

## Product Guidelines

### FHA STREAMLINE

PROGRAM CODES: F30FSR, F25FSR, F20FSR, F15FSR, F10FSR

H30FSR, H25FSR, H20FSR, H15FSR, H10FSR

Version 5.7 – 10/17/18



NON CREDIT QUALIFYING, STANDARD & HIGH BALANCE, FIXED							
Occupancy	Maximum LTV/CLTV	# of Units	Max Base Loan**	High Balance MIN Base**	Min FICO	Max Ratios	Mortgage History
Primary	N/A	1 UNIT	\$453,100	\$453,101	No Minimum* Standard & High Balance	N/A	1 X 30 PAST 12 MONTHS AND 0 X 30 FOR 6 MONTHS PRIOR TO CASE # ASSIGNMENT
		2 UNITS	\$580,150	\$580,151			
		3 UNITS	\$701,250	\$701,251			
		4 UNITS	\$871,450	\$871,451			
Non-Owner	N/A	1 UNIT	\$453,100	\$453,101	No Minimum* Standard & High Balance	N/A	1 X 30 PAST 12 MONTHS AND 0 X 30 FOR 6 MONTHS PRIOR TO CASE # ASSIGNMENT
		2 UNITS	\$580,150	\$580,151			
		3 UNITS	\$701,250	\$701,251			
		4 UNITS	\$871,450	\$871,451			
<p>*A FICO score is not required. Tri merge credit report with mortgage rating only for all mortgages on all properties, subject property mortgage(s) must be current through closing.</p>							
<p>**Subject to HUD maximum in area</p>							

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### CREDIT QUALIFYING, STANDARD & HIGH BALANCE, FIXED

Occupancy	Maximum LTV/CLTV	# of Units	Max Base Loan*	High Balance MIN Base*	Min FICO	Max Ratios	Mortgage History
Primary	N/A	1 UNIT	\$453,100	\$453,101	500	31/43**	1 X 30 PAST 12 MONTHS AND 0 X 30 FOR 6 MONTHS PRIOR TO CASE # ASSIGNMENT
		2 UNITS	\$580,150	\$580,151			
		3 UNITS	\$701,250	\$701,251			
		4 UNITS	\$871,450	\$871,451			
Non-Owner	N/A	1 UNIT	\$453,100	\$453,101	500	31/43**	1 X 30 PAST 12 MONTHS AND 0 X 30 FOR 6 MONTHS PRIOR TO CASE # ASSIGNMENT
		2 UNITS	\$580,150	\$580,151			
		3 UNITS	\$701,250	\$701,251			
		4 UNITS	\$871,450	\$871,451			

\*Subject to HUD maximum in area

\*\*May exceed with comp factors

### Underwriting Guidelines Requirements

#### MAXIMUM LOAN AMOUNT

- Cannot exceed the outstanding principal balance minus the applicable refund of the UFMIP plus the new UFMIP.
- Outstanding Principal Balance may include up to 60 days interest charged by existing lender when the payoff is not received on the first day of the month but may not include delinquent interest, late charges or escrow shortages.
- The maximum loan amount must not exceed the original principal amount of the existing FHA insured mortgage. For additional considerations, see the Additional Consideration for Maximum Mortgage section.
- The Case Number must reflect Streamline without an appraisal for inclusion of closing costs - see Simple Refi.

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### Maximum Loan Term and Mortgage

Maximum Loan Term	<ul style="list-style-type: none"> <li>30 years or the remaining term of the existing Mortgage plus 12 years.</li> <li>Investment properties may only be refinanced for the outstanding principal balance.</li> </ul>
Additional Consideration for Maximum Mortgage	<ul style="list-style-type: none"> <li>Mortgages that meet the requirements for streamline refinance transactions without an appraisal are not subject to the standard county loan limits.</li> <li>Investment properties may only be refinanced for the outstanding principal balance and may not exceed county limits.</li> </ul>
Modifications	<ul style="list-style-type: none"> <li>If existing loan being refinanced has been modified and the current balance exceeds the original principal amount, the borrower must come in with the difference at closing.</li> <li>Can never exceed the Original Principal Balance (OPB).</li> </ul> <p><b>Note:</b> if the restructured loan being refinanced has a Servicemember's Civil Relief Act (SCRA) reduced interest rate, CMS must use the SCRA reduced interest rate to calculate the NTB for the Borrower.</p>

### Credit

Credit Documentation	<ul style="list-style-type: none"> <li>Manual underwriting only, do not run AUS/Total Scorecard.</li> <li>Evidence of valid Social Security Number is required on all loans. See Social Security Verification below.</li> <li>Evidence of Refinance Authorization data and new case number assignment must be obtained from FHA Connection.</li> <li>Title Report to verify at least one borrower is listed as owner.</li> <li>CAIVRS is not required. CMS to review all parties for LDP and GSA exclusion lists.</li> </ul>
Social Security Verification (Non-Credit Qualifying Streamline Borrowers)	<p>To validate a borrower's social security number CMS may complete an SSA-89 verification or the following is acceptable: each borrower must provide a copy of their Social Security card or another acceptable document as evidence of their valid Social Security Number. Acceptable documentation must include the valid Social Security Number but not include evidence of the borrower's income. Alternate sources could include the borrower's IRS 1098 Form from their current mortgage, school or military records, etc.</p>

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### Credit, continued

<p>Credit Report</p> <p>Non-Credit Qualifying</p> <p>Mortgage Rating</p> <p>Payoff Statements</p>	<p>A 12 month current "mortgage only" credit report for all mortgages on the subject property is required. A FICO score is not required; but will be used for pricing purposes.</p> <p>On all mortgages:</p> <ol style="list-style-type: none"> <li>1) Evidence that the loan has not had any 30 day lates in the 6 months prior to Case # Assignment, and</li> <li>2) No more than one 30 day late in the previous 12 months.             <ul style="list-style-type: none"> <li>• Servicing system screen prints (for example: FISERV) are not acceptable to use to support the mortgage payment history.</li> <li>• Either a credit report and/or credit supplement is required.</li> <li>• Loans with a modification, pre-foreclosure/foreclosure, or NOD on the subject property must follow the mortgage history requirements listed above.</li> <li>• Subject property mortgage must stay current through closing.</li> </ul> </li> </ol> <p>Current payoff statements for all liens to be satisfied must be provided. Mortgage payments must be current and paid within the month due.</p>
<p>Bankruptcy</p>	<p>Active Chapter 7 Bankruptcy not permitted. Bankruptcy must be discharged.</p> <p>Chapter 13 Bankruptcy permitted with court approval and satisfactory trustee payment history.</p> <p>Non-Credit Qualifying.</p>
<p>Funds Required to Close</p>	<ul style="list-style-type: none"> <li>• For non-credit qualifying Streamlines when funds to close exceed the proposed PITI, funds must be sourced and seasoned with a statement showing the previous month's ending balance for the most recent month. If the previous month's balance is not shown, CMS must obtain statement(s) for the most recent two months.</li> <li>• Credit qualifying streamlines must be documented in accordance with standard manual underwriting guidelines regardless of the amount of funds to close required.</li> </ul>

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### Credit, continued

#### Credit Qualifying Streamline

Credit Qualifying Streamline transactions must meet the following requirements:

For all mortgages on all properties with less than six (6) months of Mortgage Payment history, the Borrower must have made all payments within the month due.

For all mortgages on all properties with greater than six (6) months history, the Borrower must have made all Mortgage Payments within the month due for the six (6) months prior to case number assignment and have no more than one 30-Day late payment for the previous six (6) months for all mortgages.

The Borrower must have made the payments for all Mortgages for the month prior to mortgage Disbursement.

**Required Documentation:** If the Mortgage on the subject Property is not reported in the Borrower's credit report, CMS must obtain a verification of Mortgage to evidence payment history for the previous 12 months.

Credit qualifying streamlines must meet all standard FHA credit requirements per CMS guidelines.

- Borrower's income must be verified.
- Borrower's credit report must be obtained and all debts verified.
- It is acceptable for a borrower to have only 1 credit score or no credit score.
- Debt-to-income ratios must be computed.
- Requires a statement showing the previous month's ending balance for the most recent month and at least 1 month PITI reserves (1-2 Units) or 3 months PITI reserves (3-4 Units). If the previous month's balance is not shown, CMS must obtain statement(s) for the most recent two months.
- Must ensure that a repayment plan is in place if there is an IRS tax lien on credit or title. Must include the payment in the debt-to-income ratio.

Credit qualifying streamline refinance must be considered when:

- 1) A deletion of a borrower not due to divorce, legal separation or death.
- 2) An original borrower is being removed due to divorce, legal separation or death, but the remaining borrower has not made at least 6 payments after the event and prior to FHA Case Number Assignment date.

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### Credit, continued

Credit Qualifying Streamline (continued)

**Payment History for debts other than the subject property mortgage:**

	12 Months	24 Months
<b>Housing and Installment</b>	0 x 30	2 x 30
<b>Revolving</b>	2 x 60, 0 x 90	---

Non-Credit Qualifying Streamline

- HPML loans are not permitted on Non-Credit Qualifying Streamlines.
- Borrower’s income is not verified. 1003 MUST NOT include income in Section V or the REO schedule Section VI.
- Income documentation is not required and the loan file CANNOT contain paystubs, W-2, tax returns, etc.
- In the event the initial 1003 reveals income or the loan file documentation contains evidence of the borrower’s current income, the loan must be converted to a credit qualifying streamline and qualifying ratios will be computed.
- Evidence of a valid Social Security Number must be confirmed without providing income documentation.
- If assets are needed to close in excess of the new PITI payment, funds must be verified and determined acceptable:
  - A statement showing the previous month’s ending balance for the most recent month is required. If the previous month’s balance is not shown, CMS must obtain statement(s) for the most recent two months.
  - All large deposits and/or questionable deposits need to be sourced and seasoned.
- Closing costs may not be financed into the new mortgage on a Streamline.
- Neither Form 4506T / Modelo SC 2907 or Tax Return Transcripts are required on non-credit qualifying streamlines.
- Must ensure that a repayment plan is in place if there is an IRS tax lien on credit or title. Must document in file that plan is in place.

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### Credit, continued

<p><b>Mortgage Payment History</b></p>	<p>Credit Qualifying Streamline and Non-Credit Qualifying Streamline loans:</p> <ul style="list-style-type: none"> <li>• Must be 0X30 for the most recent 6 months prior to Case Number Assignment.</li> <li>• May be no more than 1X30 in months 7 through 12 prior to Case Number Assignment.</li> <li>• Must be 0X30 after Case Number Assignment through closing.</li> </ul> <p><b>Example:</b></p> <p>Case Number Assignment date: 11/21/17          Funding date: 3/29/18</p> <table border="0"> <tr> <td>Mortgage payment history</td> <td>From 5/2017 to 11/2017</td> <td>Must be 0 x 30 (this is the most recent 6 months prior to Case Number Assignment)</td> </tr> <tr> <td>Mortgage payment history</td> <td>From 4/2017 to 11/2016</td> <td>No more than 1 x 30 (this is months 7 through 12 prior to Case Number Assignment)</td> </tr> <tr> <td>Mortgage payment history</td> <td>From 12/2017-2/2018</td> <td>Must be 0X30 (mortgage payments after Case Number Assignment)</td> </tr> </table>	Mortgage payment history	From 5/2017 to 11/2017	Must be 0 x 30 (this is the most recent 6 months prior to Case Number Assignment)	Mortgage payment history	From 4/2017 to 11/2016	No more than 1 x 30 (this is months 7 through 12 prior to Case Number Assignment)	Mortgage payment history	From 12/2017-2/2018	Must be 0X30 (mortgage payments after Case Number Assignment)
Mortgage payment history	From 5/2017 to 11/2017	Must be 0 x 30 (this is the most recent 6 months prior to Case Number Assignment)								
Mortgage payment history	From 4/2017 to 11/2016	No more than 1 x 30 (this is months 7 through 12 prior to Case Number Assignment)								
Mortgage payment history	From 12/2017-2/2018	Must be 0X30 (mortgage payments after Case Number Assignment)								
<p>IRS Lien Subordination</p>	<p>Not required subject to the following requirements:</p> <ul style="list-style-type: none"> <li>• Borrower(s) must have a payment plan in place with the IRS,</li> <li>• The payment plan will be paid off within 12 months,</li> <li>• The payment plan must show at least three (3) consecutive monthly payments have been made for the month due; prepayments are not acceptable, and</li> <li>• The borrower(s) must be current on their payments.</li> </ul> <p><b>Please note: These requirements apply to CMS to CMS streamline refinances only. No exceptions permitted.</b> If the borrower(s) cannot meet the requirements as outlined above an IRS lien subordination agreement will be required.</p>									
<p>Assuming borrower</p>	<p>Borrower is eligible without credit qualifying if he/she has made 6 payments since the assumption at the time of Case number assignment, and the previous borrower received a release of liability at the time of assumption.</p> <p>The rule applies to mortgages that do not contain restrictions limiting assumptions only to credit worthy borrowers.</p>									

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#### Credit, continued

Adding borrower	Individuals may be added to the loan without credit qualifying.
Deleting borrower	<p>A Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing Mortgage remain as Borrowers on the new Mortgage. Mortgages that have been assumed are eligible provided the previous Borrower was released from liability.</p> <p><b>Exception</b></p> <ul style="list-style-type: none"><li>• A Borrower on the Mortgage to be paid may be removed from title and new Mortgage in cases of divorce, legal separation or death when:</li><li>• The divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and</li><li>• The remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.</li></ul>

#### Net Tangible Benefit

Net Tangible Benefit	<p>Net Tangible Benefit (NTB) must be met. Refer to the CMS FHA Guidelines for detailed NTB requirements.</p> <p>Note: For the streamline refinance of a restructured loan that has a Servicemember's Civil Relief Act (SCRA) reduced interest rate, CMS must use the SCRA reduced interest rate to calculate the NTB for the Borrower.</p>
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#### General

Appraisal Requirements	Not required. Receipt or possession of an appraisal does not affect the maximum mortgage amount.
Loan Types	<p>An existing 203(k) rehabilitation mortgage may be refinanced into a 203(b) after all work is complete and the previous lender has completed the 203(k) closeout process in FHAC.</p> <p>203(B) ONLY</p>



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#### General, continued

<p>Maximum Cash Out/Principal Curtailments</p>	<p>Minor Adjustment at closing not to exceed \$500 cash back. Principal curtailments are not permitted on Borrower Paid Transactions. If cash back exceeds the maximum \$500, the excess funds will be applied to principal only if repricing the loan would require the borrower to pay closing costs out of pocket and the borrower rejects option to reduce the loan amount and redraw loan documents. CMS does not permit the borrower to receive cash back from excess lender credit.</p>
<p>Occupancy</p>	<ul style="list-style-type: none"> <li>• Investment or secondary residences may be only made without an appraisal.</li> <li>• Investment properties may only be refinanced for the outstanding principal balance and may not exceed county limits.</li> <li>• One recent utility bill to document occupancy on an owner occupied streamline refinance.</li> </ul> <p><b>Verifying occupancy using Employer Documentation</b> - CMS permits employer documentation to verify the borrower's current address. This can be done by written VOE with the borrower's address in the comment section or a letter from the employer on letterhead.</p> <p><b>Note:</b> if any mention of income is reflected, the loan must be underwritten as credit qualifying.</p>
<p>Seasoning</p>	<p>On the date of FHA Case Number Assignment:</p> <ul style="list-style-type: none"> <li>• The borrower must have made at least six payments on the FHA insured mortgage being refinanced</li> <li>• At least 6 full months must have passed since the first payment due date of the refinanced mortgage, and</li> <li>• 210 Days must have elapsed between the first payment of the original loan and the first payment date of the new loan.</li> <li>• If assumed, borrower must have made 6 payments since the assumption.</li> </ul>
<p>Streamlines with PACE/HERO Liens</p>	<p>Streamlines with PACE/HERO liens must be converted to a rate/term or cash –out refinance. The PACE/HERO liens can no longer be subordinated.</p> <p>ML 17-18 no longer permits FHA refinances with PACE/HERO liens.</p> <p><a href="https://www.hud.gov/sites/dfiles/OCHCO/documents/17-18ml.pdf">https://www.hud.gov/sites/dfiles/OCHCO/documents/17-18ml.pdf</a></p>

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#### General, continued

Unacceptable Sources of Income	The following income sources are not acceptable for purposes of qualifying the borrower: <ul style="list-style-type: none"><li>• Any unverified source of income,</li><li>• Income determined to be temporary or one-time in nature,</li><li>• Retained earnings in a company,</li><li>• Stock options,</li><li>• Trailing spouse income,</li><li>• Welfare benefits,</li><li>• VA education benefits (GI Bill),</li><li>• Income derived from State approved marijuana dispensary</li></ul>
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.
Eligible Property Types Eligible Condos	<ul style="list-style-type: none"><li>• 1-4 units</li><li>• PUDs</li><li>• Condos</li><li>• Double or triple wide Manufactured Homes permanently affixed to the foundation, built on or after June 15, 1976, and meet all HUD requirements.</li><li>• Single wide manufactured homes must be currently serviced by CMS.</li><li>• Condo ID must be completed on FHA Connection (FHAC).</li><li>• Project approval not required.</li></ul>

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#### General, continued

Ineligible Properties	<ul style="list-style-type: none"> <li>• CO-OPS</li> <li>• Mobile Homes</li> <li>• Homes for Heroes</li> <li>• Commercial or Industrial Zoned</li> <li>• Mixed Use with residential building use less than 51%,</li> <li>• State-approved medical marijuana producing properties</li> <li>• Working Farms</li> <li>• Properties located within designated Coastal Barrier Resource System (CBRS)</li> <li>• Construction to Permanent</li> <li>• Land Contracts</li> <li>• Properties located in the area of Wrightwood, CA</li> <li>• Properties located on Tribal Lands which include section 248, Hawaiian properties in Lava Zones 1 and 2, Section Native Hawaiian Housing Loan Guarantee Program (Section 184A)</li> <li>• Properties with sink holes</li> <li>• Properties with a wastewater stabilization pond/lagoon (aka sewage lagoon)</li> <li>• 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.</li> </ul>
Maximum # Financed Properties	There is no maximum number of financed properties; however, the maximum number of CMS loans to one borrower is 4.
Non-Purchasing Spouse	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.
Eligible Borrowers	Permanent Resident & Non-Permanent Resident
Ineligible Borrowers	Loans to non-profit organization borrowers

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#### General, continued

Vesting	Documents should be drawn to match the names confirmed through FHA Connection. Vesting should match what is currently on title and Note.
Qualifying Fixed Products	Qualify at Note Rate
HPML Rules (Not applicable in Maine and Oklahoma)	<p>The Higher Priced APR Threshold calculation is the FHA Standard, which is the APOR plus 1.15% plus the monthly MI percent.</p> <ul style="list-style-type: none"><li>• FHA credit qualifying streamline transactions that exceed the Higher Priced threshold are permitted.</li><li>• FHA non-credit qualifying transactions that exceed the Higher Priced threshold are NOT permitted. For these transactions, the rate or APR fees must be reduced to bring the APR below the threshold OR the loan may be converted to a credit qualifying transaction (Full Documentation or FHA Credit Qualifying).</li></ul>
Prepayment Penalty	Not permitted
Kansas	All owner occupied properties with LTV exceeding 100% require an appraisal.
Minnesota	Qualify at Note Rate
Texas	<p>If the 1st Mortgage is subject to Texas Section 50(a)(6), FHA insured financing is not permitted. Once cash-out, always cash-out.</p> <p>The Title Policy will reference Texas Section 50(a)(6) or Article XVI of the Texas Constitution effective 01/01/1998.</p> <p>Underwriting conditions and closing instructions must indicate: "No cash back to borrower is permitted. Not even \$1."</p>
West Virginia	The maximum LTV/CLTV is 100%, excluding UFMIP.