

PRODUCT GUIDELINES
FHA STANDARD and HIGH BALANCE PROGRAM
PROGRAM CODES: F30F, F15F, F25F, F20F, F10F



PURCHASE			
Maximum LTV	Max Loan Amount	Max Ratios	Mortgage/Rental History
MINIMUM FICO 550			
90.00%	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	43%	0 x 30 past 12 months
MINIMUM FICO 580			
96.50%	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	43%*	Evaluated by AUS**
MINIMUM FICO 620			
96.50%	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	Per AUS	Evaluated by AUS**
*DTI may exceed 31%/43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information. **Refer to mortgage rating section below for additional information.			
Loan may exceed 100% CLTV when a CMS approved Down Payment Assistance program is used in conjunction with the transaction - up to 110%.			
NON ARMS LENGTH (Identity of Interest) TRANSACTION			
Maximum LTV	Max Loan Amount	Max Ratios	Mortgage/Rental History
MINIMUM FICO 550			
85.00%	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	43%	0 x 30 past 12 months
MINIMUM FICO 620			
85.00%	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	Per AUS	Evaluated by AUS**
*DTI may exceed 31%/43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information. **Refer to mortgage rating section below for additional information.			
RATE/TERM REFINANCE (NON-STREAMLINED)			
Maximum LTV	Max Loan Amount	Max Ratios	Mortgage/Rental History
MINIMUM FICO 550			
90.00%	1-4 UNITS. Per FHA Max County Limits See Loan Amount Matrix Below	43%	0 x 30 past 12 months
MINIMUM FICO 580			
97.75%***	1-4 UNITS. Per FHA Max County Limits. See Loan Amount Matrix Below	43%*	Evaluated by AUS**
MINIMUM FICO 620			
97.75%***	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	Per AUS	Evaluated by AUS**
*DTI may exceed 31%/43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information. **Refer to mortgage rating section below for additional information. ***Refer to guidelines for LTV restrictions when the subject property has not been occupied by the borrower for the most recent 12 months.			
CASH OUT REFINANCE			
Maximum LTV	Max Loan Amount	Max Ratios	Mortgage/Rental History
MINIMUM FICO 550			
85.00%	1-4 UNITS. Per FHA Max County Limits. See Loan Amount Matrix Below	43%	0 x 30 past 12 months
MINIMUM FICO 620			
85.00%	1-4 UNITS. PER FHA MAX COUNTY LIMITS FOR STANDARD PROGRAM.	Per AUS	0 x 30 past 12 months
*DTI may exceed 31%/43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information.			

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Underwriting Guidelines Requirements				
(All loan amounts must be submitted through Total Score Card. Refer to AUS Section for manual underwrite.)				
MAXIMUM LOAN AMOUNTS				
	# of Units	Lowest Maximum ("Floor") for All Loan Amounts	Highest Maximum ("Ceiling") for STANDARD Loan Amounts	Highest Maximum ("Ceiling") for High Balance Loan Amounts
Continental U.S.	1 Unit	\$275,665	\$424,100	\$636,150
	2 Units	\$652,950	\$543,000	\$814,500
	3 Units	\$426,625	\$656,350	\$984,525
	4 Units	\$530,150	\$815,650	\$1,223,475
Maximum Loan Amt (Base)	Max Base Loan Amount cannot exceed the FHA Statutory Mortgage Limits for each county and under no circumstances will a county's mortgage limit be less than the "floor" or greater than the "ceiling" as outlined in the 4000.1.			
COLLATERAL				
Condos	Must be current FHA-approved condominium complex and meet all HUD requirements (51% occupancy, 15% delinquencies). All condos and attached PUD's require 100% walls-in' HO6 coverage. Site condos do not require FHA HRAP/DELRAP approval. Refer to the FHA Condominium Project Matrix located in CMS FHA Underwriting Guidelines for more detail.			
Eligible Collateral	Owner Occupied Only. 1-4 Units. PUD's, FHA approved condominium projects, land contracts, manufactured homes permanently affixed to the foundation, built on or after June 15, 1976, and meet all HUD requirements. Refer to the CMS FHA Lending Guide for additional details regarding manufactured housing.			
Ineligible Collateral	Mobile homes, co-ops, Single-wide manufactured homes, manufactured homes with additions or modifications, commercial or industrial zoned properties, mixed-use, State-approved medical marijuana producing properties, working farms, construction to permanent, properties located in the area of Wrightwood, CA, properties located within designated Coastal Barrier Resource System (BRS) areas, properties located on Tribal Lands, properties with sink holes, properties with cisterns, properties serviced by hauled water, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water) and/or any other ineligible properties as defined by HUD Handbook 4000.1.			
Recent MLS Activity/ Properties Listed For Sale	Property cannot be listed for sale at time of application. Underwriter to validate MLS cancellation prior to loan application date. Borrower to provide letter of explanation for all MLS activity within 6 months of application date and provide letter confirming intent to retain property as primary residence.			
HUD REO Appraisal and Property Requirements	Appraisals may only be performed by an appraiser listed on the FHA roster. Obtain an "as-is" appraisal and the appraisal must be marked as "Insurable". HUD's REO appraisal may be available at no charge. If the original HUD REO appraisal is available, a new appraisal may not be ordered when the sales price exceeds the "as-is" value specified on the M&M's appraisal. If the M&M Contractor's appraisal is more than 120 days old, the lender may order an updated "as-is" appraisal. The original appraisal must be used if a valid sales contract was executed prior to the expiration date of the appraisal. A second appraisal may only be ordered under the following circumstances: if the current HUD REO appraisal has expired, if there are material deficiencies with the current appraisal as determined by the DE Underwriter, or the original HUD REO appraisal is not made available by the M&M Contractor. Refer to HUD REO appraisal requirements listed below. Note: The case # on the HUD M&M appraisal should not be changed if the original HUD REO appraisal was used. Note: If the statement of insurability is marked "insurable with repairs", the file must be converted to the HUD REO Repair Escrow program. Refer to HUD REO Repair Escrow matrix for additional guidance.			
HUD REO Appraisal Requirements - If Original HUD REO Appraisal is not Available	An "as-is" appraisal is required with a statement of insurability. The statement of insurability on the appraisal must be marked as "insurable". The Property Condition Report (PCR) must be provided to the appraiser prior to inspection. In addition, the Listing History must be included in the file with the original list price. The property listing may be located at: www.HUD.GOV/hudhomes. If the listing history is not present, the M&M Contractor may provide. The sales contract must indicate standard FHA financing.			
HUD REO Lead-Based Paint Appraisal Requirements	HUD will complete a lead-based inspection on properties built before 1978 and provide a cost estimate of the repairs. 1) If lead-based paint was identified, HUD will perform the repairs if the cost is \$4,000 or less. 2) If cost is greater than \$4,000, the borrower may either A) cancel the contract, or B) change to 203(k) financing.			
Non HUD REO Lead-Based Paint Appraisal Requirements	Refer to Guidelines.			
Defective Paint Surfaces	An automatic correction is required to all defective paint surfaces in or on structures and/or property improvements built before January 1, 1978. Contractors who perform the repair must be certified and must follow specific work practices to prevent lead contamination. A copy of the EPA or state-lead training certificate in the name of the party who performed the work must be provided. FHA Roster Appraisers & Inspectors as well as other independent third parties may perform inspections to verify if painting repairs have been performed as required. Inspections are to determine completion of the repairs only, and may be not be used as evidence of compliance. If the repair was made by the homeowner, they must provide a letter stating that they personally made the repair. FHA Roster Appraiser and Inspector as well as other independent third parties may inspect the work to verify completion of the repair is required.			
FHA Flips	Resales <= 90 days are ineligible. Flips must be 91 days or greater to be eligible. CMS requires a second full FHA appraisal by another appraiser if the resale date of a property is between 91 and 180 days following the acquisition of the property by the seller and the resale price is 100 percent or more over the price paid by the seller to acquire the property. Seasoning is determined by Seller Acquisition Date & earlier of final Contract Acceptance Date or Application Date. All flips require a 12 month chain of title, contain no pattern of previous flipping or assignment of interest & evidence the property was marketed openly & fairly is required. HPML loans may require second appraisal.			

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CREDIT	
Bankruptcy	AUS Approve - must be > 2 years since date of discharge at the time of case number assignment, and borrower must have re-established good credit, or chosen not to incur new credit obligations. Manual - Chapter 7 If < 2 years, but not < 12 months, may be acceptable, if borrower can show that bankruptcy was caused by extenuating circumstances (must be approved by Underwriter Manager or Team Lead), and has exhibited a documented ability to manage his/her financial affairs. Manual - Chapter 13 must document the following: 1) 1 year of the pay-out period under the bankruptcy has elapsed. 2) All borrower's payments have been made on time. 3) Borrower has received written permission from court to enter into mortgage transaction.
Consumer Credit Counseling	1 year of the pay-out has elapsed under the plan, borrower's payment performance has been satisfactory with all required payments made timely and borrower has received written permission from the counseling agency to enter into the mortgage transaction.
Social Security Numbers	Required for ALL borrowers and must be validated for Non Borrowing Spouse in Community Property States. See Guidelines.
Charge Offs	Refer to Guidelines.
Collections	AUS Approve/Eligible - The Underwriter must complete a capacity analysis off collection accounts with an aggregate balance >= \$2,000. Non-purchasing spouse's collections are included in the combined balances for community property states. Monthly payments must be included in the DTI when cumulative balances are >= \$2,000. Manually underwritten loans, in addition to the requirements above, the reason for approving a loan when the borrower has collection accounts regardless of the amount must be documented. The Underwriter must determine if the collection was result of disregard for financial obligations, inability to manage debt, or extenuating circumstances. The borrower must provide a letter of explanation with supporting documentation for each outstanding collection.
Capacity Analysis for Collections	Outstanding Collections with aggregate \$2,000 or more: - Prior to closing, the collection account is paid in full. Verification of acceptable sources of funds is required. - Payment arrangements have been made with the creditor. The monthly payment must be included in the DTI and documentation is required. - 5% of the outstanding balance of each collection will be used as the monthly payment and will be included in the DTI. - Repossessions are treated as charge offs unless specifically noted that the account was sent to collections. Balances reported after a repossession should be treated as collections with a 5% monthly payment considered.
Judgments / Liens	All outstanding judgments and liens must be paid prior to or at closing except when the borrower has an agreement with the creditor to make regular and timely payments. Copy of the agreement and a minimum of 3 monthly scheduled payments prior to the Case # assignment. This includes non-purchasing spouses in community property states. Borrowers may not prepay scheduled payments in order to meet the 1 month requirement. Payment is included in the DTI. Manually underwritten loans, reason for approving a loan when the borrower has judgment(s) or liens regardless of the amount must be documented. The Underwriter must determine if the judgment was result of disregard for financial obligations, inability to manage debt, or extenuating circumstances. The borrower must provide a letter of explanation with supporting documentation for each outstanding judgment.
Foreclosure / Deed-in-lieu	Must be >3yrs from date of trustee's deed or FHA claim (CAIVRS-if applicable). Borrower(s) with prior CMS Foreclosure or Deed in Lieu are not permitted at the time of Case # assignment.
Short Sale	Any Short Sale within 3 years of the case assignment requires a manual underwrite. A borrower who is in default at the time of short sale/restructure or pre-foreclosure or late on any mortgage or installment obligations within 12 month of the short sale is not eligible for a new FHA insured mortgage for 3 years from the date of pre-foreclosure sale to Case # assignment. Manual UW Only: Borrower's current at time of short sale must have 0x30 mortgage and installment debt pay history for the preceding 12 month period. Borrower(s) with prior CMS Short Sale are not permitted. If there is any forgiveness for a prior CMS loan, the borrower is not eligible.
Modification	Must have 0x30 for most recent 12 months on the modified mortgage.
Disputed Accounts	Disputed derogatory accounts >= \$1,000 cumulative must be downgraded to "Refer" manual underwrite. Medical and accounts resulting from identity and credit card theft or unauthorized use are excluded. A letter from the creditor, police report, etc. are required. Disputed non-derogatory accounts are excluded from the \$1000 cumulative total which includes accounts with zero balance, accounts with late payments aged 24 months or older, or disputed accounts that are current and paid as agreed.
FICO	Minimum of 1 reported credit score required for borrowers with traditional and thin file credit. No scores for borrowers with non-traditional credit history.
Minimum Payment	If no payment is indicated, 5% for revolving accounts and 1% for Student Loans.
Minimum Tradelines	Borrowers must have sufficient credit history to generate a valid FICO score, or borrowers must meet the non-traditional guidelines listed below. Generally, an acceptable credit history does not have late housing, installment debt or major derogatory revolving payments. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
Non-Traditional Credit	Borrowers who have no established traditional credit references may be eligible using non-traditional credit references. A minimum of 3 credit references each rated for 12 months is required. At least one of the credit references must be housing related. Tradelines should be open and current or not closed within the six (6) months prior to the loan application. There can be no housing lates and maximum 1x30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months. Non-traditional credit references may not be used to offset derogatory pay histories on traditional credit. Non-traditional credit may not be used to enhance the credit history of a borrower with derogatory pay histories. Refer to CMS FHA Lending Guides for additional information regarding the use of non-traditional trade references. All loans with non-traditional credit require a manual underwrite, max LTV allowed per program guidelines, maximum ratios of 31%/43%, 1 month reserve requirement for 1-2 Unit properties. 3 month reserve requirement for 3-4 Unit properties, gift funds allowed for down payment and closing costs, 2 years tax returns and tax transcripts required, and must follow standard FHA guidelines as outlined in the CMS FHA Lending Guide.

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CREDIT (continued)	
Mortgage/Rental History*	PER AUS approved/accept for FICO > 580. 0x30 in previous 12 months for FICO 550-579 and all manually underwritten loans. Seasoning is measured to case number assignment.
Non Purchasing Spouse	Credit report required in community property states. Debts must be added to DTI Ratio and Credit History must not be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.
Other Requirements	NSF activity, private mortgage lates, delinquent CAIVRS, LDP or GSA findings, mortgage lates not reporting on the credit bureau, significant delinquencies after bankruptcy, and any other credit delinquencies will supersede any "approved/eligible" finding.
INCOME/ASSETS	
Debt Ratio	Loans with AUS Approve/Eligible - follow AUS decision. Loans with AUS Approve/Eligible and DTI > 53% require additional analysis to ensure the file's strength adequately offsets the high debt ratio, at least 2 positive factors should be cited on the underwriting and transmittal summary. Positive factors include: excellent credit history, conservative use of consumer credit, minimal consumer debt, long-term employment, significant liquid assets, sizable down payment, the existence of equity in refinancing loans, little or no increase in shelter expense, military benefits, satisfactory homeownership experience, high residual income, low debt-to-income ratio, tax credits for child care, and tax benefits of home ownership. Credit scores of 640 and under and DTI greater than 43% regardless of AUS decision require manual underwrite. Manually underwritten loans with FICO score > 580 may exceed 31%/43% ratios with acceptable compensating factors (Energy Efficient Homes, Verified and Documented Cash Reserves, Minimal Increase in Housing Payment, No Discretionary Debt, Significant Additional and Income Not Reflected in Effective Income and Residual Income) Refer to the CMS Guidelines for applicability. Manually underwritten loans with FICO score 550 - 579 or non-traditional credit may not exceed 31%/43% ratios regardless of compensating factors. Refer to CMS Lending Guide for maximum ratios for manually underwritten loans.
Residual Income	Follow VA calculations.
Non-Taxable Income	Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up.
Income	All types of income must have been received for the most recent two consecutive years including overtime, bonus, second job, part-time, commission, self employment.
Assets	Minimum cash investment from borrowers own funds and/or gift (no cash on hand allowed when borrower uses traditional banking sources and has traditional credit history). Any deposit 1% and greater of the sales price must be sourced and seasoned. An aggregate of deposits 1% and greater of the sales price must be sourced and seasoned. Any atypical deposits and /or multiple deposits outside of regular payroll may require source and seasoning when the funds are required for closing and/or reserves as this may be excessive based on the borrower's history. This is regardless of the aggregate of deposits > 1% of the sales price. Refer to CMS FHA Guidelines for more information.
Debt Payoff / Paydown to Qualify	Payoff of revolving debt is allowed if paid in full prior to or at closing. Payoff & zero balance must be documented directly from credit or be paid on the Closing Disclosure (CD). Account closure may be required at Underwriter discretion where there is a clear impact to qualification.
Gifts	Allowed. Gifts or excess gift funds are not acceptable as reserves on manual underwrites.
Documentation/4506T or 2907 Puerto Rico Tax Returns	Full income documentation loans only. IRS Form 4506T must be processed and income validated for most recent 2 years. Borrowers with income from Puerto Rico must: Sign form Modelo SC 2907 to obtain tax transcripts, returned Modelo SC 2903 transcripts for 2 years, and transcripts must be translated to English and notarized by 3rd party. The 4506T must be in the file with confirmation that states "no records found" when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the borrowers name and SSN.
Items Paid Outside Closing (POC)	POCs cannot be included in the borrower's Minimum Required Investment (MRI).
Minimum Reserves	AUS: 1-2 Units: None. 3-4 Units: 3 Mos. PITI. Manually Underwritten Loans: 1-2 Units: 1 Month. 3-4 Units: 3 Months
Non Occupant co borrower	1 Unit properties only. Max mortgage is limited to 75% LTV unless non occupying co-borrower's meet FHA definition of 'family member'. Seller cannot be non occupant co-borrower. Non occupant co-borrowers may be added to improve ratios. Non occupant co-borrowers cannot be used to overcome or offset borrower's derogatory credit. The non-occupying borrower arrangement may never be used to develop a portfolio of rental properties. The financial contribution by the non-occupying co-borrower and the number of properties owned may indicate family members are acting as 'straw buyers.' CMS will not lend on transactions with non occupying co-borrowers that fit the above scenario. Non-occupant co-borrowers are not eligible on cash out transactions.

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TYPES OF FINANCING	
Simple Refinance	A rate/term refinance of an existing FHA insured loan. Refer to guidelines for detailed eligibility, and maximum loan amount calculation. May not payoff any secondary liens. Must meet all standard full doc FHA underwriting, and property requirements, however utilizes the MIP structure of Streamline Refinances. Borrowers with cases endorsed on or after 5/31/09 are eligible for reduced MIP factors.
Rate Term Refinance	Properties owned > 12 months: The subject property must be owner occupied for at least 12 months at the time of case number assignment. Properties owned < 12 months: The subject property must be owner occupied for the entire period of ownership at the time of case number assignment. Transactions not meeting the above requirements are eligible provided that current owner occupancy can be documented, and supported, but is subject to 85% maximum LTV. For Properties acquired by the Borrower within 12 months of the case number assignment date, the appropriate LTV factor is applied to the lesser of: the Borrower's purchase price, plus any documented improvements made subsequent to the purchase, or the appraised value; except when the property was acquired through inheritance.
Cash-out Refinance	The Property securing the cash-out refinance must have been owned and occupied by at least one borrower as their Principal Residence for the 12 months prior to the date of case number assignment. Properties acquired within 12 months of the case number assignment are not eligible for cash out refinance. See guidelines for allowable exception on inherited properties. <620 FICO max cash-out is limited to \$50,000, >620 FICO is unlimited up to the max LTV allowed per the program. Borrower's with mortgage delinquencies within past 12 months are not eligible for cash out refinances. Non-occupying Co-borrowers are not permitted. Properties with mortgages must have a minimum of six (6) months of mortgage payments on the current mortgage.
Down Payment Assistance	Down Payment Assistance programs are permitted. Please refer to the CMS Down Payment Assistance approved list and webpage for program details and requirements. http://carringtonhome.corp.int/mortgage/lending/Pages/Down-Payment-Assistance-Programs.aspx
Adding Borrowers	Adding occupying borrowers is allowed if currently occupying subject as primary residence for previous 6 months.
Buyer Contribution	Minimum investment of 3.5% required. All down payment funds and cash to close must be documented and verified.
Seller Contribution	Max contributions limited to 6%. Contributions include (not limited to): Discount, Closing Costs, Prepays and Up Front MIP.
GENERAL	
AUS Approval & Manual Underwriting	All loans require an AUS decision with the exception of loans with non-traditional credit references. Loans receiving an AUS Approve/Eligible may follow AUS Findings except as noted otherwise in CMS FHA Lending Guide and program matrix. Regardless of the AUS Findings, CMS is required to evaluate the loan for data integrity and ensure a sound underwriting decision is rendered. Loans receiving a Refer/Ineligible are not eligible. Loans receiving a Refer/Eligible may be eligible for a downgrade to a manual underwrite. Manually underwritten loans must follow standard FHA guidelines as outlined in CMS FHA Lending Guide. Documentation waivers are not acceptable on manually underwritten loans. All manually underwritten loans require compensating factors supporting loan decision and 2 years of signed tax returns. All manual underwrites require an AUS to be run and findings uploaded into the LOS. The AUS findings must be uploaded even when the Underwriter knows the loan will be manually underwritten upfront or the loan will be downgraded to a manual underwrite. Any ineligible findings must be adequately resolved.
Ineligible	Escrow waivers, Temporary Buydowns, Energy Efficient Mortgages (EEM), Mortgage Credit Certificate (MCC) / Section 8 Voucher.
Loan Terms Available	15 Year, 20 Year, 25 Year and 30 Year Fixed
Qualifying Fixed Products	Qualify at Note Rate
Minnesota	Qualify at Note Rate
State Specific	Texas = cash-out refinance not allowed
Prepayment Penalty	Not permitted
Adjusted Value	The maximum Mortgage is the lesser of the Nationwide Mortgage Limit for the area, or a percentage of the Adjusted Value. For refinance transactions: - For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of: • the Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or • the Property Value. - 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. - 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.
Maximum # of Properties	There is no maximum number of CMS financed properties.
Subordinate Financing	Refer to Guidelines.