



FHA Manual Underwrite

1/1/2022

**When loan
requires
a Manual
Downgrade**

**Approvable Ratio
Requirements for
Manual UW**

**Requirements
on all manual
underwritten
loans**

When loan requires a Manual Downgrade

Reasons a loan must be downgraded to a Manual UW

- **Total Scorecard is DU Refer**
- **There is information not considered in the AUS recommendation**
- **There is over \$1000 or more in Disputed Derogatory Credit**
- **BK Discharge is less than 2 years at time of case assignment date**
- **Foreclosure is less than 3 years at time of case assignment date**
- **Deed-in-Lieu is less than 3 years at time of case assignment date**
- **Any mortgage trade line with unacceptable payment history**
- **Undisclosed mortgage debt with delinquency in last 12 months or more than 2X30 in 24 months at time of case assignment date**
- **Self Employment shows greater than 20% decline**



Approvable Ratio Requirements for Manual UW

Below details the DTI requirements

The maximum Front and Back ratios applicable to manually underwritten Mortgages are detailed below. Maximum DTI allowed for Manual UW is 40/50

****IMPORTANT** – any loan where ALL borrowers have No Fico Score, the Maximum DTI is 31/43 per HUD

DTI and Compensating Factor Requirements:

**580 FICO and Above – DTI up to 31/43.
Comp Factors Required - NONE.**

**580 FICO and Above - DTI up to 37/47
Comp Factors Required- 1 Required**

**580 FICO and Above – DTI up to 40/50
Comp Factors Required- 2 Required**



ACCEPTABLE COMPENSATING FACTORS:

RESERVES – 3 mo (1-2 Unit) 6 Mo (3-4 Unit)

HOUSING DECREASE – new PITI is no more than \$100 or 5%, the lesser of the two

RESIDUAL – Meet VA residual requirements

ADDITIONAL INCOME – Income not reflected in DTI (this comp factor is only permitted when DTI is over 37/47 and if income were used, it would decrease DTI under 37/47)

See page 354 of this link for more information on residual and Additional income (Hold CTRL button and click link below)

<https://www.hud.gov/sites/dfiles/OCHCO/documents/4000.1hsgh-112021.pdf>



MANUAL UNDERWRITE REQUIREMENTS ON ALL LOANS

- ✓ **12 Months verified housing history OR rent free letter, AND**
 - ✓ **Reserves, AND**
 - **1 month reserves for 1-2 Unit**
 - **3 month reserves for 3-4 Unit**
- NOTE: If you use reserves as a compensating factor, then you do not need these reserves in addition*
- ✓ **Letter of explanation for all derogatory credit, including any NSF's and/or overdrafts in bank account**
 - ✓ **If applicable, 2 months for all bank statements in the file (60 days activity)**
 - ✓ **Minimum FICO 580 (MLB Wholesale guideline)**
 - ✓ **Maximum DTI 40/50 (HUD guideline, no exceptions)**

