



Crafting Solutions for you and your borrowers

Please see [Document 5810](#) in our Sellers Guide for details

PRIMARY RESIDENCE – PURCHASE				
Property Type	Maximum LTV	Maximum Loan Amount ¹	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit/PUD/Condo	96.50%	Varies by County	600	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i> <i>Refer</i> responses will be manually underwritten
2-Units ²	96.50%	Varies by County	600	
3 to 4-Units ²	96.50%	Varies by County	620	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i>

PRIMARY RESIDENCE – RATE/TERM REFINANCE & SIMPLE REFINANCE ⁹				
Property Type	Maximum LTV	Maximum Loan Amount ³	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit/PUD/Condo Manufactured Home ⁴	97.75%	Varies by County	600	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i> <i>Refer</i> responses will be manually underwritten
2-Units	97.75%	Varies by County	600	
3 to 4-Units	97.75%	Varies by County	620	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i>

PRIMARY RESIDENCE – CASH-OUT REFINANCE				
Property Type	Maximum LTV	Maximum Loan Amount ⁵	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit/PUD/Condo	85% ⁶	Varies by County	600	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i> <i>Refer</i> responses will be manually underwritten
2-Units	85% ⁶	Varies by County	620	
3 to 4-Units	85% ⁶	Varies by County	640	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i>



No Credit Scores? Refer Response?

Let us Craft a Solution for you!

FHA Manual – Refer – Downgrades

- Underwriters can “manually” underwrite any application with a feedback certificate of “REFER”.
- Also can manually downgrade an Approved response as opposed to issuing a loan denial.
- 5 manual programs available based on credit score – higher opportunity to close more loans and to provide “access to credit” to more borrowers.

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
No Credit Score (999)	31/43	Not applicable. Borrowers with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45
600 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45
600 and above	37/47	One of the following: - verified and documented cash reserves - minimal increase in housing payment; or - residual income
600 and above	40/40	No discretionary debt
600 and above	40/50	Two of the following: - verified and documented cash reserves - minimal increase in housing payment - significant additional income not reflected in Effective Income; and/or - residual income



Challenges and Top Issues

- Assets and cash to close – Failing to document paper trail, providing all pages of the bank statements and not verifying large deposits
- **Large Deposit to the Borrower's Bank Account** – When the borrower's bank statement reveals a large deposit that exceeds 1% of the adjusted value but the borrower has sufficient funds to close and meet reserve requirements if the deposit is subtracted from the ending balance. **FHA does not require explanation, documentation or evidence of the source of the large deposit.**
- **Large Deposit to the Gift Donor's Bank Account** – When a borrower receives gift funds from an acceptable source and the donor's bank statement reveals deposits, **FHA does not require explanation, documentation or evidence of the source of the deposit, regardless of the amount.** The borrower and donor must execute Flagstar Bank [Document 9317](#) or a similar gift letter that includes the certification verbiage stating the following:

I, _____ will give a gift in the amount of \$_____ for the purpose of purchasing the property noted above. These funds represent a true gift with no expectation or obligations on the applicant's part to repay me at any time. **Furthermore, the funds given to the applicant were not made available to me from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer or any entity associated with them.**



- Gift documentation for various scenarios – prior to, at close and with wire transfers:

FHA Gift Fund Job Aid

Form of Gift Fund Transfer	Evidence of RECEIPT of gift	Fully executed gift letter	Evidence of Donor Ability and TRANSFER of gift	Donor Large Deposits
Personal check	One of the following documents evidencing the receipt of gift funds ❶ Borrower bank statement <i>or</i> ❷ Print out signed/dated from bank employee <i>or</i> ❸ Internet print-out showing receipt of gift funds	Fully executed gift letter is required (containing all components as outlined in Document #9317)	One of the following documents <u>evidencing the gift withdrawal</u> and covers at least 30 calendar days ❶ Print out of the donor's bank account signed/dated by a bank employee <i>or</i> ❷ Internet print-out of the donor's bank account <i>or</i> ❸ Donor's bank statement	Deposit that are >1% of the lesser of the purchase price or property value (non-payroll or other identifiable source) need to be sourced
Cashier's check or other official bank check	One of the following documents evidencing the receipt of gift funds ❶ Borrower bank statement <i>or</i> ❷ Print out signed/dated from bank employee <i>or</i> ❸ Internet print-out showing receipt of gift funds	Fully executed gift letter is required (containing all components as outlined in Document #9317)	One of the following documents <u>evidencing the gift withdrawal</u> and covers at least 30 calendar days ❶ Print out of the donor's bank account signed/dated by a bank employee <i>or</i> ❷ Internet print-out of the donor's bank account <i>or</i> ❸ Donor's bank statement	Deposit that are >1% of the lesser of the purchase price or property value (non-payroll or other identifiable source) need to be sourced
Wired directly to title company	Final CD showing credit of gift of equity	Fully executed gift letter is required (containing all components as outlined in Document #9317)	One of the following documents <u>evidencing the donor has sufficient funds for the gift</u> and covers at least 30 calendar days: ❶ Print out of the donor's bank account signed/dated by a bank employee <i>or</i> ❷ Internet print-out of the donor's bank account <i>or</i> ❸ Donor's bank statement	Deposit that are >1% of the lesser of the purchase price or property value (non-payroll or other identifiable source) need to be sourced
Wired directly to borrower's bank account.	One of the following documents evidencing the receipt of gift funds ❶ Borrower bank statement <i>or</i> ❷ Print out signed/dated from bank employee <i>or</i> ❸ Internet print-out showing receipt of gift funds	Fully executed gift letter is required (containing all components as outlined in Document #9317)	One of the following documents <u>evidencing the gift withdrawal</u> and covers at least 30 calendar days ❶ Print out of the donor's bank account signed/dated by a bank employee <i>or</i> ❷ Internet print-out of the donor's bank account <i>or</i> ❸ Donor's bank statement	Deposit that are >1% of the lesser of the purchase price or property value (non-payroll or other identifiable source) need to be sourced
EMD paid WIRE directly to realtor, attorney or settlement agent	Receipt from the holder of the EMD	Fully executed gift letter is required (containing all components as outlined in Document #9317)	One of the following documents <u>evidencing the gift withdrawal</u> and covers at least 30 calendar days ❶ Print out of the donor's bank account signed/dated by a bank employee <i>or</i> ❷ Internet print-out of the donor's bank account <i>or</i> ❸ Donor's bank statement	Deposit that are >1% of the lesser of the purchase price or property value (non-payroll or other identifiable source) need to be sourced
EMD paid CHECK directly to realtor, attorney or settlement agent	Receipt from the holder of the EMD	Fully executed gift letter is required (containing all components as outlined in Document #9317)	One of the following documents <u>evidencing the gift withdrawal</u> and covers at least 30 calendar days ❶ Print out of the donor's bank account signed/dated by a bank employee <i>or</i> ❷ Internet print-out of the donor's bank account <i>or</i> ❸ Donor's bank statement	Deposit that are >1% of the lesser of the purchase price or property value (non-payroll or other identifiable source) need to be sourced
Gift of Equity	Final CD showing credit of gift of equity	Fully executed gift letter is required (containing all components as outlined in Document #9317)	Final CD showing credit of gift of equity	N/A

- Non-permanent resident aliens allowed for principal residence with a valid SSN and Employment Authorization Card (EAD).
 - Borrowers residing in the US by virtue of refugee or asylee status do not require EAD.
 - DACA status not eligible for FHA financing



Other FHA Programs Available

Good Neighbor Next Door Program

- Eligible buyers can receive up to 50% off listing prices on certain HUD properties
- Low down payment
- Applicants do not have to be first-time homebuyers
- Eligible properties are listed and sold exclusively over the internet offering added convenience

FHA 203(h) Disaster Victims Mortgage

PRIMARY RESIDENCE – PURCHASE				
Property Type	Maximum LTV	Maximum Loan Amount	Minimum Credit Score	Underwriting Engine & Required Response
1-unit PUD Condo	100% ¹	Varies by County	600	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i> <i>Refer</i> responses will be manually underwritten

1. The total LTV can exceed 100% when financing the upfront mortgage insurance premium (UFMIP).

FHA \$100 HUD Repo

PRIMARY RESIDENCE – PURCHASE				
Property Type	Maximum LTV	Maximum Loan Amount	Minimum Credit Score	Underwriting Engine & Required Response
1 to 2-Unit PUD Condo	100% ¹ (minus \$100)	Varies by County	600	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i> <i>Refer</i> responses will be manually underwritten

1. LTV may exceed 100% only to fund a repair escrow included in the sales contract. The cost of repairs may not exceed \$10,000 (repair escrow may be up to \$11,000 after 10% contingency is added). DE Customers: Refer to the *Escrow Holdbacks* section of the [FHA Underwriting Guidelines](#) for more information about escrow holdback requirements.

FHA 203(k) Rehabilitation Mortgage – Referral Program

PRIMARY RESIDENCE – PURCHASE AND RATE/TERM REFINANCE			
Property type	Maximum LTV ¹	Minimum Credit Score	Underwriting Engine & Required Response
1 to 2-Unit PUD	110%	600	FHA Total Mortgage Scorecard DU – <i>Approve</i> or LPA – <i>Accept</i> <i>Refer</i> responses will be manually underwritten
Warrantable Condo	100%		

1. The maximum LTV for each loan will be determined by the [203\(k\) Calculator](#) available on the HUD website.



Helpful Links

- [FHA Underwriting Guidelines](#)
- [Government Loan Credit Overlays](#)

Important FHA Websites

- FHA Neighborhood Watch – Public site:
<https://entp.hud.gov/sfnw/public/>
- U.S. Department of Housing and Urban Development – Public site:
<http://portal.hud.gov/hudportal/HUD>
- Flagstar Bank website: wholesale.flagstar.com
- FHA Notices for Lenders. Sign up for regular announcements at:
answers@hud.gov
- HUD Handbook 4000.1:
<https://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>
- FHA FAQs: <https://portal.hud.gov/hudportal/HUD?src=/FHAFAQ>
- FHA Mortgagee Letters:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee
- FHA County Loan Limits:
<https://entp.hud.gov/idapp/html/hicostlook.cfm>