

FHA Program
Summary

Product Types	30yr, 25yr and 15yr Fixed 5/1 ARM
Eligible Programs	203(b) 1-4 family, 234(c) Condominiums,

Standard & High Balance

Loan Purpose	Minimum FICO	Maximum LTV	Maximum CLTV
Purchase	600	96.50%	96.50%
Streamlines ¹	600	97.75%	125%
Refinance No Cash-Out	600	97.75%	97.75%
Refinance Cash-Out	600	80%	80%

For High Balance Loan Amounts, see the State/County limits at <https://entp.hud.gov/idapp/html/hicostlook.cfm>

- 1. Minimum credit score for Streamlines is 550 for all loans currently owned by Nations Direct and serviced by Nations Direct.**

*See below for the updated loan limits as of January 1, 2020:

	Floor	Ceiling
One Unit	\$331,760	\$765,600
Two Units	\$424,800	\$980,325
Three Units	\$513,450	\$1,184,925
Four Units	\$638,100	\$1,472,550

*Please note: This ceiling list is the national maximum and may not apply to your specific property. Please make sure to check the FHA loan limits website for the list of a particular County or MSA at above link.

Mortgage Insurance – Effective for Closing/Disbursement dates on or after January 26, 2015

25 or 30 Year Loan Term				15 Year Loan Term ³			
LTV	UFMIP	Base Loan Amt	Annual MIP	LTV	UFMIP	Base Loan Amt	Annual MIP
>95%	1.75%	≤ \$625,500	.85%	> 90%	1.75%	≤ \$625,500	0.70%
		> \$625,500	1.05%			> \$625,500	0.95%
≤95%	1.75%	≤ \$625,500	.80%	≤ 90%	1.75%	≤ \$625,500	0.45%
		> \$625,500	1.00%			> \$625,500	0.70%

Mortgage Insurance – Effective for Streamlines with Case Date on or after June 1, 2013 and Endorsed Prior to 6/1/2009

LTV	UFMIP	Annual MIP
Any	0.01%	0.55%

Regardless of the amortization term, for any mortgage ≤ 90% LTV (excluding financed UFMIP), the annual MIP will be assessed until the end of the mortgage term, or for the first 11 years, whichever comes first. For any mortgage > 90% LTV (excluding UFMIP), the annual MIP will be assessed until the end of the mortgage term, or first the first 30 years, whichever occurs first.

Program eligibility is determined using the base loan amount prior to financing UFMIP. Pricing is determined using the Note loan amount (Base loan amount + UFMIP). UFMIP must be 100% financed into the mortgage or paid entirely by cash; partial financing is not allowed.

Credit Requirements

Bankruptcy	<p>Bankruptcy – Chapter 7 & 13; 2 years discharged exception for 1 year with documented *extenuating circumstances beyond customer control, such as a serious illness or death of a wage earner, and the borrower has re-established good credit since. Must be manually underwritten.</p> <p>Chapter 13; less than 2 years but not less than 1 year is allowed as a manual downgrade, 0x30 on BK and no other derogatory credit since.</p>	
Borrower Eligibility	<ul style="list-style-type: none"> All borrowers must have legal residency - Citizen, permanent & non-permanent resident aliens All borrowers must have a social security number, no ITINs No foreign nationals, No Deferred Action for Childhood Arrivals (DACA) recipients 	
Credit Report	<ul style="list-style-type: none"> Minimum FICO score for all products is 600 and tri merge credit bureau is required for all transactions. Non-borrowing spouse credit report required in community property states and debts must be included in debt ratio. Revolving debts must be included in the DTI regardless of the number of remaining payments, unless paid. All loans (except non-credit qualifying streamline refinances) must be decisioned through FHA TOTAL scorecard via DU. Borrowers must explain all inquiries shown on the credit report in the last 120 days. Trade line requirements determined by DU findings. Primary borrower must have a FICO score <p>CCCS: 1 yr since filing, all payments must have been made on time & written permission from CCCS required.</p>	
Disputed Accounts	<p>If the credit report utilized by TOTAL Mortgage Scorecard indicates that the borrower is disputing derogatory credit accounts, the borrower must provide a letter of explanation and documentation supporting the basis of the dispute.</p> <p>Guidance for TOTAL Mortgage Scorecard Accept/Approve loans with disputed accounts</p>	
	Disputed Derogatory Credit Accounts greater than or equal to \$1,000	<p>If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is equal to or greater than \$1,000, the mortgage application must be downgraded to a “Refer” and a DE underwriter is required to manually underwrite the loan as described above.</p>
	Disputed Derogatory Credit Accounts less than \$1,000	<p>If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is less than \$1,000, a downgrade is not required.</p>
	Excluded Accounts	<ul style="list-style-type: none"> Disputed medical accounts and are excluded from the \$1,000 limit and do not require documentation. Disputed derogatory credit accounts resulting from identity theft, credit card theft, or unauthorized use are also excluded from the \$1,000 limit. However, the broker must provide a credit report, letter from the creditor, or other appropriate documentation to support the dispute, such as a police report disputing the fraudulent charges.

<p>Foreclosure / Deed in Lieu / Short Sale</p>	<ul style="list-style-type: none"> • 3 year seasoning required on Foreclosure, NOD, deed in lieu (<u>*less than 3 years considered based upon extenuating circumstances</u> such as a serious illness or death of a wage earner, and the borrower has re-established good credit since. Divorce is not considered an extenuating circumstance.) Must be manually underwritten. • 2 years seasoning required if was current for preceding 12 mos. prior to short sale; 3 years seasoning required if delinquent prior to short sale. (*less than 2 years considered based upon extenuating circumstances as defined under Foreclosure section).
<p>Extenuating Circumstances</p>	<p>In order to qualify for seasoning exceptions on BK 7, foreclosure, and short sales under the standard extenuating circumstance exception, must document serious illness or death of a wage earner, and the borrower has re-established good credit since. Divorce is not considered an extenuating circumstance. Must be manually underwritten.</p>
<p>Collection Accounts and Judgments</p>	<ul style="list-style-type: none"> • Collections over 12 months may not have to be paid unless they affect title or are court ordered. Tax liens may be left open if they are subordinated and included in the DTI. • Documentation Requirements: Collection Accounts and Judgments <ul style="list-style-type: none"> ○ Loans receiving Total “Approve/Eligible” findings: Since Total Scorecard takes all negative credit accounts into consideration; there is no documentation or letter of explanation requirements for loans with collection accounts or judgments. ○ Manually underwritten loans: <ul style="list-style-type: none"> ▪ The lender must document reasons for approving a mortgage when the borrower has collection accounts or judgments. Regardless of the amount of outstanding collection accounts or judgments, the lender must determine if the collection account or judgment was a result of: <ul style="list-style-type: none"> • The borrower’s disregard for financial obligations; • The borrower’s inability to manage debt; or • Extenuating circumstances ○ The borrower must provide a letter of explanation with supporting documentation for each outstanding collection account and judgment. The letter and supporting documentation must be consistent with other credit information in the file. ○ Capacity Analysis-Collections <ul style="list-style-type: none"> ▪ Collections accounts don’t have to be paid off, but a capacity analysis for borrowers with an aggregate balance of \$2000 or more is required as described below. Unless prohibited by state law, collection accounts of a non-borrowing spouse in a community property state are included in the cumulative balance. Medical collections and charge off accounts are excluded from this guidance and do not require resolution. ▪ Capacity analysis includes any of the following actions: <ul style="list-style-type: none"> • Accounts paid off in full or at time of close; funds used to pay off must be verified as from an acceptable source • Borrower makes payment arrangements with the creditor. Terms of payment plan must be verified with letter from creditor, or stated on credit bureau. The monthly payment must be included in the debt ratio. • If evidence of a payment arrangement is not available, calculate the payment using 5% of the outstanding balance of each collection and include in the debt ratio. • Regardless of the Total Scorecard findings (Approve/Eligible or Refer), the payment amounts must be included in the borrower’s debt ratio. <ul style="list-style-type: none"> ○ Capacity Analysis-Judgments <ul style="list-style-type: none"> ▪ Judgments must be paid off before loan is closed, unless borrower has made an agreement with the creditor to make regular and timely payments. Must obtain copy of agreement and evidence that payments were made on time per agreement, and documentation showing a minimum of 3 months payments have been made prior to credit approval. Borrowers are not allowed to prepay scheduled payments in order to meet the required 3 month minimum.

	<ul style="list-style-type: none"> ▪ Must include the agreed-upon payment amount in the calculation of the borrower's debt ratio. ▪ Judgments of a non-borrowing spouse in a community property state must be paid in full prior to close, or meet the exception guidance for judgments above, unless excluded by state law.
High Balance	<ul style="list-style-type: none"> • If total Mortgage indebtedness exceeds \$1MM, approval from the CCO is required.
Mortgage Rating	<ul style="list-style-type: none"> • Last 12 months mortgage history must be shown on credit report, documented via institutional VOM or 12 months cancelled checks. • Borrower may not have defaulted on any prior government loans (exceptions can be considered if the borrower has rectified the debt with the government).

Property Requirements

Appraisal	<ul style="list-style-type: none"> • Appraisal must be completed by HUD approved appraiser and must be dated within 120 days of the funding date. • When a 2nd appraisal is required, the lower of the 2 appraisals will be used if there is a greater than 5% variance. Borrower may not pay for the 2nd appraisal.
Condo/PUD Projects	<ul style="list-style-type: none"> • Condos must be FHA approved project, new condo approvals are not eligible. • Site Condos must be presented on a Fannie Mae form 1073, Individual Condominium Unit Appraisal report. • All Condo Projects must have HO6 coverage if the HOA Master Policy does not provide coverage for the interiors of the project units.
Flips	<ul style="list-style-type: none"> • Follow FHA guidelines • The timeline is calculated from the seller's acquisition date to the purchase contract date of the new transaction.
Property and Occupancy	<p>Eligible:</p> <ul style="list-style-type: none"> • SFR, Condo's, PUD's (attached & detached), 2-4 units and Manufactured Homes. • Non-owner Streamline Refinances are allowed with Underwriting Manager approval on fixed rate only. <p>Ineligible:</p> <ul style="list-style-type: none"> • Co-ops, condotels, non-warrantable condo's, condos purchased at auction, earth-berm homes, board & care homes, working farm/ranches, vacant land, unique properties, properties with less than 600sq feet and Hawaiian Homelands.
States	Where Nations Direct Mortgage lends (see www.myndm.com for licensed states)

General Requirements

Assets	<ul style="list-style-type: none"> Asset verification is required per DU findings. Copy of all funds used to close must be in the file at time of closing and must be from verified source.
Automated Underwriting	<ul style="list-style-type: none"> All loans must be run thru DU. LP is not an eligible AUS Loans receiving “Refer/Eligible” findings must be downgraded to manual underwrite.
Borrowers	<p>Eligible:</p> <ul style="list-style-type: none"> US Citizens, non-occupant co-borrowers, permanent and non-permanent resident aliens. Loans made to individual persons only <p>Ineligible:</p> <ul style="list-style-type: none"> Borrowers in negative equity position Trusts, corporations, LLC’s, and other non-individual entities <p>Non-occupant Co-borrower(s):</p> <ul style="list-style-type: none"> Loans with non-occupant borrower – the occupant borrower must have a valid credit score. The non-occupant co-borrower must be or have been a homeowner or provide 12-months cancelled checks or VOR from a property management company. The non-occupant housing costs must be included in the DTI ratios.
Debt Ratio	<ul style="list-style-type: none"> Per DU See below DTI restrictions for borrower with a FICO less than 640
Down Payment / Source of Funds	<ul style="list-style-type: none"> Down payment/funds to close (limited to borrower own funds and gift funds). Must have 3.5% into transaction. Funds must be sourced with any large deposits sourced and explained. VOD for the most recent 60 days account information; must be supported by the most current month’s bank statement. Tax Proration’s may be used in states that pay taxes in arrears. <ul style="list-style-type: none"> The borrower have the MRI verified in personal accounts
Down Payment Assistance	<ul style="list-style-type: none"> Down payment assistance programs from a government or quasi-government funded program OK. No seller funded assistance No MCCs No bonds 640 minimum FICO
Escrow Hold-Backs	<ul style="list-style-type: none"> Only allowed on HUD REO transactions when specified.
Gifts	<ul style="list-style-type: none"> Allowed from any FHA acceptable source; document in accord with FHA guidelines. Nephews, Nieces & Cousins are not acceptable sources Not allowed for loan scores < 640 and < 2 yrs on the job
HUD REO 203(b) Repair Escrow Holdback	<ul style="list-style-type: none"> Property must be owned by HUD and listed on http://www.hudhomestore.com Purchase Contract must reflect that the property is a 203(b) and Asset Manager fees must be listed \$100 down program is OK if reflected on the HUD purchase contract REO Contract required and signed by the Asset Manager Appraisal is valid for 120-days and a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or a new appraisal is required. Repairs are allowed to be completed after closing with escrow holdback with the following criteria: <ul style="list-style-type: none"> Appraisal must list all repairs needed with cost breakdown of each repair Contractor invoice required with valid license number and itemized repair costs Escrow Holdback must be financed at 110% of total repair costs up to a maximum of \$5,000 Closing Agent must provide fully completed Holdback Form and signed by escrow officer, lender agent, and borrower(s) The estimated HUD should reflect \$200 fee paid to NDM for processing holdback Completion Inspection Report (CIR) fee must be disclosed on GFE and paid by borrower All repairs must be completed within 15 days after closing NDM will authorize all disbursements from escrow account with confirmation from contractor showing payment in full for repairs

	<ul style="list-style-type: none"> ○ Any excess proceeds from holdback will be applied to loan principal ● Condominium Projects that are not approved must have an exception in writing from HUD to be eligible ● Gift funds are allowed, but if used, Debt Ratio maximum is 50% regardless of DU Recommendation ● HUD may credit up to 3% in closing costs
Income Documents	<ul style="list-style-type: none"> ● Per DU ● Two year employment history, any gaps in employment require explanation letter ● Paystubs must have year to date earnings or be manually downgraded if required by DU ● The use of trailing secondary wage earner income is not allowed. ● Borrower must have a paystub ● EAD card required for all non-permanent resident aliens
4506 Transcripts	<ul style="list-style-type: none"> ● All loans require a signed 4506-T form. ● Tax transcripts are required for all self-employed borrowers ● Transcripts are not required for wage earners. This includes but is not limited to; <ul style="list-style-type: none"> ○ Hourly employees ○ Salaried employees ○ Social Security earnings ○ Pension income ○ VA benefits
Purchases	<ul style="list-style-type: none"> ● If the subject property was acquired in a bulk transaction, the loan is subject to additional review. ● Max 8% sales commission – any aggregate real estate commission greater than 8% of the sales price of the subject property is considered an excessive real estate commission. The portion of the aggregate commission greater than 8% must be deducted from the sales price for underwriting purposes. ● Borrowers with previous short sales and short payoffs are allowed if mortgage payments on the prior mortgage were made within the month due for the 12 months prior to short sale; AND installment debt payments for the same period were also made within the month due. ● NDM will not accept Re-negotiated Purchase Agreements that increase the sales price after the original appraisal has been completed if the appraised value is higher than the contracted sales price provided to the appraiser, and the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and the only change to the purchase agreement is an increase in sales price. If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the LTV will be based on the lower of the original purchase price or the appraised value, unless: re-negotiated of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables; Short sale renegotiations excluded.. ● \$100 down program is OK if reflected on the HUD purchase contract

General Requirements (continued)

Refinance – Rate/Term	<p>Rate/Term Refinances:</p> <ul style="list-style-type: none"> • The maximum insurable mortgage is the lesser of 97.75% of the appraised value of the property or the total amount of the applicable items below, any UFMIP refund must then be subtracted • Existing 1st lien, any purchase money 2nd lien, any junior liens over 12 months old, borrower paid closing costs, prepaid expenses, borrower paid repairs (if required) or discount points • The existing 1st lien may include up to 60 days interest but may not include delinquent interest. • Prepaid expenses may include per diem interest, hazard insurance, and real estate taxes to establish escrow account. • If the property was acquired within 12 months of the case assignment date use the lesser of; <ul style="list-style-type: none"> ○ The Borrower’s purchase price, plus any documented improvements made subsequent to the purchase; or ○ The Property Value. • Properties acquired by the Borrower within 12 months of case number assignment by inheritance or through a gift from a Family Member may utilize the calculation of Adjusted Value for properties purchased 12 months or greater. • For properties acquired by the Borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value. • \$500 max. cash back allowed for minor adjustments in estimated versus final closing costs • Refinances – A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements.
Refinance – Cash out	<p>Cash-out Refinances:</p> <ul style="list-style-type: none"> • With new subordinate financing, the maximum CLTV is 85%. • The subject property must have been the borrower’s principal residence a minimum of 12 month prior to the case assignment date. • Non-occupant co-borrowers or co-signers may <u>not</u> be added to meet credit underwriting guidelines • Properties owned free and clear may be financed as cash-out transactions • Borrowers whose loans are delinquent or in arrears are not eligible • Properties currently listed for sale are not permitted. The listing agreement must be canceled for 6 months prior to the loan application date or the loan is subject to the maximum LTV of 70%. • Cash out over \$100K must have VP of Operations approval • Texas - Primary residences (“Homestead Properties”) not eligible for cash out refinance. • A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements. • Seasoning; <ul style="list-style-type: none"> ○ The borrower made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date; and ○ The first payment due date of the new loan occurs no earlier than 210 days after the first payment due date of the being refinance.
Reserves -3 & 4 units	<ul style="list-style-type: none"> • 3 months PITI required and must be the borrowers own funds.

General Requirements (continued)

Streamline Refinance	<ul style="list-style-type: none"> The initial Broker 1003 must be completed (excluding employment liabilities) A mortgage only credit report with FICO's is required. FICO must meet the minimum of 600. 550 credit score allowed for NDM to NDM Streamline Refinances. The loan must meet FHA net tangible benefit requirements Mortgage history: For mortgages less than 12 months, all payments must have been paid in the month due. For mortgages with a 12 month payment history or greater, the borrower must not have no more than 1 30 day late payment in preceding last 12 mos. If assets are needed to close, must verify and document the assets if in excess of 1 month PITI. \$500 max cash back allowed for minor adjustments in estimated versus final closing costs CAIVRS does not need to be checked; LDP & GSA are still required The term of the new loan must be the lesser of 30 years or the remaining term of the mortgage plus 12 years Owner occupied only. Not allowed on 2nd homes. Streamlines on an investment property are allowed with Underwriting Manager approval and on fixed rate only. Texas – Primary Residences (“Homestead Properties”)-no cash back allowed. Refinances – A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements. <p>The maximum insurable mortgage may not exceed:</p> <ul style="list-style-type: none"> Outstanding principal balance minus applicable refund of UFMIP, plus up to 59 days of interest, plus the new UFMIP that will be charged. CLTV exceeds LTV, ok if CLTV does not exceed the original purchase price.
Streamline Seasoning	<ul style="list-style-type: none"> The borrower made at least six consecutive monthly payments on the loan being refinanced beginning with the payment made on the first payment due date; <ul style="list-style-type: none"> The borrower may not make payments forward in order to qualify, If the borrower has owned the home less than 12 months, there must be no other delinquency on any other mortgage's tied to borrower within last 12 months At least six full months must have passed since the first payment due date of the mortgage that is being refinanced The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan.
Subordinate Financing Streamlines ONLY	<ul style="list-style-type: none"> Secondary Financing must be financed by Government, Agency, or non-profit institution. Streamlines: Existing subordinate financing may remain in place. Subordinate financing (non-purchase money 2nd or 2nd mortgage < 6 months old) is limited to 125% CLTV.
Texas Properties	<ul style="list-style-type: none"> Primary Residences (“Homestead Properties”) Purchases or rate term refinances only. Ineligible for cash out.
State Specific 600-639 FICO	<ul style="list-style-type: none"> Applicable States <ul style="list-style-type: none"> Louisiana Max DTI of 43% Exception to 50% allowed with 3 month reserves of the borrower own funds for Approve/Eligible Manual ratios up to 50% per HUD guidelines & 3 months reserves from borrower's own funds
600-639 FICO	<ul style="list-style-type: none"> Gifts are not allowed for borrower with less than 2 years on the job