

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



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# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<b>ELIGIBLE MORTGAGE PRODUCT-EXISTING LOAN</b>	FHA To FHA Refinance
<b>FICO</b>	<b>640</b> -High Balance <b>620</b> -Conforming
<b>ELIGIBLE MORTGAGE PRODUCT-NEW LOAN</b>	Fixed Rate 30 year loan <ul style="list-style-type: none"> <li>• Application can be taken prior to the 7<sup>th</sup> month</li> <li>• NEW CASE ASSIGNMENT SEE SEASONING SECTION PAGE 4</li> </ul>
<b>MAXIMUM LOAN AMOUNT</b>	Current outstanding principal balance Plus demand interest NOT to Exceed 60 days; <b>MINUS</b> current refund of UFMIP; <b>PLUS</b> new UFMIP charged on new refinance. <ul style="list-style-type: none"> <li>• Current demand is used to determine current outstanding principal balance</li> <li>• Plus current interest not to exceed 60 days               <ul style="list-style-type: none"> <li>○ <b>Financed interest &gt;30 days will require a Lender Specific approval from Corporate Underwriting.</b></li> </ul> </li> <li>• Plus maximum of 2 months MIP if including payoff of 60 days interest (If only including the payoff of 30 days interest, only 1 month MIP can be included)</li> </ul> <b>NOTE-</b> New loan may not include delinquent interest, late charges or escrow shortages
<b>MAXIMUM LTV/CLTV</b>	<ul style="list-style-type: none"> <li>• LTV (with financed MIP) <b>CANNOT</b> exceed original loan amount</li> <li>• CLTV <b>CANNOT</b> exceed 100% of original appraisal value</li> <li>• Please refer to the section that explains payoff “Demands”.</li> </ul> <b>NOTE-</b> Subordinate Open End HELOC will have a limited 97.75% CLTV on maximum HELOC
<b>MIP REQUIREMENTS</b>	New MIP Amounts set forth in this table are effective for case numbers assigned on or after January 26, 2015 <ul style="list-style-type: none"> <li>• Case Cancellations may be allowed so borrowers can obtain the reduced MIP Rates as noted in the Mortgagee Letter 15-01. These “Temporary” cancellations will only be available for active FHA case numbers within 30 days of the Mortgagee Letter Effective date January 26, 2015. Temporary cancellation request after January 15, 2015 until February 25, 2015.</li> <li>• FHA Case Cancellations will be completed by Corporate ONLY. “No Exceptions”</li> </ul>

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**MIP  
REQUIREMENTS  
CONTINUED**

Term > 15 years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤ \$625,500	≤ 95.00%	130bps	80bps
≤ \$625,500	> 95.00%	135bps	85bps
> \$625,500	≤ 95.00%	150bps	100bps
> \$625,500	> 95.00%	155bps	105bps
Terms ≤ 15 Years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤ \$625,500	78.01%-90.00%	45bps	45bps
≤ \$625,500	> 90.00%	70bps	70bps
> \$625,500	78.01%-90.00%	70bps	70bps
> \$625,500	> 90.00%	95bps	95bps

**All MIPs in this table are effective for case numbers assigned on or after April 1, 2013**

Term > 15 years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤ \$625,500	≤ 95.00%	120bps	130bps
≤ \$625,500	> 95.00%	125bps	135bps
> \$625,500	≤ 95.00%	145bps	150bps
> \$625,500	> 95.00%	150bps	155bps
Terms ≤ 15 Years			
Base Loan Amount	LTV	Previous MIP	New MIP
≤ \$625,500	78.01%-90.00%	35bps	45bps
≤ \$625,500	> 90.00%	60bps	70bps
> \$625,500	78.01%-90.00%	60bps	70bps
> \$625,500	> 90.00%	85bps	95bps

**The new annual MIP for these loans is effective for case numbers assigned on or after June 3, 2013**

Term ≤ 15 years			
Base Loan Amount	LTV	Previous MIP	New MIP
Any Amount	≤ 78.00%	0bps	45bps

**For loans with FHA case numbers assigned on or after June 3, 2013, FHA will collect the annual MIP:**

- For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP) less than or equal to 90 percent LTV, the annual MIP will be assessed until the end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first.
- For any mortgage involving an original principal obligation (excluding financed UFMIP) with an LTV greater than 90 percent, FHA will assess the annual MIP until the end of the mortgage term or for the first 30 years of the term, whichever occurs first.

Note: FHA calculates LTV as a percentage by dividing the loan amount (prior to the financing of any UFMIP) by lesser of the purchase price (if applicable) or the appraised value of the home. For streamline refinances with appraisals, FHA uses the original appraised value of the property to calculate the LTV.

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<b>MIP REQUIREMENTS CONTINUED</b>	<p>The table below shows the previous and the new duration of annual MIP by amortization term and LTV ratios at origination.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">TERM</th> <th style="text-align: center;">LTV(%)</th> <th style="text-align: center;">PREVIOUS</th> <th style="text-align: center;">NEW</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">≤ 15 yrs</td> <td style="text-align: center;">≤ 78</td> <td style="text-align: center;">No annual MIP</td> <td style="text-align: center;">11 years</td> </tr> <tr> <td style="text-align: center;">≤ 15 yrs</td> <td style="text-align: center;">&gt; 78-90.00</td> <td style="text-align: center;">Cancelled at 78% LTV</td> <td style="text-align: center;">11 years</td> </tr> <tr> <td style="text-align: center;">≤ 15yrs</td> <td style="text-align: center;">&gt; 90.00</td> <td style="text-align: center;">Cancelled at 78% LTV</td> <td style="text-align: center;">Loan Term</td> </tr> <tr> <td style="text-align: center;">&gt; 15 yrs</td> <td style="text-align: center;">≤ 78</td> <td style="text-align: center;">5 years</td> <td style="text-align: center;">11 years</td> </tr> <tr> <td style="text-align: center;">&gt; 15yrs</td> <td style="text-align: center;">&gt; 78-90.00</td> <td style="text-align: center;">Cancelled at 78% LTV &amp; 5 years</td> <td style="text-align: center;">11 years</td> </tr> <tr> <td style="text-align: center;">&gt; 15 yrs</td> <td style="text-align: center;">&gt; 90.00</td> <td style="text-align: center;">Cancelled at 78% LTV &amp; 5 years</td> <td style="text-align: center;">Loan Term</td> </tr> </tbody> </table>	TERM	LTV(%)	PREVIOUS	NEW	≤ 15 yrs	≤ 78	No annual MIP	11 years	≤ 15 yrs	> 78-90.00	Cancelled at 78% LTV	11 years	≤ 15yrs	> 90.00	Cancelled at 78% LTV	Loan Term	> 15 yrs	≤ 78	5 years	11 years	> 15yrs	> 78-90.00	Cancelled at 78% LTV & 5 years	11 years	> 15 yrs	> 90.00	Cancelled at 78% LTV & 5 years	Loan Term
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<b>DOCUMENTATION REQUIRED</b>	<ul style="list-style-type: none"> <li>Completed FHA Streamline Worksheet- See worksheet for additional documentation</li> <li>The LT and page 3 of 92900-A must include underwriter's signature, date and Chums#</li> <li>Copy of fully executed Note and Deed of Trust on existing mortgage</li> </ul> <p><b><u>Age of Documentation</u></b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: center;">Type</th> <th style="text-align: center;">Age of Documentation</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Assets</td> <td style="text-align: center;">Within 120 days at funding</td> </tr> <tr> <td style="text-align: center;">Income</td> <td style="text-align: center;">Within 120 days at funding</td> </tr> <tr> <td style="text-align: center;">Credit</td> <td style="text-align: center;">Within 120 days at funding (a soft pull required @ 45 days)</td> </tr> <tr> <td style="text-align: center;">Prelim</td> <td style="text-align: center;">Within 90 days at funding</td> </tr> <tr> <td style="text-align: center;">CPL</td> <td style="text-align: center;">Within 30 days at funding</td> </tr> <tr> <td style="text-align: center;">Trust Certification</td> <td style="text-align: center;">Within 120 days at funding</td> </tr> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Type	Age of Documentation	Assets	Within 120 days at funding	Income	Within 120 days at funding	Credit	Within 120 days at funding (a soft pull required @ 45 days)	Prelim	Within 90 days at funding	CPL	Within 30 days at funding	Trust Certification	Within 120 days at funding														
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<b>APPRAISAL REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>No appraisal required</li> </ul>																												
<b>ASSETS</b>	<ul style="list-style-type: none"> <li>Borrower(s) required to bring in funds to close- Verify, document and determine acceptability of the assets being utilized.</li> <li>Credit Qualifying- Need to provide 2 months most current/consecutive bank statements</li> </ul>																												
<b>BORROWER(S)</b>	<ul style="list-style-type: none"> <li>US Citizens</li> <li>Permanent Resident Aliens, with proof of lawful permanent residence</li> <li>Non-Permanent Resident Alien immigrants</li> <li>All borrowers must provide evidence of Valid Social Security Number. (i.e. Social Security Card, pay stub, W-2, or print out from Social Security Admin. Office).</li> <li>Borrower(s) can be added as long as the existing borrower(s) remain on the note &amp; deed</li> </ul>																												
<b>CAIVRS</b>	Not required on Streamlines																												
<b>CASH OUT</b>	<ul style="list-style-type: none"> <li>Max cash back to borrower is \$500 and is derived from the BASE loan amount or borrowers own funds.</li> <li>When a lender credit exceeds total closing cost, any excess credit <b>MUST BE</b> applied towards principal reduction.</li> <li>Borrower <b>CANNOT</b> receive any funds back from excess Lender Credit at closing.</li> </ul>																												

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<b>CREDIT QUALIFYING STREAMLINE REFINANCE REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Borrower(s) being removed from original loan note and deed of trust, <b>who</b> no longer occupy the property must;             <ul style="list-style-type: none"> <li>○ Provide proof they vacated the subject property prior to the loan application date, <b>and</b></li> <li>○ Satisfactory Documentation from the borrower being removed, to evidence he/she no longer occupies the subject property. A copy of his/her updated driver’s license, utility statement, bank statements and etc. are all examples of satisfactory verification.</li> </ul> </li> <li>• When there is a change in current mortgage term, resulting in an increase in mortgage payment of more than 20%</li> </ul>
<b>CREDIT QUALIFYING STREAMLINE REFINANCES</b>	<ul style="list-style-type: none"> <li>• Borrower will be required to meet all Credit requirements for FHA. A full credit report will be required and all debts will be used to qualify.</li> </ul> <p>Borrower(s) must show mortgage payment history for the last 6 months “as agreed” rating.</p>
<b>CREDIT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Tri Merge Mortgage Rating Credit Report required with borrower showing a minimum of one credit scores.</li> <li>• The loan being refinanced must have a mortgage history of <b>0 x 30 in the last 12 months</b></li> <li>• If the loan being refinanced has less than 12 month payment history, but no less than 6 months, borrower (s) must have a mortgage history of <b>0 x 30 day lates</b> during the life of the loan.</li> <li>• Collection Accounts –Collections and judgments indicate a borrower’s regard for credit obligations, and must be considered when analyzing the credit. The borrower must explain any collections or judgments in writing. Collection accounts are not required to be paid off as a condition of mortgage approval. Court ordered judgments must be paid off before the mortgage loan is eligible for FHA insurance endorsement. An Exception to the payoff of a court-ordered judgment may be made if the borrower has;             <ul style="list-style-type: none"> <li>○ An agreement with the creditor to make regular and timely payments, <b>and</b></li> <li>○ Provide documentation indicating that payments have been made according to the agreement.</li> </ul> </li> <li>• Disputed Accounts – If the credit report reveals that the borrower is disputing any credit account or public records, the mortgage application must be referred to a DE Underwriter for review <b>unless</b> any of the following circumstances apply:             <ul style="list-style-type: none"> <li>○ The disputed account has a zero balance</li> <li>○ The disputed account is marked as “paid in full” or “resolved”</li> <li>○ The disputed account is <b>both</b> <ul style="list-style-type: none"> <li>▪ Less than \$500.00, <b>and</b></li> <li>▪ More than 24 months old</li> </ul> </li> </ul> </li> <li>• Lender is responsible to include that following liabilities;             <ul style="list-style-type: none"> <li>○ Debts disclosed on the borrower(s) credit report</li> <li>○ Debts disclosed on the borrower(s) mortgage loan application                 <ul style="list-style-type: none"> <li>▪ Alimony</li> <li>▪ Child support</li> <li>▪ Separate maintenance agreements</li> </ul> </li> </ul> <p><b>NOTE:</b> Because of the tax treatment of alimony, the lender may reduce the borrower’s monthly gross income by the amount of the alimony payments rather than include it as a debt obligation. If this option is chosen, <b>do not</b> include the alimony payment as a liability.</p> <ul style="list-style-type: none"> <li>▪ Negative rent on other real estate owned</li> <li>▪ Mortgage debt (PITI) on other real estate owned</li> <li>▪ Installment debt</li> </ul> </li> </ul>

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<p><b>CREDIT REQUIREMENTS CONTINUED</b></p>	<p><b>NOTE:</b> The underwriter must determine the Borrower’s monthly liabilities by reviewing all debts listed on the credit report, URLA, and required documentation.</p> <ul style="list-style-type: none"> <li>• All applicable monthly liabilities must be included in the qualifying ratio</li> <li>• Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments are less than equal to 5% of the borrower’s gross monthly income             <ul style="list-style-type: none"> <li>○ The borrower may not pay down the balance in order to meet the 10-month requirement</li> </ul> </li> <li>• Accounts for which the Borrower is an authorized user must be included in a Borrower’s DTI ratio unless the Underwriter can document that the primary account holder has made all required payments on the account for the previous 12 months             <ul style="list-style-type: none"> <li>○ If less than 3 payments have been required on the account in the previous 12 months, the payment amount must be included in the Borrower’s DTI</li> </ul> </li> <li>• Negative income must be subtracted from the Borrower’s gross monthly income, and not treated as a recurring monthly liability unless otherwise noted.</li> <li>• Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset and these funds are not included in calculating the Borrower’s assets, do not require consideration of repayment of qualifying purposes.</li> <li>• The Underwriter must document that the funds used to pay off debts prior to closing came from an <b>acceptable source</b>, and the Borrower did not incur new debts that were not included in the DTI ratio.</li> <li>• Non-Purchasing Spouse- Except for obligations specifically excluded by state law, the debts of the non-purchasing spouse must be included in the borrower’s qualifying ratios. The underwriter must determine if the liabilities will have an impact on the borrower’s ability to make the mortgage payment.</li> </ul>
<p><b>DEMAND</b></p>	<ul style="list-style-type: none"> <li>• Payoff must reflect current loan balance and not more than 60 days interest. If there is any escrow impound credit, it <b>CANNOT</b> be applied to reduce the payoff per HUD.</li> <li>• Borrower to pay all late charges, escrow shortage, delinquent taxes &amp; delinquent interest at closing with Borrower(s) <b>own funds</b>.</li> </ul>
<p><b>EMPLOYMENT VERIFICATION</b></p>	<p>Credit qualifying Streamlines will require full employment verification.</p> <ul style="list-style-type: none"> <li>• Full Verification of Employment- Must meet all employment conditions per 4155.1 section 4.D Verbal Verification of Employment (VVOE) dated within 10 days of funding. (VVOE may be obtained the day of funding)</li> <li>• Self Employed Borrower(s)             <ul style="list-style-type: none"> <li>○ Each borrower (regardless of income source) must complete and sign separate IRS Form 4506-T at application and again with loan documents.</li> <li>○ P&amp;L and Balance Sheet required if the borrower’s tax year ending has elapsed by more than 3 months</li> <li>○ If using the borrower YTD P&amp;L to qualify, both P&amp;L and Balance sheet need to be audited.</li> <li>○ Borrowers who have significant declining income compared to the previous 2 years, require an explanation from their accountant to verify the stability of the self-employment income.</li> </ul> </li> </ul>

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<b>FHA COMPENSATING FACTORS</b>	<p>Compensating factors used for mortgage approval must be supported by documentation.</p> <ul style="list-style-type: none"> <li>• The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expense for the new mortgage over the past 12-24 months.</li> <li>• The borrower makes a large down payment (ten percent or more) towards the purchase of the property.</li> <li>• The borrower has demonstrated an ability to accumulate savings and a conservative attitude towards the use of credit.</li> <li>• Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses.</li> <li>• The borrower receives documented compensation or income not reflected in effective income, but directly affecting the ability to pay the mortgage, including food stamps and similar public benefits.</li> <li>• There is only a minimal increase in the borrower’s housing expense.</li> <li>• The borrower has substantial documented cash reserves (at least three months’ worth) after closing. In determining if an asset can be included as cash reserves or cash to close, the lender must judge whether or not the asset is liquid or readily convertible to cash and can be done so absent of retirement or job termination.</li> </ul> <p>Funds borrowed against these accounts may be used for loan closing, but are not to be considered as cash reserves. “<b>Assets</b>” such as equity in other properties and the proceeds from a cash-out refinance are not to be considered as cash reserves. <b>Similarly</b>, funds from gifts from any source are not to be included as cash reserves.</p> <ul style="list-style-type: none"> <li>• The borrower has substantial non-taxable income (if no adjustment was made previously in the ratio computations).</li> <li>• The borrower has a potential for increased earnings, as indicated by job training or education in the borrower’s profession.</li> </ul> <p>The home being purchased as a result of relocation of the primary wage-earner, and the secondary wage-earner has an established history of employment, is expected to return to work, and reasonable prospects exist for securing employment in a similar occupation in the new area. The underwriter must document the availability of such possible employment.</p>
<b>LDP/GSA</b>	<p>Required for all parties</p>
<b>LOAN MODIFICATION</b>	<ul style="list-style-type: none"> <li>• The outstanding balance of a modified loan may reflect amounts that were previously added to the loan balance to facilitate loss mitigation</li> <li>• This is acceptable as long as the new loan amount is calculated as required for streamline refinance transactions (may not exceed the lesser of the original loan amount or outstanding principal) and all other streamline refinance criterion is met.</li> </ul>
<b>NET TANGIBLE BENEFIT</b>	<ul style="list-style-type: none"> <li>• The net tangible benefit test is met if:             <ul style="list-style-type: none"> <li>○ The mortgage term is reduced</li> <li>○ The new interest rate does not exceed the current interest rate; and</li> <li>○ The combined principal, interest and MIP payment of the new mortgage does not exceed the combined principal, interest and MIP of the refinanced mortgage by more than \$50</li> </ul> </li> </ul>

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<b>NET TANGIBLE BENEFIT CONTINUED</b>	<ul style="list-style-type: none"> <li>All Streamlines must meet Net Tangible Benefits. See chart below</li> </ul> <p style="text-align: center;"><b>Combined Rate Reduction NTB Table:</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%; text-align: center;">FROM</th> <th colspan="3" style="text-align: center;">TO</th> </tr> <tr> <th></th> <th style="text-align: center;">Fixed Rate New Combined Rate</th> <th style="text-align: center;">One-Year ARM New Combined Rate</th> <th style="text-align: center;">Hybrid ARM New Combined Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Fixed Rate</td> <td style="text-align: center;">At least 0.5% percentage points below the prior Combined Rate</td> <td style="text-align: center;">At least 2 percentage points below the prior Combined Rate</td> <td style="text-align: center;">At least 2 percentage points below the prior Combined Rate</td> </tr> <tr> <td style="text-align: center;">Any ARM with less than 15 months to Next Payment Change Date</td> <td style="text-align: center;">No more than 2 percentage points above the prior Combined Rate</td> <td style="text-align: center;">At least 1 percentage point below the prior Combined Rate</td> <td style="text-align: center;">At least 1 percentage point below the prior Combined Rate</td> </tr> <tr> <td style="text-align: center;">Any ARM with greater than or equal to 15 months to next payment change date</td> <td style="text-align: center;">No more than 2 percentage points above the prior Combined Rate</td> <td style="text-align: center;">At least 2 percentage points below the prior Combined Rate</td> <td style="text-align: center;">At least 1 percentage point below the prior Combined Rate.</td> </tr> </tbody> </table>	FROM	TO				Fixed Rate New Combined Rate	One-Year ARM New Combined Rate	Hybrid ARM New Combined Rate	Fixed Rate	At least 0.5% percentage points below the prior Combined Rate	At least 2 percentage points below the prior Combined Rate	At least 2 percentage points below the prior Combined Rate	Any ARM with less than 15 months to Next Payment Change Date	No more than 2 percentage points above the prior Combined Rate	At least 1 percentage point below the prior Combined Rate	At least 1 percentage point below the prior Combined Rate	Any ARM with greater than or equal to 15 months to next payment change date	No more than 2 percentage points above the prior Combined Rate	At least 2 percentage points below the prior Combined Rate	At least 1 percentage point below the prior Combined Rate.
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<b>PROPERTY REQUIREMENTS/ TYPES</b>	<ul style="list-style-type: none"> <li>SFR detached &amp; attached units</li> <li>PUDs</li> <li>Condominiums (condo approval not required)</li> <li>Must be currently owner occupied                             <ul style="list-style-type: none"> <li>Non-Owner Occupied subject properties <b><u>NOT ALLOWED</u></b></li> </ul> </li> <li>2-4 unit Owner Occupied <b><u>ONLY</u></b>.</li> </ul>																				
<b>RATIOS</b>	<p>Manual Underwrite required</p> <ul style="list-style-type: none"> <li>FHA Compensating Factors must be noted on all loans with DTI greater than 31/43.</li> <li>See Compensating Factors</li> </ul> <p style="text-align: center;"><b>ML 2014-02- Case Numbers Assigned on or After April 21, 2014</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%; text-align: center;">Minimum Decision Credit Score</th> <th style="width: 25%; text-align: center;">Maximum Qualifying Ratios (%)</th> <th style="text-align: center;">Acceptable Compensating Factors</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">640 and &gt;</td> <td style="text-align: center;">31/43</td> <td style="text-align: center;"><i>No Compensating Factors Required</i></td> </tr> <tr> <td style="text-align: center;">640 and &gt;</td> <td style="text-align: center;">37/47</td> <td>                     One of the following:                     <ul style="list-style-type: none"> <li>Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total monthly mortgage payment units (3-4 units).</li> <li>New total monthly mortgage payment is not more than \$100 or 5% higher New total monthly mortgage payment is not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less; and a there is documented twelve month housing payment history with no more than one 30 day late payment. If the borrower has no current housing payment underwriter cannot cite previous payments as compensating factor</li> <li>In cash-out transactions <i>all</i> payments on the mortgage being refinanced must have been made within the month due for the previous 12 months.</li> <li>Residual Income</li> </ul> </td> </tr> </tbody> </table>	Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors	640 and >	31/43	<i>No Compensating Factors Required</i>	640 and >	37/47	One of the following: <ul style="list-style-type: none"> <li>Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total monthly mortgage payment units (3-4 units).</li> <li>New total monthly mortgage payment is not more than \$100 or 5% higher New total monthly mortgage payment is not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less; and a there is documented twelve month housing payment history with no more than one 30 day late payment. If the borrower has no current housing payment underwriter cannot cite previous payments as compensating factor</li> <li>In cash-out transactions <i>all</i> payments on the mortgage being refinanced must have been made within the month due for the previous 12 months.</li> <li>Residual Income</li> </ul>											
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# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



<b>RATIOS CONTINUED</b>	640 and >	40/40	<ul style="list-style-type: none"> <li>Borrower has established credit lines in his/her own name open for at least six months but carries no discretionary debt (i.e., monthly total housing payment is only open installment account and borrower can document that revolving credit has been paid off in full monthly for at least the previous six months).</li> </ul>
	640 and >	40/50	<p><b>Two</b> of the following:</p> <ul style="list-style-type: none"> <li>Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total monthly mortgage payments (3-4 units).</li> <li>New total monthly mortgage payment is not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less; and there is documented twelve month housing payment history with no more than one 30 day late payment. If the borrower has no current housing payment underwriter cannot cite previous payments as compensating factor</li> <li>In cash-out transactions all payments on the mortgage being refinanced must have been made within the month due for the previous 12 months.</li> <li>Verified and documented significant additional income that is not considered effective income (i.e., part-time or seasonal income verified for more than one year but less than two years).</li> <li>Residual Income.</li> </ul>
<b>SEASONING</b>	<p><b>On the date of the FHA Case Number Assignment:</b></p> <ul style="list-style-type: none"> <li>The borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement.</li> <li>The borrower must have made all mortgage payments for the mortgages on the subject property within the month due for Six Months prior to the case number assignment. (all six months payments must be rated on the credit report or credit supplements will be required for any missing months not rated)</li> <li>The borrower must have made all payments on all mortgages on all other properties as agreed within the previous six months to day of disbursement.</li> <li>Six full months must have passed since the first payment due date of the refinanced mortgage, and</li> <li>At least 210 days must have passed from the closing date of the mortgage being refinanced.             <ul style="list-style-type: none"> <li><b>Note: IF</b>...The original loan closed with an interest credit the 210 days requirement outlined above must be calculated.</li> </ul> </li> </ul> <p><b>EXAMPLE:</b> The FHA case number on the mortgage being refinanced was closed on or before December 1st and the borrower's first payment on that mortgage was due on January 1<sup>st</sup>. The Branch may request assignment of an FHA Case number for the refinancing mortgage no earlier than July 1<sup>st</sup>.</p>		

# FHA CREDIT QUALIFYING STREAMLINE REFINANCE



## PACE/HERO

- Under the laws of the state where the property is located, the PACE loan must be collected and secured in the same manner as special assessment taxes against the property.
- If PACE collection is not noted on tax bill, new loan **must** include new projected tax assessments in qualifications for new loan.
- The property may only become subject to an enforceable claim that is superior to the FHA mortgage for delinquent regularly scheduled PACE special assessment payments. The property may not be subject to enforceable claim for full PACE lien
- There can be no terms or conditions that limit the transfer of the property to a new homeowner
- Information on the PACE must be readily available for review in public records (tax bill and/or prelim).
- All terms and conditions of the PACE loan must be fully disclosed to the borrower(s) and made part of the contract between seller(s) and borrowers(s).
- PBM **must** provide and notify appraiser of all terms and conditions of the PACE assessment.
- Appraiser must review the sales contract and property tax records for property to determine the amount outstanding and the terms of the PACE obligation. Language must be included in the appraisal as to amount and terms of PACE obligation.
- Appraiser must analyze the impact on value of the property, whether positive or negative, or the report providing this information. Language must also include terms and payments per PACE contract.
- **Investor Specific required from Corporate for PACE/HERO to remain in place**