

FHA Program

Summary

Product Types	30yr, 25yr and 15yr Fixed 5/1 ARM
Eligible Programs	203(b) 1-4 family, 234(c) Condominiums,

Standard & High Balance

Loan Purpose	Minimum FICO	Maximum LTV	Maximum CLTV
Purchase	580*	96.50%	96.50%
Streamlines	580	97.75%	125% *
Refinance No Cash-Out	580*	97.75%	97.75%
Refinance Cash-Out	580*	85%	85%

**See additional Overlays for 619-580 FICO at end of this document*

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

*See below for the updated loan limits as of January 1, 2014:

	Floor	Ceiling
One Unit	\$271,050	\$625,500
Two Units	\$347,000	\$800,775
Three Units	\$419,425	\$967,950
Four Units	\$521,250	\$1,202,925

*Please note: This ceiling list is the national maximum and may not apply to your specific property. Please make sure to check the FHA loan limits website for the list of a particular County or MSA at above link.

Mortgage Insurance – Effective for Case Date on or after January 26, 2015

25 or 30 Year Loan Term				15 Year Loan Term ³			
LTV	UFMIP	Base Loan Amt	Annual MIP	LTV	UFMIP	Base Loan Amt	Annual MIP
>95%	1.75%	≤ \$625,500	.85%	> 90%	1.75%	≤ \$625,500	0.70%
		> \$625,500	1.05%			>\$625,500	0.95%
≤95%	1.75%	≤ \$625,500	.80%	≤ 90%	1.75%	≤ \$625,500	0.45%
		> \$625,500	1.00%			>\$625,500	0.70%

Mortgage Insurance – Effective for Streamlines with Case Date on or after June 1, 2013 and **Endorsed Prior to 6/1/2009**

LTV	UFMIP	Annual MIP
Any	0.01%	0.55%

Regardless of the amortization term, for any mortgage ≤90% LTV (excluding financed UFMIP), the annual MIP will be assessed until the end of the mortgage term, or for the first 11 years, whichever comes first. For any mortgage > 90% LTV (excluding UFMIP), the annual MIP will be assessed until the end of the mortgage term, or first the first 30 years, whichever occurs first.

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	<p>Bankruptcy – Chapter 7 & 13; 2 years discharged exception for 1 year with documented *extenuating circumstances beyond customer control, such as a serious illness or death of a wage earner, and the borrower has re-established good credit since. Must be manually underwritten.</p> <p>Chapter 13; less than 2 years but not less than 1 year is allowed as a manual downgrade, 0x30 on BK and no other derog since.</p> <p><u>See “Back to Work Extenuating Circumstance” section to determine eligibility for Back to Work Program. If requirements noted in that section cannot met, above guidelines apply.</u></p>	
Credit Report	<ul style="list-style-type: none"> • Minimum FICO score for all products is 580 and tri merge credit bureau is required for all transactions (except non-credit qualifying streamline refinances). • Non-borrowing spouse credit report required in community property states and debts must be included in debt ratio. • Revolving debts must be included in the DTI regardless of the number of remaining payments, unless paid AND closed. • All loans (except non-credit qualifying streamline refinances) must be decisioned through FHA TOTAL scorecard via DU. • Borrowers must explain all inquires shown on the credit report in the last 120 days. • Trade line requirements determined by DU findings. • Primary borrower must have a FICO score <p>CCCS: 1 yr since filing, all payments must have been made on time & written permission from CCCS required.</p>	
Disputed Accounts	<p>If the credit report utilized by TOTAL Mortgage Scorecard indicates that the borrower is disputing derogatory credit accounts, the borrower must provide a letter of explanation and documentation supporting the basis of the dispute.</p> <p>Guidance for TOTAL Mortgage Scorecard Accept/Approve loans with disputed accounts</p>	
	<p>Disputed Derogatory Credit Accounts greater than or equal to \$1,000</p>	<p>If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is equal to or greater than \$1,000, the mortgage application must be downgraded to a “Refer” and a DE underwriter is required to manually underwrite the loan as described above.</p>
	<p>Disputed Derogatory Credit Accounts less than \$1,000</p>	<p>If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is less than \$1,000, a downgrade is not required.</p>
	<p>Excluded Accounts</p>	<ul style="list-style-type: none"> • Disputed medical accounts and are excluded from the \$1,000 limit and do not require documentation. • Disputed derogatory credit accounts resulting from identity theft, credit card theft, or unauthorized use are also excluded from the \$1,000 limit. However, the broker must provide a credit report, letter from the creditor, or other appropriate documentation to support the dispute, such as a police report disputing the fraudulent charges.
Foreclosure / Deed in Lieu / Short Sale	<ul style="list-style-type: none"> • 3 year seasoning required on Foreclosure, NOD, deed in lieu (*less than 3 years considered based upon <u>extenuating circumstances</u> such as a serious illness or death of a wage earner, and the borrower has re-established good credit since. Divorce is not considered an extenuating circumstance.) Must be manually underwritten. • 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. (*less than 2 years considered based upon extenuating circumstances as defined under Foreclosure section). <p><u>*See “Back to Work Extenuating Circumstance” section to determine eligibility for Back to Work Program. If requirements noted in that section not met, above guidelines apply.</u></p>	
Extenuating Circumstances	<p>In order to qualify for seasoning exceptions on BK 7, foreclosure, and short sales under the standard extenuating circumstance exception, must document serious illness or death of a wage earner, and the borrower has re-established good credit since. Divorce is not considered an extenuating circumstance. Must be manually underwritten.</p>	

<p>Extenuating Circumstances/"Back to Work" Initiative Purchase Transactions Only</p>	<p>In order to qualify for extenuating circumstance exception, four key components must be documented: (See NDM FHA Detailed Guidelines for full scope of requirements).</p> <ul style="list-style-type: none"> • Satisfactory Credit History must have been demonstrated prior to Economic Event. • Economic Event: Must document that credit impairments were due to Economic Event, defined as Loss of Employment and/or Loss of Income of at least 20% for a minimum of 6 months. <ul style="list-style-type: none"> Loss of Employment verified with: Written termination notice, or other publically available documentation of business closure, and documentation of receipt of unemployment income. Loss of Income verified with: Written VOE evidencing prior income, or signed tax returns, paystubs, or W-2s evidencing prior income. • Recovery: Borrower has demonstrated full recovery (minimum of 12 months) from event, demonstrated by Satisfactory Payment history since event, and • Housing Counseling: Borrower has completed HUD-approved housing counseling at least 30 days prior to application date, but no more than 6 months prior to application date. HUD Approved Counseling agencies can be found at this link: http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.
<p>Collection Accounts and Judgments</p>	<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. • Documentation Requirements: Collection Accounts and Judgments <ul style="list-style-type: none"> ○ Loans receiving Total "Approve/Eligible" findings: Since Total Scorecard takes all negative credit accounts into consideration; there is no documentation or letter of explanation requirements for loans with collection accounts or judgments. ○ Manually underwritten loans: <ul style="list-style-type: none"> ▪ The lender must document reasons for approving a mortgage when the borrower has collection accounts of judgments. Regardless of the amount of outstanding collection accounts or judgments, the lender must determine if the collection account or judgment was a result of: <ul style="list-style-type: none"> • The borrower's disregard for financial obligations; • The borrower's inability to manage debt; or • Extenuating circumstances ○ The borrower must provide a letter of explanation with supporting documentation for each outstanding collection account and judgment. The letter and supporting documentation must be consistent with other credit information in the file. ○ Capacity Analysis-Collections <ul style="list-style-type: none"> ▪ Collections accounts don't have to be paid off, but a capacity analysis for borrowers with an aggregate balance of \$2000 or more is required as described below. Unless prohibited by state law, collection accounts of a non-borrowing spouse in a community property state are included in the cumulative balance. Medical collections and charge off accounts are excluded from this guidance and do not require resolution. ▪ Capacity analysis includes any of the following actions: <ul style="list-style-type: none"> • Accounts paid off in full or at time of close; funds used to payoff must be verified as from an acceptable source • Borrower makes payment arrangements with the creditor. Terms of payment plan must be verified with letter from creditor, or stated on credit bureau. The monthly payment must be included in the debt ratio. • If evidence of a payment arrangement is not available, calculate the payment using 5% of the outstanding balance of each collection and include in the debt ratio. • Regardless of the Total Scorecard findings (Approve/Eligible or Refer), the payment amounts must be included in the borrower's debt ratio. ○ Capacity Analysis-Judgments <ul style="list-style-type: none"> ▪ Judgments must be paid off before loan is closed, unless borrower has made an agreement with the creditor to make regular and timely payments. Must obtain copy of agreement and evidence that payments were made on time per agreement, and documentation showing a minimum of 3 months payments have been made prior to credit approval. Borrowers are not allowed to prepay scheduled

	<p>payments in order to meet the required 3 month minimum.</p> <ul style="list-style-type: none"> ▪ Must include the agreed-upon payment amount in the calculation of the borrower's debt ratio. ▪ Judgments of a non-borrowing spouse in a community property state must be paid in full prior to close, or meet the exception guidance for judgments above, unless excluded by state law.
High Balance	<ul style="list-style-type: none"> • If total Mortgage indebtedness exceeds \$1MM, approval from the VP of Operations is required.
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. • Borrower may not have defaulted on any prior government loans (exceptions can be considered if the borrower has rectified the debt with the government).

Property Requirements

Appraisal	<ul style="list-style-type: none"> • Appraisal must be completed by HUD approved appraiser and must be dated within 120 days of the funding date. • When a 2nd appraisal is required, the lower of the 2 appraisals will be used if there is a greater than 5% variance. Borrower may not pay for the 2nd appraisal. • 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.
Condo/PUD Projects	<ul style="list-style-type: none"> • Condos must be FHA approved project, new condo approvals are 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.
Flips	<ul style="list-style-type: none"> • Follow FHA guidelines
Property and Occupancy	<p>Eligible:</p> <ul style="list-style-type: none"> • SFR, Condo's, PUD's (attached & detached), 2-4 units. • First time home buyers on 3-4 units are not eligible. • Non-owner Streamline Refinances are allowed with Underwriting Manager approval. <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 and Hawaiian Homelands.
States	Where Nations Direct Mortgage lends (see www.myndm.com) for licensed states)

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.
Automated Underwriting	<ul style="list-style-type: none"> All loans must be run thru DU. LP is not an eligible AUS Loans receiving “Refer/Eligible” findings must be downgraded to manual underwrite.
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 <p>Ineligible:</p> <ul style="list-style-type: none"> Borrowers in negative equity position 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 – must have at least one 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
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.
Down Payment Assistance	<ul style="list-style-type: none"> Down payment assistance programs from a non-profit or government funded program OK. No seller funded assistance No MCCs No community seconds.
Gifts	<ul style="list-style-type: none"> Allowed from any FHA acceptable source; document in accord with FHA guidelines.

<p>HUD REO 203(b) Repair Escrow Holdback</p>	<ul style="list-style-type: none"> • Property must be owned by HUD and listed on http://www.hudhomestore.com • Purchase Contract must reflect that the property is a 203(b) and Asset Manager fees must be listed • REO Contract required and signed by the Asset Manager • Appraisal is valid for 120-days and a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or a new appraisal is required. • Repairs are allowed to be completed after closing with escrow holdback with the following criteria: <ul style="list-style-type: none"> ○ Appraisal must list all repairs needed with cost breakdown of each repair ○ Contractor invoice required with valid license number and itemized repair costs ○ Escrow Holdback must be financed at 110% of total repair costs up to a maximum of \$5,000 ○ Closing Agent must provide fully completed Holdback Form and signed by escrow officer, lender agent, and borrower(s) ○ The estimated HUD should reflect \$200 fee paid to NDM for processing holdback ○ Completion Inspection Report (CIR) fee must be disclosed on GFE and paid by borrower ○ All repairs must be completed within 15 days after closing ○ NDM will authorize all disbursements from escrow account with confirmation from contractor showing payment in full for repairs ○ Any excess proceeds from holdback will be applied to loan principal • Condominium Projects that are not approved must have an exception in writing from HUD to be eligible • Gift funds are allowed, but if used, Debt Ratio maximum is 50% regardless of DU Recommendation • HUD may credit up to 3% in closing costs
<p>Income Documents</p>	<ul style="list-style-type: none"> • Per DU <p>Two year employment history, any gaps in employment require explanation letter</p> <ul style="list-style-type: none"> • Handwritten paystubs or W-2's must be manually downgraded. • Paystubs must have year to date earnings or be manually downgraded. • The use of trailing secondary wage earner income is not allowed. • Borrower must have a paystub
<p>4506 Transcripts</p>	<ul style="list-style-type: none"> • 4506 1040 transcript results for the tax years required by DU must be ordered and obtained from IRS for all income sources. • W-2 only validation is acceptable to wage earners only – no commission, Sch E, Sch C, etc. • For borrowers employed by a family-owned business, must order and obtain the most recent 2 years' available 1040 transcripts from the IRS. • If the most recent tax year transcript is not available: <ul style="list-style-type: none"> ○ Obtain the previous year's transcript and proof of extension for most recent year. If the extension is expired (loans closing with a note date on or after October 15th) must obtain tax return and transcript for most recent year. ○ For income derived from self-employment, other business income, or rentals, qualifying income calculations must include the amounts verified with the most recent available tax transcript. If the loan is closing with a note date on or after October 15th, qualifying income must include most recent year's figures, and a transcript for that year must be ordered and obtained.
<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 allowed if mortgage payments on the prior mortgage were made within the month due for the 12 months prior to short sale; AND installment debt payments for the same period were also made within the month due. • 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; Short sale renegotiations excluded..

General Requirements (continued)

Refinance – Rate/Term	<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 • 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.
Refinance – Cash out	<p>Cashout Refinances:</p> <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 or more: 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 <u>not</u> 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%. • Cash out over \$100K must have VP of Operations approval • Texas - Primary residences (“Homestead Properties”) not eligible for cash out refinance. • 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 and must be the borrowers own funds.

General Requirements (continued)

Streamline Refinance	<ul style="list-style-type: none"> The initial Broker 1003 must be completed (including employment, assets & liabilities). Borrower must have made 6 regular payments and 210 days must have transpired from the closing date. 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 months, all payments must have been paid in the month due. For mortgages with a 12 month payment history or greater, the borrower must not have no more than 1 30 day late payments 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. Streamlines on an investment property are allowed with Operations Manager approval. Texas – Primary Residences (“Homestead Properties”)-no cash back 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.
Subordinate Financing Streamlines ONLY	<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. Subordinate financing (non-purchase money 2nd or 2nd mortgage < 6 months old) is limited to 125% CLTV. Nations Direct does not allow “City Seconds”.
Extenuating Circumstances/”Back to Work” Initiative Purchase Transactions Only	<p>For case numbers assigned 8/15/2013 or later, in order to qualify for extenuating circumstance exception, four key components must be documented: (See NDM FHA Detailed Guidelines for full scope of requirements):</p> <ul style="list-style-type: none"> <u>Satisfactory Credit History</u> must have been demonstrated prior to Economic Event. <u>Economic Event</u>: Must document that credit impairments were due Economic Event, defined as Loss of Employment and/or Loss of Income of at least 20% over minimum of 6 months. <ul style="list-style-type: none"> Loss of Employment verified with: Written termination notice, or other publically available documentation of business closure, and documentation of receipt of unemployment income. Loss of Income verified with: Written VOE evidencing prior income, or signed tax returns, or W-2s evidencing prior income. <u>Recovery</u>: Borrower has demonstrated full recovery (minimum of 12 months) from event, demonstrated by Satisfactory Payment history since event, and <u>Housing Counseling</u>: Borrower has completed HUD-approved housing counseling at least 30 days prior to application date, but no more than 6 months prior to application date. HUD Approved Counseling agencies can be found at this link: http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.
Texas Properties	<ul style="list-style-type: none"> Primary Residences (“Homestead Properties”) Purchases or rate term refinances only. Ineligible for cash out.
619-600 FICO	<ul style="list-style-type: none"> Property types SFR, PUD or condos only; Owner occupied required.
599-580 FICO	<ul style="list-style-type: none"> Must be AUS Approve/Eligible (except streamlines) Property types SFR, PUD or condos only; Owner occupied required.