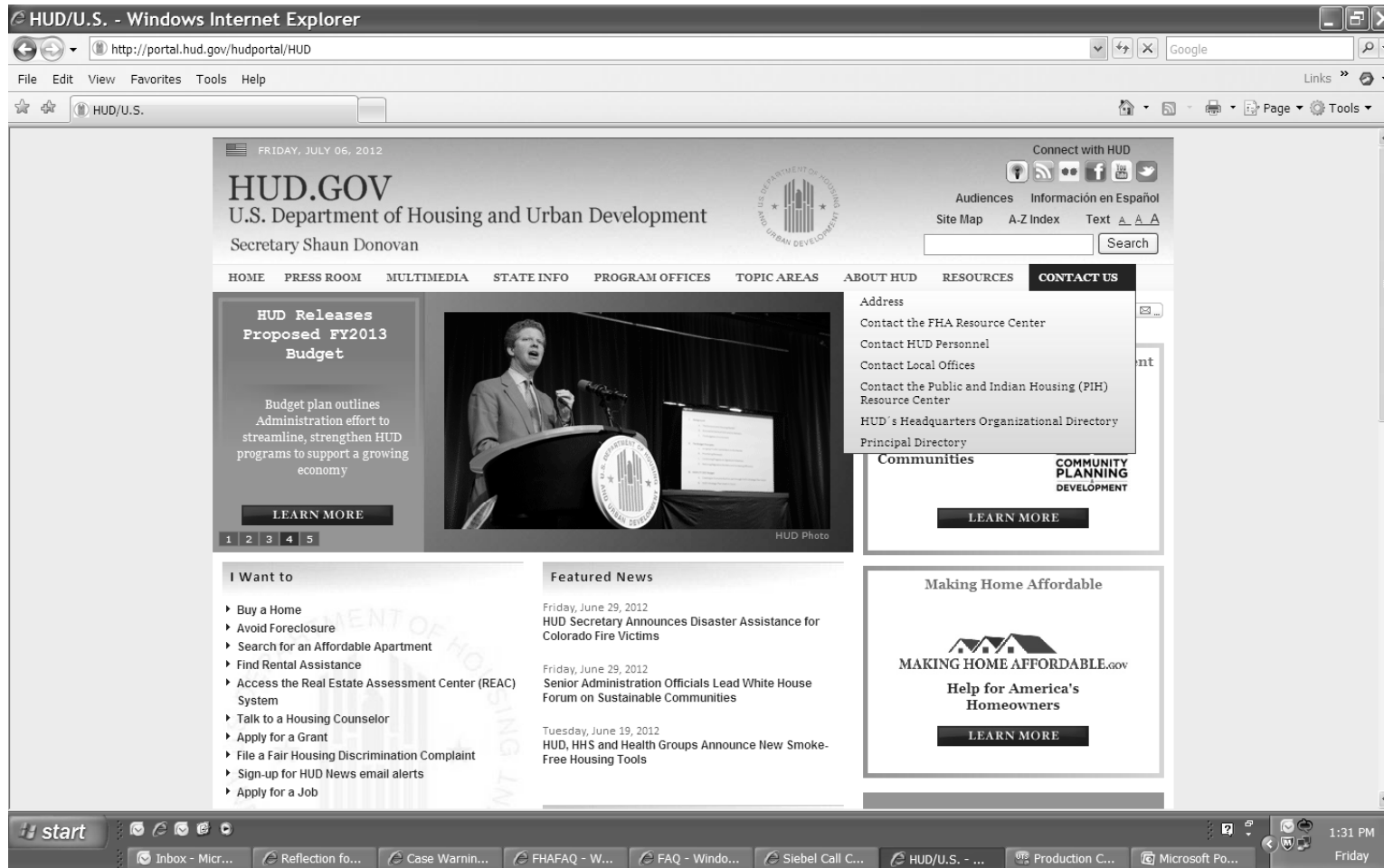
# FHA RESOURCES / HUD.GOV



1-800-CALL FHA

www.hud.gov

# FHA RESOURCE CENTER



1-800-CALL FHA

www.hud.gov

# QUESTIONS?



1-800-CALL FHA

[www.hud.gov](http://www.hud.gov)



# **THANK YOU!**

**PLEASE LOOK FOR THE  
EVALUATION SURVEY IN YOUR  
EMAIL**

# DISCLAIMER



- THE PURPOSE OF THIS PRESENTATION IS AN OVERVIEW OF THE SUBJECT MATTER WITH SUMMATION AND EXPLANATION OF RECENT CHANGES IN FHA POLICY. IT INTRODUCES AND EXPLAINS, RATHER THAN SUPPLANTS, OFFICIAL POLICY ISSUED IN HANDBOOKS AND MORTGAGEE LETTERS. IF YOU FIND A DISCREPANCY BETWEEN THE PRESENTATION AND HANDBOOKS, MORTGAGEE LETTERS, ETC., THE OFFICIAL POLICIES PREVAIL. PLEASE NOTE THE INFORMATION PROVIDED IN THIS TRAINING IS SUBJECT TO CHANGE.
  
- PLEASE CONSULT HUD ONLINE HANDBOOKS AND MORTGAGEE LETTERS THROUGH [HTTP://PORTAL.HUD.GOV/HUDPORTAL/HUD?SRC=/PROGRAM\\_OFFICES/ADMINISTRATION/HUDCLIPS](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips) FOR THE MOST RECENT UPDATES AND CURRENT POLICY.