

## Product Guidelines

### FHA \$100 DOWN PAYMENT PROGRAM

PROGRAM CODES: F30F100D, F15F100D, H30F100D, H15F100D

Version 4.3 – 05/31/18



PURCHASE			
Maximum LTV*	Max Loan Amount	Max Ratios	Mortgage/Rental History
<b>MINIMUM FICO 500</b>			
100.00%	1-2 UNITS ONLY. PER FHA MAX COUNTY LIMITS FOR CONFORMING PROGRAM.	43%*	Evaluated by AUS*
<b>MINIMUM FICO 620</b>			
100.00%	Per FHA Max County Limits. See Loan Amount Matrix Below.	Per AUS	Evaluated by AUS*

\*DTI may exceed 43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information.

### 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 Conforming Loan Amounts	Highest Maximum ("Ceiling") for High Balance Loan Amounts
Continental U.S.	1 Unit	\$294,515	\$453,100	\$679,650
	2 Units	\$377,075	\$580,150	\$870,225
HUD REO with \$100 Down	\$100 Down Payment Program may be used in conjunction with HUD REO 203(b) Repair Escrow program. In those cases, the HUD REO 203(b) Repair Escrow program code MUST be used. Refer to the HUD REO 203(b) Repair Escrow Matrix for more detail.			
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.			
Maximum Total Loan Amount	The maximum loan amount is calculated by subtracting \$100 from the lower of the "as-is" value on the appraisal or the sales price.			

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#### 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.
Eligible Collateral	HUD REOs: Owner Occupied Only. 1-2 Units. PUDs, FHA approved condominium projects.
Ineligible Collateral	Manufactured homes, mobile homes, co-ops, State-approved medical marijuana producing properties, commercial or industrial zoned properties, mixed-used with residential building use less than 51%, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, working farms, construction to permanent, land contracts, properties located in the area of Wrightwood, CA, properties located within designated Coastal Barrier Resource System (BRS) areas, properties located on Tribal Lands which include section 248, Hawaiian properties in Lava Zones 1 and 2, Native Hawaiian Housing Loan Guarantee Program (Section 184A), properties with sink holes, 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.
HUD REO Appraisal and Property Requirements	<p>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" or "insurable with repairs". 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&amp;M's appraisal. If the M&amp;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&amp;M Contractor. Refer to HUD REO appraisal requirements listed below.</p> <p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• The case # on the HUD M&amp;M appraisal should not be changed if the original HUD REO appraisal was used. The borrower must pay the difference when the sales price exceeds the appraised value or original listing price.</li> <li>• 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.</li> </ul>
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 <i>Listing History</i> must be included in the file with the original list price. The property listing may be located at: <a href="http://www.HUD.GOV/hudhomes">www.HUD.GOV/hudhomes</a> . If the listing history is not present, the M&M Contractor may provide.

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#### COLLATERAL (continued)

HUD REO Lead-Based Paint Appraisal Requirements	<p>HUD will complete a lead-based inspection on properties built before 1978 and provide a cost estimate of the repairs.</p> <ol style="list-style-type: none"> <li>1. If lead-based paint was identified, HUD will perform the repairs if the cost is \$4,000 or less.</li> <li>2. If cost is greater than \$4,000, the borrower may either:             <ol style="list-style-type: none"> <li>a. cancel the contract, or</li> <li>b. change to 203(k) financing</li> </ol> </li> </ol>
Sales Contract	<p>The buyer must use a HUD-registered real estate broker/agent to be eligible for the \$100 down program. The sales contract must acknowledge the \$100 down payment program.</p>
Defective Paint Surfaces	<p>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 &amp; 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.</p>

#### CREDIT

Bankruptcy	<p>AUS Approve -must be &gt; 2 years since date of discharge at the time of Case # Assignment and borrower must have re-established good credit, or chosen not to incur new credit obligations.</p> <p>Manual - Chapter 7 If &lt; 2 years, but not &lt; 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.</p> <p>Manual - Chapter 13 must document the following:</p> <ol style="list-style-type: none"> <li>1. 1 year of the pay-out period under the bankruptcy has elapsed.</li> <li>2. All borrower's payments have been made on time.</li> <li>3. Borrower has received written permission from court to enter into mortgage transaction.</li> </ol>
Consumer Credit Counseling	<p>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.</p>
Social Security Numbers	<p>Required for ALL borrowers and must be validated for non-borrowing spouse or registered domestic partner in Community Property States. See Guidelines.</p>
Charge Offs	<p>Refer to Guidelines.</p>

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#### CREDIT (continued)

Collections	<p>AUS Approve/Eligible - The Underwriter must complete a capacity analysis of collection accounts with an aggregate balance <math>\geq</math> \$2,000. Non-purchasing spouse's or registered domestic partner 's collections are included in the combined balances for community property states. Monthly payments must be included in the DTI when cumulative balances are <math>\geq</math> \$2,000.</p> <p>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.</p>
Capacity Analysis for Collections	<p>Outstanding Collections with aggregate \$2,000 or more:</p> <ul style="list-style-type: none"> <li>• Prior to closing, the collection account is paid in full. Verification of acceptable sources of funds is required.</li> <li>• Payment arrangements have been made with the creditor. The monthly payment must be included in the DTI and documentation is required.</li> <li>• 5% of the outstanding balance of each collection will be used as the monthly payment and will be included in the DTI.</li> </ul>
Judgments/Liens	<p>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 the borrower is required to have made a minimum of 3 monthly scheduled payments prior to Case # assignment. This includes non-purchasing spouses and registered domestic partners in community property states. Borrowers may not prepay scheduled payments in order to meet the minimum monthly requirement. Payment is included in the DTI.</p> <p>Manually underwritten loans: the 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.</p>
Foreclosure / Deed-in-lieu	<p>Must be <math>&gt;3</math> yrs 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.</p>
Short Sale	<p>A borrower is not eligible for a new FHA insured mortgage if a short sale was pursued to take advantage of declining market conditions and purchase a similar or superior property within reasonable commuting distance of prior residence. A borrower in default at time of short sale/restructure or pre-foreclosure is not eligible for a new FHA insured mortgage for 3 years from date of pre-foreclosure sale to Case # assignment.</p> <p>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.</p>
Modification	<p>Must have 0x30 for most recent 12 months on the modified mortgage.</p>

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#### CREDIT (continued)

Disputed Accounts	<ul style="list-style-type: none"> <li>Disputed derogatory accounts <math>\geq</math> \$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. is required.</li> <li>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.</li> </ul>
FICO	Minimum of 2 reported credit score required. All borrowers must have credit scores. Non-traditional credit not allowed.
Minimum Payment	If no payment is indicated, 5% for revolving accounts and 2% for Student Loans.
Minimum Tradelines	Borrowers must have sufficient credit history to generate a valid FICO score. 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.
Mortgage/Rental History*	PER AUS approved/accept for FICO > 580. 0x30 in previous 12 months for FICO 500-579 and all manually underwritten loans. Seasoning is measured to case number assignment.
Non Purchasing Spouse	Credit report required for non-purchasing spouse or registered domestic partner 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.
First Time Homebuyer	<ul style="list-style-type: none"> <li>First time homebuyers are eligible with the following:</li> <li>Minimum 600 credit score</li> <li>1-2 units only</li> <li>Ratios: &lt; 620 max ratios are 33%/45% regardless of AUS Findings; &gt; 620 credit score follow AUS Findings</li> <li>Rental history: &lt; 620 credit score requires a VOR, &gt; 620 credit score follow AUS Findings. If down payment is from a gift, 12 months housing history 0x30 is required.</li> <li>If borrower lives rent free, borrower should have sufficient credit history to demonstrate borrower's ability to pay his obligations.</li> </ul>
Other Requirements	NSF activity, private mortgage lates, delinquent CAIVRS, LDP or GSA findings, mortgage lates not reporting on the credit bureau, insufficient credit history, significant delinquencies after bankruptcy, and any other credit delinquencies will supersede any "approved/eligible" finding.

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#### INCOME/ASSETS

Debt Ratio	Loans with AUS Approve/Eligible - follow AUS decision. FTHB with FICO scores 600-619 = 33%/45% with compensating factors as loan will require a manual underwrite. Manually underwritten loans with FICO score > 580 may exceed 31%/43% ratios with acceptable compensating factors. Credit scores of 640 and under and DTI greater than 43% regardless of AUS decision require manual underwrite. Refer to CMS Lending Guide for maximum ratios for manually underwritten loans.
Non-Taxable Income	Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up by the lesser of the actual tax rate or 15%.
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.
Unacceptable Sources of Income	The following income sources are not acceptable for purposes of qualifying the borrower: Any unverified source of income, Income determined to be temporary or one-time in nature, Retained earnings in a company, Stock options, Trailing spouse income, Welfare benefits, Unverifiable income, education benefits, Income derived from State approved marijuana dispensary.
Assets	Minimum cash investment from borrowers own funds and/or gift (no cash on hand allowed). Refer to CMS FHA Guidelines for more information.
Unacceptable Sources of Assets	VA education benefits (GI Bill), Student loans and/or Grant funds, Employer tuition reimbursements, Unsecured borrowed funds, Cash on hand when borrower uses traditional banking sources.
Gifts	Allowed. FTHB with <620 fico OK with 12 month rental rating, 0 X 30. VOR from professional management, large institution or 12 months cancelled checks are required. Borrower's living rent free must have sufficient credit history with timely payments. Refer to FTHB section for additional information. Gifts or excess gift funds are not acceptable as reserves for 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.
Minimum Reserves	Manually underwritten loans require 1 month PITI (1-2 Unit Properties). Reserves cannot be gift funds, must be borrower's own.
Non Occupant co borrower	Not permitted.

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#### TYPES OF FINANCING

Purchase	Owner occupied purchase transaction only.
Buyer Contribution	Minimum investment of \$100 required. All down payment funds and cash to close must be documented and verified.
Seller Contribution	Max contributions limited to 3%. Contributions include (not limited to): Discount, Closing Costs, Prepays and Up Front MIP.

#### GENERAL

AUS Approval and Manual Underwriting	<p>All loans require an AUS decision. Loans receiving an AUS Approve/Eligible may follow AUS Findings except as noted otherwise in the CMS FHA Underwriting Guidelines 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.</p> <p>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 the CMS FHA Underwriting Guidelines. Documentation waivers are not acceptable on manually underwritten loans. Any ineligible findings must be adequately resolved.</p>
Eligible States	<p>Only CMS Approved states that fall under the Atlanta and Philadelphia HOC jurisdiction are eligible for this program: Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia and District of Columbia.</p> <p><b>Please Note: HUD may make changes to which HOC allows the \$100 down program. Therefore, the States listed in this matrix are to be used as a tool only. CMS guidelines require the sales contract for the HUD owned home to show the \$100 down program has been approved by the HUD appointed Asset Manager.</b></p>
Ineligible	Escrow waivers. Escrow Holdbacks except for lender required repairs. Temporary Buydowns. Energy Efficient Mortgages (EEM). Mortgage Credit Certificate (MCC) / Section 8 Voucher, Homes for Heroes, Heroes Home Advantage
Loan Terms Available	30 Year Fixed and 15 Year Fixed
Qualifying Fixed Products	Qualify at Note Rate
Prepayment Penalty	Not permitted.
Maximum # of Properties	There is no maximum number of financed properties; however, the maximum number of CMS loans to one borrower is 4. Additionally, the borrower cannot have another FHA Insured loan within the preceding 24 months of contract date.
Subordinate Financing	Not permitted.