

## **General Guidelines for FHA Programs**

### **Alimony**

- If used as income, applicant must provide copy of divorce decree, legal separation agreement, or voluntary payment agreement and evidence that payments have been received during last twelve months and will continue for at least three years from the date of closing.
- If being considered as a recurring liability, because of tax consequences of such payments, as an alternative qualifying method, it can be deducted from the applicant's gross income.

### **Alternate Documentation**

- Original or certified true copy pay stubs(s) covering the most recent thirty days.
- Original or certified W-2 forms for the past two years.
- IRS Form 4056-T
- Telephone certification of employment
- Processor certification (typed name, signature, date) that original documents were examined and the name, title, and telephone number of person with whom employment was verified.
- Original bank statement(s) covering the most recent 3-month period. (If statement shows the previous month's balance, then only two month's statements are required.)

### **Applicant**

- Must be 18 years old, or age which state permits a person to sign a Mortgage/Deed of Trust.
- Must have a valid Social Security Number.
- Must occupy property as a primary residence (except principal balance only streamline refinances)
- See also "Non Purchasing Spouse."

### **Asset to Close**

- Must have sufficient funds to meet cash investment requirement.
- Can be from own funds, gift, collateralized loan, or an unsecured loan from family member.
- Down payment cannot be from unsecured loan (other than family member), seller, realtor, or lender subsidy.

### **Assumptions**

- Simple assumptions allowed on loans closed prior to 12/15/1989; all other assumptions must be credit qualifying.

### **Bankruptcy**

- CHAPTER 7:
  - Two years from discharge date; evidence the applicants have demonstrated ability to handle their credit affairs; and that applicants have reestablished acceptable credit (or chosen not to incur new credit).
  - Between one and two years from discharge date; must provide evidence that the cause of bankruptcy was caused by an extenuating circumstance.
  - Less than one year – not eligible.
- CHAPTER 13:
  - Satisfactory performance for one year of pay out period and permission from court to enter into new obligation.

## Bridge Loans

- Bridge loans are acceptable sources of funds provided the current loan is not FHA insured and :
  - the loan is secured by the borrower's current property;
  - the current mortgage payment, the bridge loan payment, and the new mortgage payment are used to qualify the borrower;
  - if the bridge loan does not have a monthly payment, it must be converted to a monthly amount for qualifying purposes; and
  - the bridge loan is not cross-collateralized against the new property.
  - may not be from seller, broker, lender, etc.

## Buydown, Temporary

- The borrower must qualified at the Note rate
- The buydown must adjust in no earlier than 12-month increments and be no greater than 1% per 12 months.
- Maximum 2-1 buydown permitted.
  - A buydown may not result in a reduction of more than 2% below the Note rate.
  - The buydown may not result in more than 1% annual increase in the interest rate, and the increase may only occur once a year.
- Temporary interest rate buydowns are permitted only on owner-occupied fixed-rate purchase transactions.
- Temporary buydowns are unacceptable for all refinance transactions and purchase ARM transactions.

## Buydowns, Permanent

- Acceptable provided applicant's costs (to achieve the reduced interest rate) will be reasonable. If these costs are paid by the seller, they must be considered in the 6% seller contributions calculation.

## Cash on Hand

- Money must be deposited and verified either through VOD or title company escrow letter and the applicant must provide satisfactory evidence of the ability to have saved this money. (The applicant must also provide a letter explaining how the money was saved and the length of time it took to save it.)
- May not be used as a source of assets for gift transactions.

Note: All other factors being equal, those individuals with checking and/or savings accounts are less likely to save money at home than an individual with no history of such accounts.

## Child Care

- Not included in total obligations-to-income ratios.

## Child Support

- If treated as income, follow same documentation procedures as noted in "Allimony."

Note: Debt must be counted as recurring obligation and may not be deducted from income; obtain copy of document mandating child support and verify that the applicant has satisfactorily been making payments.

## Citizenship

- Citizenship is not required, however, a permanent SSN is and if applicant is a Non-Permanent Resident Alien, then additionally, an EAD(Employment Authorization Document) issued by the BICS (Bureau of Citizenship and Immigrations Services) is required.
- Property being financed must be a permanent residence.
- The applicant(s) primary residence must be in the U.S.

### Closing Costs

- See Asset to Close
- If credit report and appraisal are paid by credit card, those costs may not be considered in satisfying minimum investment requirement.
- May use interested third party contribution or lender subsidy (aka overpar or premium pricing)

### Co-Borrower

- Anyone, whose income is being used to qualify, is taking title to the property and obligated on the mortgage and note.
- Maximum financing permitted for 1 unit properties when there is a familial relationship between borrowers.
- Multi-unit properties are limited to 75% CLTV regardless of relationship if using a non-occupant co-borrower.
- If the co-borrowers are unrelated and not all will occupy the property, the mortgage is limited to 75% CLTV.

Important: Anyone taking title MUST also be on mortgage and note and therefore must be found creditworthy.

### Collection Account

- Payoff is not required.

### Commissioned Income

- Must be averaged during the past two years as well as the year to date. Subtract unreimbursed expenses from the gross. If received between 1 and two years, it can be considered if the underwriter can provide logic/rationale and can document that it will continue. Less than 1 year receipt generally not allowed.
- Two years tax returns and signed IRS 4506-T required.

### Concessions

- The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expense over the past 12-24 months.
- The borrower makes a large down payment (ten percent or more) toward the purchase of the property.
- The borrower has demonstrated an ability to accumulate savings and a conservative attitude toward the use of credit.
- Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses.
- The borrower receives documented compensation or income not reflected in effective income. (e.g., food stamps, public benefits, etc.)
- Minimal increase in the borrower's housing expense.
- The borrower has substantial documented cash reserves (at least three month worth) after closing.
- The borrower has a potential for increased earnings, as indicated by job training or education in the borrower's profession.
- Borrowers have relocated and spouse is not yet employed, yet is expected to return to work based on prior work history and availability of work in the area.
- Must be deducted dollar for dollar from the lower of sale price or value when computing the mortgage basis.

### Condominium

- Evidence of FHA condominium approval must be provided.

## Construction

This refer to homes that have been completed.

- Borrower may not receive cash back from settlement if LTV is over 85%.
- LTV limits are applied to help a primary borrower's cash investment.

## Customer Credit Counseling

- Permitted as long as applicant demonstrates 12 months of satisfactory repayments and administrator signs letter allowing applicant to seek financing.
- Borrowers entering program for budgetary purposes (i.e., no previous credit problems) may have the 12-month time period waived. Qualified on CCCS payment.

## Co-Signer

- Anyone whose income is being used to qualify and is obligated on the Note but not taking title. The purpose of a co-signer is to help a primary borrower whose ratios may be slightly higher than guidelines and otherwise has satisfactory credit and assets.

## Contingent Liability

- Any debt for which the applicant/co-applicant would be held responsible in the event of default by the primary obligor.
- Underwriter can choose not to consider this debt if the applicant can provide evidence that the primary obligor has been making payments on a regular basis and does not have a history of delinquent payments on the loan over the past 12 months.

## Contributions by Others

- 6% toward buyer's actual closing cost, prepaids, discount points and other financing concessions.
- Fees typically paid by the seller under local or state law, such as RE commission, fees paid for trustees to release a deed of trust, etc. are excluded.

## Credit Report

- Can be traditional RMCR or non-traditional. (Also can be 3-file merged report).

## Depreciation (Schedule C)

- May be added to net income or loss shown on Schedule E of tax return.

## Down Payment

- Difference between Mortgage amount (excluding MIP) and sale price. Can be from own funds, collateralized loan, gift, or from loan by family member. When combined with actual closing costs paid by the applicant, the down payment and closing costs total must meet a minimum 3% investment requirement.

## Earnest Money Deposit

- If this exceeds 2% of sale price or appears excessive based on applicant's savings history, then deposit amount and source must be verified. If from cash on hand, follow procedures in "Cash on Hand."

### Employer Assistance Programs

- If used as income (i.e., differential pay) must continue for three years. Do not deduct from mortgage payment; instead, treat it as income.
- If used as assets (i.e., employer gift) provide gift letter and verify donor ability.

### Energy Efficient

- Maximum of 5% of property value (not to exceed \$8,000) or \$4,000 of energy efficient improvements can be financed into the mortgage loan. See HUD mortgage Letter 05-21 for complete details.
- Ratios are calculated prior to addition of EE increase.
- The actual amount of the energy efficient improvement is added to the calculated maximum base loan amount.
- The UFMIP is based on the combined total.
- The FHA area limit may be exceeded by the cost of the energy improvement.
- File must contain a HERS (Home Energy Ratings System) report.

### Escrow Waivers

- These are applicants' requests that they be permitted to pay their own tax and/or insurance premiums.
- Tax, flood and MI insurance escrow waivers are not permitted by HUD (HUD Handbook 4330.1 REV-5 sec 2-1(d))
- Hazard insurance escrow waivers are not permitted. No exceptions.

### Foreclosure / Deed-In-Lieu

- If occurred in past three years, applicant is ineligible unless caused by extenuating circumstance and applicant has since established good credit.

### 401K Account

- As asset- may be used to borrow against or liquidated for closing. Qualify at 60% of actual value.
- As debt- not included in ratio calculation.

### Faxed Verifications

- Acceptable for use with verifications completed by an individual (e.g. VOE, VOD). Can not be used in lieu of original or certified true copies of pay stubs, W-2s, bank statements, etc.
- The document must clearly identify the sender of the information and from where the fax was sent.
- The document must include the name and telephone number of the individual that can verify the accuracy of the data.

### Geographic Restriction

- Check Mortgage Letter 05-40 for FHA restrictions. Restriction does not apply to streamline refinances.
- Lender must have a branch with an existing HUD ID located in the approved lending area.

### Gift Funds

- Gift funds are acceptable from a close relative, a close friend with a clearly defined interest in the borrower, the borrower's employer, or a non-profit organization.
- Entire cash investment can be gifted by relative, church, municipality, non-profit agency.
- Transfer of funds must be documented (no exceptions) unless AU findings allows for reduced documentation.
- Provide copy of fully executed gift letter (FHA applicant must also sign)

- Provide copy of cancelled check from donor or copy of donor's withdrawal slip and matching deposit into applicant's bank account or deposit slip; or
- Provide copy of cashier/treasurer/certified check to be given to closing agent. Amount must be denoted on HUD-1.
- If funds wired at closing, provide copy of wire transfer.
- Only family members may provide a gift of equity.

### **Graduate Payment Mortgage**

- Not eligible.

### **Identity of Interest**

- Transactions between family members, business partners, or business affiliates. Maximum LTV is limited to 85%.
- Exceptions are:
  - for family members buying other family member's principal residence;
  - builder's employee buying one of builder's homes as principal residence;
  - tenant purchasing home he/she rented for six months preceding contract;
  - sales by corporations transferring employees out of an area, purchasing the home and then reselling it to another employee.

### **Index**

- If ARM, the index is a one year Treasury security.

### **Installment Debt / Revolving Charge**

- Ten months or longer must be considered in ratios.
- If debt is 10 months or less but has an impact on borrower's ability to pay the mortgage during the first several months, it may be considered recurring (per underwriter's discretion)

### **Internet Verifications**

- Income/employment or asset documents downloaded from the internet must be placed in the case binder in paper form.
- The printed page must show the URL address and the date printed.
- The printed page must clearly identify the employer or depository's firm's name and source of information.

### **Investment Properties**

- Prohibited, except certain HUD Property Disposition (REO) sales and streamline refinances without an appraisal (principle balance only refinance)

### **Judgments**

- Must be paid in full or:
- Satisfactory repayment plan is in effect at time of application and there have been no late payments on the plan.

### **Land Contracts**

- Can only be processed as a purchase or refinance. However if borrower receives cash back, the loan amount is restricted to 85% LTV.

Note: Not eligible for 95% enhanced LTV since applicant can not have been in title for 12 months.

### **Living Trust**

- Can't be used for applicant's down payment or debt.

Must be denoted on the note and where applicable, on the mortgage amount calculation may not include that amount of closing costs.

### **Living Trust (AKA "Inter Vivos Trust")**

- Eligible for FHA financing as long as applicant remains the beneficiary and occupies the property as a principal residence.
- The applicant's name (along with the trust) must appear on the note and where applicable, on the mortgage.
- Must comply with applicable state law.

### **Loan-to-Value Ratios**

- Please see "Maximum Mortgage"

### **Manufactured Homes**

- Property must:
  - Have UO "red tag" seal displayed verifying unit built after June 15, 1976.
  - Be permanently affixed with towing hitch and running gear removed.
  - Must be taxed as real estate.
  - Minimum 400 square feet GLA
  - May not have been moved from another site
  - No part of the finished grade level under the home is below the 100 yard flood level
  - Must have satisfactory engineer's certificate on structural integrity for all units.

### **Maintenance and Utility Factors**

- Not applicable.

### **Mortgage**

- Applicant must invest at least 3% in combination of applicant paid closing costs and down payment. Refer to ML 98-29 for high cost and low cost area calculations.
- Each county has its own individual area limit (refer to the following HUD websites)

### **Minimum Mortgage**

- None

### **Mortgage Credit Certificates**

- Verify with National Underwriting Operations that the MCC program is approved.
- May be added to gross income or may be used to directly offset the mortgage payment before calculating the qualifying ratios.

### **Mortgage Insurance (Up-Front)**

- When added to the base mortgage, it may exceed the area limit.
- May be paid in cash or financed as part of the mortgage. Cannot be split.

### Multiple Mortgage Properties

- Factor is 1.50% for all loans.

### Mortgage Insurance Premium (Annual)

- Calculated on base mortgage amount
- 30 year Loans
  - 0.50% for all LTV's
- 15 year Loans
  - No charge if initial LTV is 89.99% or lower.
  - 0.25% if LTV is 90.00% or greater.
- Premium Cancellation:
  - For mortgage with terms greater than 15 years, the annual mortgage insurance premiums will be canceled when 1) the LTV reaches 78%, and 2) provided the mortgagor has paid the annual MIP for at least (5) five years.
  - For mortgage with terms 15 years or less and with an initial LTV ratio 90% or greater, the annual MIP's will be canceled when the LTV ratio reaches 78%\*, however, there is no seasoning requirement.

Note: Streamline refinance without an appraisal or no original value indicated on the FHA Connection, then LTV is 89.99%

\* Note: LTV calculated on current principal balance against original value at time of closing.

### Multiple Insured Mortgage Properties

- FHA allows applicants to have one FHA insured residence. There are certain exceptions:
  - Relocations
    - Applicant relocates and re-establishes residency to another area not within reasonable commuting distance. No reduction to principal balance is required.
  - Increase in Family Size
    - If the number of dependants has increased and the present FHA insured home does not meet the family's needs, a second FHA mortgage may be obtained with satisfactory documentation of increase in household and the present home's completed appraisal demonstrates need for move. The outstanding principal balance must be paid down to a maximum 75% LTV.
  - Vacating jointly Owned Property
    - The applicant vacates a jointly owned property (e.g. due to divorce or co-mortgagor is getting married). No reduction to principal balance is required.
  - Non-occupying Co-borrower
    - An applicant may be a non-occupying co-applicant and assist another applicant in purchasing a primary residence. An applicant may not purchase his or her own primary residence if he or she presently owns another FHA property regardless of occupancy (unless it meets one of the other criteria). No reduction to principal balance is required.

### Non-Purchasing Spouse

- Not eligible

### Non Profit Agencies Gift Donors

- May use funds for down payment and closing costs. Gifts funds can not be used to payoff debts or refunded to applicant.

### Non Profit Agencies Purchasing

- Not acceptable.

### Non-Purchasing Spouse

- Community Property States  
Does not appear on the mortgage, note, or deed (property conveyance), unless State law requires non-purchasing Spouse to either sign security instruments or present documentation evidencing that he/she is relinquishing all rights to the property. Credit report must be ordered, but the credit history is not considered in the applicant's creditworthiness review. Debts of non-purchasing spouse are considered in ratios unless evidence is presented that the debts are specifically excluded by stated law.
- Non-Community Property States  
Do not order credit report. Mortgage, title, and note are only in applicant's name.

Important – Spouse may not appear on Title. (HUD Handbook 4155.1 REV-5 sec 2-2 (a) )

### Non Realty Items

- Personal property items that applicant agrees to pay for separately.

### Non-Taxable Income

- The amount of the tax savings derived from non-taxable income (such as disability, public assistance, military allowances, etc.) may be added to applicant's gross income. ACF uses a 1.25% factor.

### Occupancy Requirement

- Financing is only available for primary residences, except for purchases of specified HUD-owned properties (sold by HUD's foreclosure marketing contractors) or streamline refinance.
- Streamline refinances with a non-occupant are eligible for principal balance refinance only.

### Overtime Income

- Generally, this is not considered "effective" income unless verified as having been received for two years and the employer does not state that this income is not likely to continue.

### Prepaid Settlement Charges

- Include, but not limited to:
  - Real estate taxes;
  - Hazard insurance;
  - Mortgage interest;
- Applicant or seller can pay buyer's actual prepaid settlement charges. However, the amount paid by seller must be included in 6% seller contribution calculations.
- Any payments made by applicant are not included in the minimum 3% investment requirement.

### Prepayment Penalty

- None.

### Projected Income

- Generally, not acceptable. Exceptions okay for:
  - COLA adjustments, performance raises, bonuses, etc. verified by the employer and scheduled to begin within 60 days of closing. (If it is to begin more than 60 days, it is ineligible)
- For new jobs, the employer's guaranteed, non-revocable contract will permit this income to be used provided evidence is given that the applicant can support the PITI and other obligations during the interim period.

### Property Disposition Cases(AKA HUD Repos)

- HUD-owned homes being purchased and financed through FHA programs appraisal will be provided by HUD's M&M contractor.
- New appraisal not allowed or required unless existing appraisal is expired (i.e., greater than 6 months old).
- New case number required, do not use existing FHA case number on the PD contract.

### Property Type

- Primary Residence
- Investment or second home property may be done as a principal balance only streamline refinance.
- FHA approved condominium
- 1~4 SFR, including PUDs

Note: See "3~4 units Properties" for other restrictions.

### Ratios

- 31/43
- 33/45 for new construction properties.

### Recurring Obligations

- Monthly debts extending more than 10 months.

Note:

- Revolving accounts will be counted based on the greatest of: 5% of the balance; \$10; or the actual payment.
- Alimony can be treated as a reduction of the applicant's income rather than as a debt.
- Any instrument debt with less than 10 months remaining, but with a payment likely to cause hardship to borrower (at the discretion of the underwriter), must be included.

### Refinance – Cash Out

- Requires credit and appraisal underwriting.
- Primary residence only.
- If purchased less than one year from application date, calculate using lesser of original sales price or current value.
- Standard: CLTV is 85% of value (except for the State of Texas, which is limited to 80%).
- Enhanced: LTV is 95% of value (except for the State of Texas, which is limited to 80%) if the following conditions are met.
  - No late payments on any mortgage securing the subject property for the past 12 payments.
  - All applicants have been legally on title and occupying the subject property for the past 12 months.
  - The property is a 1 or 2 unit.
  - There are no non-occupant co-borrowers.
  - CLTV may exceed 95% if existing secondary financing remains in place and is subordinated (can not add new secondary financing)

### Refinance – No Cash Out

- Can obtain mortgage amount that is lesser of LTV calculations or sum of existing indebtedness and related settlement costs.
- If second mortgage to be paid, it must be at least one year old, unless evidence is obtained that funds were used for property purchase, improvement or repairs.
- If equity line to be paid, no more than \$1,000 in cumulative withdrawals may have been made within the past 12 months.
  - The reasonable cost of a prepayment penalty may be included in a no cash-out refinance.

- Requires credit and appraisal underwriting.
  - Primary residence only.
- If purchased less than one year from application date, calculate using lesser of original sales price or current value.

### **Refinance - Streamline with Appraisal**

- Current FHA loan must be FHA insured.
- Credit qualifying required if
  - New P&I payment will increase by more than 20% or:
  - Removal of an existing borrower not due to divorce or death and original loan originated after 1989 or;
  - Removal of an existing borrower due to divorce or death within 6 months of applications.
  - If existing borrower removed and not credit qualified, the remaining borrower must provide documented evidence that person has made the past 6 months mortgage payments on their own in a satisfactory manner.
  - 1 year ARM or FRM – Satisfactory mortgage history (12 months or period the mortgage has been in force, if shorter) is required if the new rate is equal to or greater than current rate. If the new FRM rate will be lower than existing ARM rate, loan need only be current at time of closing. The new interest rate can be no greater than the 2% of the current rate of the ARM.
  - FRM to 1 Year ARM – Owner Occupied Only. The interest rate of the new mortgage is at least 2% below the current interest rate.
  - Hybrid(3-, 5-, 7-year ARM) to FRM – Satisfactory mortgage history (12 months or period the mortgage has been in force, if shorter) is required if the new rate is equal to or greater than current rate. If the new FRM rate will be lower than existing hybrid ARM rate, loan need only be current at time of closing. PITI payment can not increase more than 20% from current payment.
  - FRM to Hybrid – New interest rate must be no greater than current.
  - Maximum term is lesser of 30 years or unexpired term plus 12 years.
  - Existing second liens may be subordinated regardless of LTV.
  - Mortgage must be current at time of closing (defined as not more than 30 days past due the last payment).
  - Loan amount may exceed original mortgage amount if supported by current appraised value.
  - Incidental cash back at closing limited to a maximum \$500.

Note: Second Home / Investment Property not eligible.

### **Refinance - Streamline Owner Occupied without Appraisal**

- Same rules apply as streamline with appraisal with the following exception.
- Maximum loan amount for a streamline without an appraisal is limited to the original mortgage amount which included any financed UFMIP.

### **Refinance – Streamline Non-Owner Occupied without Appraisal**

- Same rules apply as a streamline with appraisal with the following exceptions.
  - Eligible as a principal balance refinance only
  - Can not include closing costs, prepaids, late charges, etc.
  - Fixed rate program only

### **Rental Income**

- Can only be used for 2-4 unit properties. It is based on the rental amounts disclosed on existing leases or appraiser estimate on URAR, minus the applicable FHA vacancy factor, and is added to the applicant's gross income.
- Boarder income not allowed.

### **Rental Income (Other Investment Property Owned by Applicant)**

- Based on the net income plus depreciation disclosed on applicant's Schedule E. If this is positive, it is added to the applicant's gross Income. If it is negative, then the negative amount is considered a recurring liability.

**Rental Income (Previous Principal Residence)**

- Acceptable, provided lease is obtained, minus the applicable FHA vacancy factor, and is added to the applicant's gross income.

**Repairs**

- Not required for:
  - Items of minor or cosmetic defects or;
  - Normal wear and tear use.
- Repair items of readily observable affecting the health and safety of the occupants of the property will be required.
- Repairs required by the DE Underwriter must be completed before closing. If the contract specifies the applicant as being responsible, then the applicant can add the estimated cost of repairs to the mortgage amount if the value supports it (follow FHA mortgage calculation guidelines)

**Reserves**

- Not required except for 3 and 4 family unit transactions (three months PITI)

**Resident Alien**

- Permitted
  - Must be indicated on the URLA;
  - The borrower must have a valid, permanent social security number;
  - Must provide evidence of lawful permanent residency as issued by the BCIS (Bureau of Citizenship and Immigration Services)

**Resident Alien (Non-Permanent)**

- Permitted provided:
  - The borrower occupies the property as a principal residence;
  - The borrower must have a valid, permanent social security number;
  - Must provide evidence the applicant is eligible to work as issued by the BCIS (Bureau of Citizenship and Immigration Services )
  - Must be indicated on the URLA
- Non-U.S. Citizens with no lawful residency in the U.S. are not eligible.

**Residual Income**

- N/A.

**Rental Income**

- Acceptable

**Seasoning for Second Mortgage**

- Subordinate liens to be paid via no cash out refinance must be one year old. If less than one year old, including equity lines, with an advance over \$1,000, they may be paid with the new refinance if borrower provides evidence that funds were used for repair or rehab of property.

**Second Home**

- Not permitted, except for streamline refinances without an appraisal (principal balance only refinance)

## Secondary Refinancing

- Definition – any financing that creates a lien against the property even if no repayment required.
- Sum of all liens cannot exceed 100% of the cost to acquire the property (sales price, closing costs, prepaids).
- Funds can be used to meet applicant's minimum investment requirement.
- Any government entity providing funding directly (i.e., not through an agent)
- Any non-profit agency considered an instrumentality of government (as verified by HUD's approval)
- Funds can not be used to meet applicant's minimum investment requirement.
- Non-profit agency not considered an instrumentality of a government entity.
- Any other organization or individual not meeting above criteria.
- Requires neither HUD approval (DE underwriter to validate eligibility)
- Family member providing secured loan Borrower to years of age or older.
- The FHA first mortgage cannot exceed the FHA statutory limit.

## Secured Debt

- Permitted for down payment and/or closing costs.
  - Federal, State or local government agency;
  - Collateralized/secured by marketable assets.

## Self-Employed

- 25% or greater ownership interest in a business.
- Must be self-employed for two years. Income is averaged unless tax returns disclose questionable stability of income.

## Seller Contribution

- Dollar for dollar reduction on sales concessions over 6% (includes closing costs, prepaids, discount points, payment of UFMIP and cost of temporary buydown).

## Settlement Cost

- Allowable closing costs (actual cost and fee is for actual service) can be included in mortgage calculations.
- Tax Service fee may not be paid by the applicant. (HUD requirement)

## Sweat Equity

- Is acceptable if repair is listed on appraisal.
- Applicants must demonstrate ability and knowledge to do the repair.

## Temporary Buydown

- See "Buydowns, Temporary."

## Term

- 20, 25, 30 years priced as 30 years.
- 10, 15 years priced as 15 years.
- Term can be in any annual increment from 10 to 30 years.
- Maximum term of a streamline is lesser of 30 years or remaining term plus 12 years.
- ARM loan only available as 30-year term.

**Three & Four Unit Properties**

- Additional maximum mortgage calculation required:
- Net rental income from all units, less the HOC vacancy factor, must exceed the PITI. If less than PITI, will exceed maximum mortgage allowed.
- Applicant must have three months reserve PITI.
- HUD-92561 required (also required for 2 unit properties).

**Trade Equity**

- Trade equity is acceptable. The value of the property/asset being traded must be supported by a current appraisal. Any transfer costs must be taken into consideration in determining the trade value. Applicant must provide copy of bill of sale.

**Trailing Spouse Income**

- Not allowed.

**Unmarried Surviving Spouse**

- Not applicable.

**Unsecured Debt for Downpayment**

- May only be with family member.