



Link to the SF Handbook Overview FAQ (Updated 8/26/15) at: [http://portal.hud.gov/hudportal/documents/huddoc?id=SFH\\_HB\\_4000-1\\_FAQS.PDF](http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_HB_4000-1_FAQS.PDF)

## FHA Single Family Housing Policy Handbook

(HUD Handbook 4000.1)

# Frequently Asked Questions Preview

Last Updated: June 30, 2015

***Disclaimer: These Frequently Asked Questions (FAQs) are relating to sections of the new, consolidated Single Family Housing Handbook 4000.1 that will become effective on September 14, 2015. These FAQs are not applicable to the FHA policies currently in effect. These FAQs are for informational purposes only and do not establish or modify the policy contained in FHA's Handbooks and Mortgage Letters in any way.***



The following pages contain detailed answers to some of the most common questions the Federal Housing Administration (FHA) has received on policies in the published sections of the *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) that become effective on or after September 14, 2015. This preview is another way FHA is helping the industry prepare for implementation, but as you review the Frequently Asked Questions (FAQs) in this document, note:

- These FAQs are not FHA policy, and should only be used as a guide for reviewing the policy contained in the SF Handbook.
- Mortgagees should not apply the policies in the SF Handbook to their current FHA mortgage business **until the September 14, 2015 effective date**. All existing FHA policy remains effective until the effective date of the SF Handbook.
- FHA is previewing these FAQs now on this page, but they will be transferred to the FHA Resource Center’s online knowledge base on September 14, 2015.
- Continue to access the FHA Resource Center’s [online knowledge base](#) for answers to questions on FHA policy **currently in effect**.

Doing Business with FHA – Mortgagees				
Row #	Added	FAQ	Answer	References
1.	6/30/15	Are referral fees allowed in the origination of FHA-insured single family loans?	<p>The lender, or any of the lender’s employees, must not pay or receive, or permit any other party involved in an FHA-insured mortgage transaction to pay or receive, any fee, kickback, compensation or thing of value to any person or entity in connection with an FHA-insured mortgage transaction, except for services actually performed and permitted by HUD.</p> <p>The lender must not pay a referral fee to any person or entity.</p> <p>The lender is required to comply with all federal, state and local laws, rules, and requirements applicable to the mortgage transaction, including the requirements of the Consumer Financial Protection Bureau (CFPB), including those related to the Real Estate Settlement Procedure Act (RESPA).</p> <p>For additional information see Handbook 4000.1 I.A.6.h &amp; II.A.1.a.ii.(B) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 I.A.6.h; II.A.1.a.ii.(B)
2.	6/30/15	Are there any fees a lender is not allowed to pay?	<p>The lender, or any of the lender’s employees, must not pay or receive, or permit any other party involved in an FHA-insured mortgage transaction to pay or receive, any fee, kickback, compensation or thing of value to any person or entity in connection with an FHA-insured mortgage transaction, except for services actually performed and permitted by HUD.</p> <p>The lender must not pay a referral fee to any person or entity.</p> <p>The lender is not permitted to:</p> <ul style="list-style-type: none"> <li>• advance funds to a real estate agent, real estate broker, mortgage broker, or packager as an advance of anticipated commissions on sales to be financed with an FHA-insured mortgage to be provided by the lender;</li> <li>• make low interest or no interest mortgages to a real estate broker, real estate agent, mortgage broker, packager,</li> </ul>	4000.1 I.A.6.h.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>builder or any other party from whom the lender accepts proposals involving FHA-insured mortgages; or</p> <ul style="list-style-type: none"> <li>pay a gratuity or make a gift valued above items that are customarily distributed in the normal course of advertising, public relations, or as a general promotion device, to any person or entity involved in the lender’s FHA-insured mortgage transactions.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.6.h at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	
3.	6/30/15	What are the FHA restrictions for an FHA approved lender's legal and DBA name?	<p>The lender must use as its institution or doing business as (DBA) name the name shown on its business formation documents or for which it has received approval from its state of formation. The lender is prohibited from using any restricted word in, or as part of, its institution or DBA name in a manner that would violate the Helping Families Save Their Homes Act of 2009 (Pub.L. 111–22) or 18 U.S.C. 709, which places restrictions on “federal,” “government,” or “national” and related words, unless the lender is exempt from these statutory prohibitions.</p> <p>The lender’s institution name and all DBA names used by a lender for conducting FHA business must be registered with FHA. The lender must use only those names that are registered with FHA in advertising and promotional materials related to FHA programs.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.ii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.3.c.ii.
4.	6/30/15	What is considered an advertising "device"?	<p>An advertising device is a channel or instrument used to solicit, promote, or advertise FHA products or programs. Advertising devices are present in the entire range of electronic and print media utilized by lenders, including, but not limited to, websites, website addresses, business names, aliases, DBA names, domain names, email addresses, direct mail advertisements, solicitations, promotional materials and correspondence.</p> <p>For additional information see Handbook 4000.1 I.A.6.n.i.(B) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.6.n.i.(B)
5.	6/30/15	Can a Sponsored Third Party Originator use the FHA-Approved Lending Institution logo?	<p>Mortgagees must not permit its sponsored third party originators (TPOs) to use the official FHA-Approved Lending Institution logo on any advertising device; unless the sponsored TPO is also an FHA-approved mortgagee.</p> <p>Advertising devices used by sponsored TPOs must reflect the sponsored TPO’s name, location, and appropriate contact information.</p> <p>Sponsored TPOs are prohibited from engaging in any activity or authoring or distributing any advertising device that falsely advertises, represents, or otherwise conveys the impression that the sponsored TPO’s business operations, products, or services either originate from or are expressly endorsed by HUD, FHA, the government of the United States, or any federal, state or local government agency. For additional information see Handbook 4000.1 I.A.6.n.ii.(B)(2) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.6.n.ii.(B)(2)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
6.	6/30/15	How long must lenders retain records of FHA advertising, promotional, or educational materials?	<p>The lender must retain copies of any advertising device it produces that is related to FHA programs for a period of two years from the date that the advertising device is circulated or used for advertisement, educational, or promotional purposes. Copies of advertising devices related to FHA programs may be kept in either electronic or print format and are to be provided to HUD upon request.</p> <p>For additional information see Handbook 4000.1 I.A.7.n.iii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.7.n.iii.
7.	6/30/15	Can I work for a lender as a loan officer and as a realtor for another company at the same time?	<p>The lender must require its employees to be its employees exclusively, unless the lender has determined that the employee's other outside employment, including any self-employment, does not create a prohibited conflict of interest as described below.</p> <p>Employees are prohibited from having multiple roles in a single FHA-insured transaction. Employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction.</p> <p>For additional information see Handbook 4000.1: I.A.3.c.iv.(B)(3)(b)(iv) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)(iv)
8.	6/30/15	What are the employee requirements of an FHA approved lender?	<p><u>Eligibility of Employees</u> The lender must not employ any individual who will participate in FHA transactions if the individual is suspended, debarred, under a Limited Denial of Participation (LDP), or otherwise excluded from participation in FHA programs.</p> <p><u>Compensation</u> The lender must compensate employees on one of the following bases:</p> <ul style="list-style-type: none"> <li>• a salary;</li> <li>• a salary plus commission; or</li> <li>• a commission only.</li> </ul> <p>The lender may pay bonuses with any of these three compensation plans. Employees who perform underwriting, Quality Control (QC), or mortgage servicing activities must not be compensated on a commission basis. The lender must report all employee compensation on IRS Form W-2.</p> <p><u>SAFE Act Compliance</u> The lender and its employees must comply with the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), including the licensing and registration of its employees in the NMLS.</p> <p><u>Dual Employment</u> The lender must require its employees to be its employees exclusively, unless determined that the employee's other outside employment, including any self-employment, does not create a prohibited conflict of interest.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p><u>Conflicts of Interest</u> Employees are prohibited from having multiple roles in a single FHA-insured transaction and are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA- insured transaction.</p> <p><u>Underwriters</u> The lender must ensure that its underwriters are not managed by and do not report to any individual who performs mortgage origination activities. Underwriters must:</p> <ul style="list-style-type: none"> <li>• meet basic eligibility requirements; and</li> <li>• perform the underwriting function in a manner consistent with FHA guidelines.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(3)(b) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn</a>.</p>	
9.	6/30/15	What happens if a real estate agent originates an FHA loan?	<p>The lender is responsible for the actions of its staff that participate in FHA transactions.</p> <p>FHA may refer any finding for administrative or other enforcement action in its discretion. Referrals may be made to any appropriate body, including but not limited to:</p> <ul style="list-style-type: none"> <li>• HUD’s Mortgagee Review Board;</li> <li>• State licensing agencies (e.g., Secretary of State, Real Estate Commissioner);</li> <li>• the Consumer Financial Protection Bureau (CFPB); and/or</li> <li>• Department of Banking, etc.</li> </ul> <p>The lender must require its employees to be its employees exclusively, unless they determine that the employee’s other outside employment, including any self-employment, does not create a prohibited conflict of interest.</p> <p>The lender may not permit an employee to have multiple roles in a single FHA-insured transaction. Employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction. For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v); I.A.6.f; I.A.6.i; V.E.1 at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn</a>.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v); I.A.6.f; I.A.6.i; V.E.1
10.	6/30/15	Does FHA treat holding a professional license in real estate as dual employment?	<p>No, FHA does not prohibit anyone from holding a vocational or professional license. The lender must require its employees to be its employees exclusively, unless the mortgagee has determined that the employee’s other outside employment, including any self-employment, does not create a prohibited conflict of interest.</p> <p>The mortgagee may not permit an employee to have multiple roles in a single FHA-insured transaction. Employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn</a>.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

### Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
11.	6/30/15	Can a loan originator with a real estate license represent the buyer in a purchase transaction?	<p>The lender must require its employees to be its employees exclusively, unless it determines the employee's other outside employment, including any self-employment, does not create a prohibited conflict of interest.</p> <p>The lender's employees are prohibited from having multiple roles or multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction.</p> <p>The lender must require its employees to be its employees exclusively, unless the lender has determined that the employee's other outside employment, including any self-employment, does not create a prohibited conflict of interest.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v)
12.	6/30/15	Can any FHA lender originate, underwrite, or service Title II FHA Loans, including HECM and 203k?	<p>A Title II Mortgagee may be approved to originate, underwrite, close, endorse, service, purchase, hold, or sell FHA Single Family insured Mortgages or multifamily Mortgages.</p> <p>The requirements outlined in Handbook 4000.1, Section I.A apply to both Single Family (one-to four-units) and Multifamily lenders. If there are any exceptions or program-specific requirements that differ from those provided in this section of the Handbook, the exceptions or alternative program requirements are explicitly stated or hyperlinked to the appropriate guidance.</p> <p>Handbook 4000.1 I.A is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 I.A
13.	6/30/15	Can I work for more than one lender as a loan originator?	<p>For FHA approved lenders who work on FHA loans the lender must require its employees to be its employees exclusively, unless the lender has determined that the employee's other outside employment, including any self-employment, does not create a prohibited conflict of interest.</p> <p>Employees are prohibited from having multiple roles in a single FHA-insured transaction. Employees are prohibited from having multiple sources of compensation, either directly or indirectly, from a single FHA-insured transaction.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 I.A.3.c.iv.(B)(3)(b)(iv)-(v)
14.	6/30/15	What are the FHA requirements for a lender's branch office facilities and staffing?	<p>The lender must ensure each registered branch office has at least one fulltime employee. A shared receptionist or contractor may not be relied upon to satisfy the full-time employee requirement.</p> <p>The lender must also have a branch and/or regional manager to oversee each of its branch offices.</p> <p>A fair housing poster must be displayed in branch offices that deal with borrowers and the general public. For additional information see Handbook 4000.1 I.A.3.c.iii.(B)(2) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iii.(B)(2)

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Doing Business with FHA – Mortgagees

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15.	6/30/15	What functions can an FHA approved lender contract out?	<p>Provided the lender ensures that the contracting out of certain functions does not and will not materially affect underwriting or servicing decisions or otherwise increase financial risk to FHA, the lender may use contract support for administrative and clerical functions that include:</p> <ul style="list-style-type: none"> <li>• clerical assistance;</li> <li>• mortgage processing (typing of mortgage documents, mailing and collecting verification forms, ordering credit reports, and/or preparing for endorsement and shipping mortgages to the purchasing mortgagee);</li> <li>• ministerial tasks in mortgage servicing (processing of a foreclosure action, preservation and protection, and/or tax services);</li> <li>• legal functions; and</li> <li>• quality control (must have a valid contractual agreement in place that specifies the roles and responsibilities of each party).</li> </ul> <p>The lender must not:</p> <ul style="list-style-type: none"> <li>• contract out any of the above functions to sponsored third party originators (TPO), real estate brokers, or other similar entities.</li> <li>• contract with any Entity or person that is suspended, debarred, under a Limited Denial of Participation (LDP), or who is otherwise excluded from participation in FHA transactions.</li> <li>• contract out management or underwriter functions.</li> </ul> <p>The lender remains responsible for the quality of its FHA-insured Mortgages and must ensure that its contractors fully comply with all applicable laws and FHA requirements.</p> <p>The lender may own or have an ownership interest in a separate business entity that offers such contract services.</p> <p>For additional information see Handbook 4000.1 I.A.6.j at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.6.j
16.	6/30/15	Are FHA approved lenders required to report all income of its employees on a W-2 to the IRS?	<p>The lender must compensate employees on one of the following bases:</p> <ul style="list-style-type: none"> <li>– a salary;</li> <li>– a salary plus commission; or</li> <li>– a commission only.</li> </ul> <p>The lender may pay bonuses with any of these three compensation plans; however, all employee compensation must be reported on IRS Form W-2.</p> <p>For additional information see Handbook 4000.1:I.A.3.c.iv.(B)(3)(b)(ii) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)(ii)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
17.	6/30/15	What are the FHA requirements for a lender's home office facilities and staffing?	<p>A lender must designate a headquarters or “home office” for its FHA business. The home office does not have to be the lender’s corporate office.</p> <p>The home office must have a staff of at least two full-time employees. The lender may not rely on a shared receptionist to satisfy the full-time employee requirement.</p> <p>A lender’s home office facility must:</p> <ul style="list-style-type: none"> <li>• be located in a commercial space that is separate from any other entity (except for reception-type entrances or lobbies);</li> <li>• be clearly identified, including having a permanently affixed business sign and other means of identification commonly used by businesses, so that the general public and other businesses will know, at all times, exactly which entity is being represented and is conducting business; and</li> <li>• display a fair housing poster if the lender deals with borrowers and the general public.</li> </ul> <p>FHA will verify compliance with the office facilities requirements through any onsite visits.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.iii.(B)(1) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgl">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgl</a></p>	4000.1 I.A.3.c.iii.(B)(1)
18.	6/30/15	Can FHA Approved Lenders use non-employees as Loan Officers?	<p>No. The lender may use contract support for administrative and clerical functions that include:</p> <ul style="list-style-type: none"> <li>• clerical assistance;</li> <li>• mortgage processing (typing of mortgage documents, mailing and collecting verification forms, ordering credit reports, and/or preparing for endorsement and shipping Mortgages to the Purchasing Mortgagee);</li> <li>• ministerial tasks in mortgage servicing (processing of a foreclosure action, preservation and protection, and/or tax services);</li> <li>• legal functions; and</li> <li>• quality control.</li> </ul> <p>Handbook 4000.1 I.A.6.j is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgl">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgl</a>.</p>	4000.1 I.A.6.j
19.	6/30/15	Can an FHA approved lender pay a fee to a non-FHA approved lender for the referral of a borrower?	<p>The lender, or any of the lender’s employees, must not pay or receive, or permit any other party involved in an FHA-insured mortgage transaction to pay or receive, any fee, kickback, compensation or thing of value to any person or entity in connection with an FHA-insured mortgage transaction, except for services actually performed and permitted by HUD. The lender must not pay a referral fee to any person or entity.</p> <p>Handbook 4000.1 I.A.6.h is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgl">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgl</a>.</p>	4000.1 I.A.6.h

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
20.	6/30/15	Can an FHA approved lender share corporate officers with other companies?	<p>The lender must ensure its corporate officers only represent a single lender, unless the following criteria are met:</p> <ul style="list-style-type: none"> <li>• the entities represented have some or all of the same Corporate Officers or Principal Owners;</li> <li>• there is a clear and effective separation of the entities, and Borrowers know at all times exactly which Entity is being represented and with whom they are conducting business; and</li> <li>• there is a duly appointed or elected senior officer designated as the officer in charge, who only conducts business of the lender during normal business hours.</li> </ul> <p>Handbook 4000.1 I.A.3.c.i.v (B)(1)(b) is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iv.(B)(1)(b)
21.	6/30/15	Can an FHA lender acting as a sponsored TPO close the loan and have the MIC issued in its name?	<p>The lender may permit its sponsored third party originator (TPO) to purchase or hold FHA-insured mortgages and close mortgages in their own name, if the TPO is also an FHA-approved lender.</p> <p>Handbook 4000.1 I.A.5.a.v is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.5.a.v
22.	6/30/15	Does an FHA approved lender need to display a Fair Housing poster in its offices?	<p>A lender must display a fair housing poster in the home and branch offices that deal with borrowers and the general public.</p> <p>The fair housing poster must be prominently displayed at each office that participates in activities related to residential real estate-related transactions so as to be readily apparent to all persons seeking residential real estate or brokerage services.</p> <p>Fair Housing Posters can be ordered by calling the HUD’s Customer Service Center at (800) 767-7468.</p> <p>The posters can also be downloaded from HUDCLIPS. The English version is form HUD-928.1 and the Spanish version is form HUD-928.1A. HUDCLIPS is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips</a>.</p> <p>The Equal Housing Opportunity logo can be downloaded at: <a href="http://portal.hud.gov/hudportal/HUD?src=/library/bookshelf11/hudgraphics/fheologo">http://portal.hud.gov/hudportal/HUD?src=/library/bookshelf11/hudgraphics/fheologo</a>.</p> <p>For additional information see Handbook 40001 I.A.3.c.iii.(B)(1)-(2) &amp; I.A.6.m at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	40001 I.A.3.c.iii.(B)(1)-(2); I.A.6.m
23.	6/30/15	What is the definition of a "Principal Owner"?	<p>A Principal Owner is any individual or entity meeting the following thresholds or roles for the applicable business form:</p> <ul style="list-style-type: none"> <li>• Publicly Traded Corporation – 10% or more ownership</li> <li>• Private or Closed Corporation – 25% or more ownership</li> <li>• Limited Liability Company – All Members</li> <li>• Partnerships – All Partners</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(A)(1) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iv.(A)(1)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
24.	6/30/15	Are FHA-approved mortgagees required to complete the Administrative Contact Information in LEAP?	<p>Yes. These fields ensure that official notices are received by the appropriate party. All HUD administrative notices from the HOC Quality Assurance and Processing and Underwriting Divisions, Office of Lender Activities and Program Compliance, Mortgagee Review Board (MRB), Office of General Counsel, and OIG will be sent to the administrative contact. These notices may pertain to post endorsement file reviews, lender monitoring activities, requests for indemnification, or additional administrative activities.</p> <p>The administrative contact is the point of contact associated with the mortgagee’s administrative address, and is the primary contact for all interaction between the mortgagee and FHA.</p> <p>The Administrative Contact Information fields include Name (First/MI/Last), Phone Number, Fax Number, Email Address and Secondary Email Address. The e-mail addresses associated with the Administrative Contact will receive all correspondence from LEAP. Mortgagees may choose to enter a shared email address in these fields.</p> <p>The Administrative Address cannot be a P.O. Box, but must be an actual physical address where an individual can sign for delivery confirmation. If a mortgagee has multiple addresses, the Administrative Address field should be populated with the address to which correspondence should be sent.</p> <p>The LEAP User Manual is located at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.6.b.ii. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.6.b.ii.</p> <p>LEAP User Manual</p> <p>FHA INFO 12-98</p>
25.	6/30/15	If a lender has multiple addresses, which should go in the Administrative Address field?	<p>The Administrative Address is the street address to which HUD administrative notices from the HOC Quality Assurance and Processing and Underwriting Divisions, Office of Lender Activities and Program Compliance, Mortgagee Review Board (MRB), Office of General Counsel, and Office of Inspector General (OIG) are sent, including requests and/or demands for indemnification.</p> <p>For additional information see Handbook 4000.1 I.A.6.b.i. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.6.b.i.</p>
26.	6/30/15	What are the eligibility requirements for Lender Insurance Authority?	<p>To obtain Lender Insurance (LI) authority the lender must:</p> <ul style="list-style-type: none"> <li>• be an FHA-approved lender with Unconditional Direct Endorsement (DE) authority; and</li> <li>• have an LI Compare Ratio that is at or below 150 percent.</li> </ul> <p>The LI Compare Ratio is the percentage of mortgages underwritten by the lender that are in claim or default status compared with the percentage of mortgages in claim or default status for all lenders operating in the same state(s) with an amortization commencement date within the preceding 24 months.</p> <p>If the lender lacks an LI compare ratio, an exception may be made for new lenders created by merger, acquisition, or</p>	<p>4000.1 I.A.5.b.</p>

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			reorganization resulting in a new FHA lender ID number. See Handbook 4000.1 I.A.5.b.ii.(A)(1) for the eligibility criteria.  The Lender Insurance Program web page is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a> .	
27.	6/30/15	Can a new lender without a two year claim & default history qualify for Lender Insurance authority?	New lenders seeking Lender Insurance (LI) authority may not be approved until the two year claim and default record has been established.  An exception may be made if a lender lacks an LI Compare Ratio because it was recently created by a merger, acquisition, or reorganization that resulted in the issuance of a new FHA Lender ID. See Handbook 4000.1 I.A.5.b.ii.(A)(1) for the exception criteria.  For more information, visit the Lender Insurance Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a> .  Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a> .	4000.1 I.A.5.b
28.	6/30/15	Can new lenders created through merger, acquisition or reorganization apply for LI authority in FHAC?	No. Lenders created through mergers, acquisitions, or reorganizations that are issued a new FHA Lender ID must apply for Lender Insurance (LI) authority through the Lender Electronic Assessment Portal (LEAP). The application must contain: <ul style="list-style-type: none"> <li>• a copy of the “Acknowledgment of Terms and Conditions for LI” screen in FHA Connection (FHAC), printed and signed by a Corporate Officer;</li> <li>• the name and contact information of the LI contact person and, at the discretion of the lender, the name and contact information for the back-up LI contact person;</li> <li>• the name and FHA Lender ID of the new lender;</li> <li>• the names and FHA Lender IDs of the lenders participating in the merger, acquisition, or reorganization; and</li> <li>• information identifying the management and staff experienced with LI processing employed by the new lender or transferring from a lender that previously held LI approval, and describing how the management and staff will continue to exercise LI responsibilities for the new lender.</li> </ul> The Lender Insurance Program web page is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a> .  The LEAP User Manual is located at: <a href="http://www.hud.gov/lenders">www.hud.gov/lenders</a> under the LEAP Information link in the Approvals & Renewals section.  Handbook 4000.1 I.A.5.b. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a> .	4000.1 I.A.5.b.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
29.	6/30/15	Can a new lender created through merger, acquisition or reorganization qualify for LI authority?	<p>Lenders that lack a 150 percent compare ratio, may be eligible for Lender Insurance (LI) approval if it was recently created by a merger, acquisition, or reorganization that resulted in the issuance of a new FHA Lender ID. It must:</p> <ul style="list-style-type: none"> <li>• have Unconditional Direct Endorsement (DE) authority;</li> <li>• have had one or more lenders with LI authority at the time of the merger, acquisition, or reorganization, participate in the merger, acquisition, or reorganization;</li> <li>• have had an acceptable LI Compare Ratio for all lenders with LI authority participating in the merger, acquisition, or reorganization, at the time of the merger, acquisition, or reorganization;</li> <li>• have an LI Compare Ratio that is derived from aggregating the claims and defaults of all formerly FHA-approved lenders participating in the merger, acquisition, or reorganization that is not more than 150 percent; and</li> <li>• ensure that the management and staff who were involved with LI processing for the FHA-approved lender prior to the merger, acquisition, or reorganization will continue to exercise those responsibilities for the new lender.</li> </ul> <p>For additional information see the Lender Insurance Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a>.</p> <p>Handbook 4000.1 I.A.5.b. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 I.A.5.b.
30.	6/30/15	How does a lender obtain Unconditional Direct Endorsement approval?	<p>After a mortgagee is approved, they can apply for additional supplemental authorities. FHA’s Direct Endorsement (DE) program permits a mortgagee to underwrite Title II Single Family Mortgages without FHA’s prior review and submit them directly for FHA insurance endorsement.</p> <p>The mortgagee must submit a written application for Unconditional DE authority to the Jurisdictional Homeownership Center (HOC) for the state where the Mortgagee’s home office is located.</p> <p>The Mortgagee’s DE application must contain a letter signed by a corporate officer requesting entry into the test case phase that contains the home office 10-digit FHA Lender ID and all underwriters’ names and four-character FHA-assigned identification numbers.</p> <p>If the mortgagee meets the requirements for conditional authority and submits the required documentation, they will receive a test case phase approval letter as well as reference materials and a list of the specific requirements that must be met to obtain unconditional DE authority. The mortgagee must participate in an in-person or telephone entrance conference with the HOC before it will be eligible to submit test cases.</p> <p>During the test case phase, test cases must be submitted to FHA for review. The mortgagee must receive a minimum of 15 Firm Commitments for forward mortgage authority or 5 Firm Commitments for Home Equity Conversion Mortgage (HECM) authority within a period of 12 consecutive months following the date of the entrance conference.</p> <p>After the mortgagee successfully completes the required test cases, FHA will grant the approval for unconditional DE</p>	4000.1 I.A.5.a

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>authority. The mortgagee will receive an approval letter and may begin submitting mortgages to FHA for endorsement without prior review by FHA.</p> <p>To locate the jurisdictional HOC, select the state the corporate office is in from the FHA Homeownership Centers web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhhocs">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhhocs</a>.</p> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
31.	6/30/15	Are there additional test case requirements to be granted Unconditional DE authority for HECM loans?	<p>The mortgagee must obtain separate Direct Endorsement (DE) approval for forward mortgage and Home Equity Conversion Mortgage (HECM) programs.</p> <p>The mortgagee must receive a minimum of 5 Firm Commitments for HECM mortgage authority within a period of 12 consecutive months following the date of the entrance conference in order to be granted Unconditional DE authority. After the mortgagee successfully completes the required test cases, FHA will grant the mortgagee approval for Unconditional DE authority.</p> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.5.a
32.	6/30/15	How does the lender submit test cases for FHA review?	<p>The lender must submit test cases to FHA for review during the test case phase. FHA will review these cases for compliance with FHA’s origination and underwriting requirements. The lender must submit all test case files to the Jurisdictional Homeownership Center (HOC) associated with their home office.</p> <p><u>Pre-closing Submission</u> If the lender submitted the case binder before closing, the HOC will either issue a Firm Commitment (approval) or Firm Reject (denial). The lender may close and submit for insurance endorsement any mortgage that has received a Firm Commitment.</p> <p><u>Post-closing Submission</u> If the lender first submitted the case binder to FHA after closing, the HOC will perform a test case review for compliance with FHA underwriting guidelines. The HOC will either insure the mortgage, or reject the mortgage and return it to the lender for correction. The lender must make any necessary corrections and provide any required documents to the HOC before the loan can be insured.</p> <p>To locate the jurisdictional HOC, select the state the corporate office is in from the FHA Homeownership Centers web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhhocs">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhhocs</a>.</p> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.5.a.iii

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
33.	6/30/15	What are the eligibility requirements for participation in FHA's Direct Endorsement Program?	<p>A mortgagee must meet the following requirements in order to apply for and participate in FHA's Direct Endorsement (DE) Program.</p> <p>A mortgagee must have FHA approval as a Title II Supervised, Nonsupervised, or Government Mortgagee to be eligible to participate in the DE Program. Mortgagees approved as Investing Mortgagees are not eligible to participate.</p> <p>The mortgagee must have:</p> <ul style="list-style-type: none"> <li>• an underwriter on its permanent staff; and</li> <li>• at least five years of experience in the origination of single family mortgages or a principal/corporate officer with at least five years of managerial experience in the origination of single family mortgages.</li> </ul> <p>Unconditional DE authority may be granted without the need for the test case phase following a merger, acquisition, or reorganization, so long as the criteria in Handbook 4000.1 I.A.5.a.ii.(B) are met.</p> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 1.A.5.a.ii
34.	6/30/15	Is the Test Case phase required for DE Approval following a merger, acquisition, or reorganization?	<p>Unconditional Direct Endorsement (DE) authority may be granted, without the need for the test case phase, to the following categories of mortgagees created by merger, acquisition, or reorganization:</p> <ul style="list-style-type: none"> <li>• surviving FHA-approved mortgagees; or</li> <li>• new mortgagees resulting in new FHA lender IDs.</li> </ul> <p>The following criteria must be met:</p> <ul style="list-style-type: none"> <li>• Either or both institutions were unconditionally DE-approved prior to the merger, acquisition, or reorganization.</li> <li>• If both institutions are unconditionally DE-approved, then the management and staff of at least one of the mortgagees involved with the mortgagee's Unconditional DE authority prior to the merger, acquisition, or reorganization must continue to exercise those responsibilities for the new mortgagee. If only one institution is unconditionally DE-approved, then the management and staff involved with that mortgagee's Unconditional DE authority prior to the merger, acquisition, or reorganization must continue to exercise those responsibilities for the new mortgagee.</li> <li>• Both mortgagees have claim and default rates at or below the 150 percent national compare ratio. If only one institution is unconditionally DE approved, only that mortgagee's claim and default rate is to be considered.</li> </ul> <p>The mortgagee must submit a written application to the Jurisdictional Homeownership Center (HOC) for the state where their home office is located.</p> <p>The application must contain:</p> <ul style="list-style-type: none"> <li>• a letter signed by a corporate officer requesting Unconditional DE authority that specifies: <ul style="list-style-type: none"> <li>- the FHA-approved and non-approved Entities involved in the merger, acquisition, or reorganization;</li> <li>- which entity is the surviving entity; and</li> </ul> </li> </ul>	4000.1 1.A.5.a.ii.(B)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>- the effective date of the merger, acquisition, or reorganization; and</li> <li>• supporting documentation evidencing that the mortgagee meets the exception criteria.</li> </ul> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
35.	6/30/15	Can a Mortgagee appeal if they are denied Unconditional DE authority?	<p>The mortgagee will be denied approval for Unconditional Direct Endorsement (DE) authority if, at any time during the test case phase, FHA determines that the mortgagee’s submissions demonstrate a lack of knowledge of FHA requirements, or if FHA identifies unacceptable practices.</p> <p>FHA will provide the mortgagee with written notice of a denial of Unconditional DE authority that specifies the reason for the denial.</p> <p>The mortgagee may appeal this denial by requesting an informal conference. The appeal must be submitted in writing to the Homeownership Center (HOC) that processed the test cases. The HOC must receive the appeal within 30 days of the date of the notice of denial.</p> <p>FHA will conduct an informal conference with the mortgagee and its counsel, if any, no later than 60 days from the date of the denial.</p> <p>Following the informal conference, FHA will issue a determination in writing stating whether Unconditional DE authority is approved or denied.</p> <p>The mortgagee may appeal a denial following the informal conference by submitting a written request to the Deputy Assistant Secretary (DAS) for Single Family Housing, or his or her designee, within 30 days of the date of the denial determination.</p> <p>The mortgagee is not entitled to any meeting or informal conference with the DAS or the designee and will be notified in writing of the decision of the DAS or the designee. The decision of the DAS or the designee constitutes final agency action.</p> <p>Any mortgagee who is denied Unconditional DE authority will not be permitted to reapply until it has:</p> <ul style="list-style-type: none"> <li>• demonstrated appropriate remedial education or action;</li> <li>• supplied evidence to support such action; and</li> <li>• waited a minimum of 180 days from the date of final agency action.</li> </ul> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.5.a.iii.(A)(4)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
36.	6/30/15	What are the differences between Title I and Title II Mortgagee approvals?	<p>A Title I Mortgagee may be approved to originate, underwrite, close, endorse, service, purchase, hold, or sell loans under the Property Improvement program and/or the Manufactured Housing program.</p> <p>A Title II Mortgagee may be approved to originate, underwrite, close, endorse, service, purchase, hold, or sell FHA Single Family insured Mortgages such as 203(b), 203(k), 234(c), HECMs or multifamily Mortgages.</p> <p>For descriptions of the various Title II Single Family and Title I loan programs go to <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins</a>.</p> <p>Handbook 4000.1 I.A.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.1
37.	6/30/15	What would make the principal, employee, or other mortgagee participant ineligible for FHA approval?	<p>As part of its application, a corporate officer for the applicant must complete a series of certification statements that address compliance with FHA requirements.</p> <p>A mortgagee shall not have any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator who is:</p> <ul style="list-style-type: none"> <li>• Currently suspended, terminated, debarred, fined, convicted, denied approval, or subject to license revocation or other sanction by a federal, state, or local government agency, or by any other regulatory or oversight entity with jurisdiction including a Limited Denial of Participation (LDP), or other restriction under Part 24 of Title 24 or Part 180 of Title 2 (as implemented by Part 2424 of Title 2) of the CFR or any successor regulations to such parts, or under similar provisions of any other federal or state agency;</li> <li>• Under indictment for, or convicted of, an offense that reflects adversely upon the applicant’s integrity, competence or fitness to meet the responsibilities of an approved mortgagee;</li> <li>• Subject to unresolved findings in a HUD or other government audit, investigation, or review;</li> <li>• Engaged in business practices that do not conform to generally accepted practices of prudent mortgagees or that demonstrate irresponsibility;</li> <li>• Convicted of, or who has pled guilty or nolo contendere to a felony related to participation in the real estate or mortgage industry during the 7-years preceding the application date for FHA approval; or any time before the application date, if it involved fraud, dishonesty, breach of trust, or money laundering;</li> <li>• In violation of the S.A.F.E. Mortgage Licensing Act of 2008 or any applicable State law or its equivalent under state law, including all Nationwide Mortgage Licensing System and Registry requirements.</li> </ul> <p>The Initial Lender Certification Statements can be viewed on the How to Become an FHA-Approved Lender web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr</a>.</p> <p>Handbook 4000.1 I.A.3 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.b.iii

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
38.	6/30/15	Does "Corporate Officer" include a Member of the Board of Directors?	<p>A Corporate Officer of a Nonsupervised or Investing Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee:</p> <ul style="list-style-type: none"> <li>• Owner</li> <li>• President</li> <li>• Vice President</li> <li>• Chief Operating Officer</li> <li>• Chief Financial Officer</li> <li>• Director</li> <li>• Corporate Secretary</li> <li>• Chief Executive Officer</li> <li>• General Counsel</li> <li>• Chairman of the Board</li> <li>• General Partner</li> <li>• Member or Manager of an LLC</li> </ul> <p>A Corporate Officer of a Supervised or Government Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee:</p> <ul style="list-style-type: none"> <li>• President</li> <li>• Vice President in charge of managing or overseeing any aspect of the Mortgagee’s FHA business</li> <li>• Chief Operating Officer</li> <li>• Chief Financial Officer</li> <li>• Director</li> <li>• Corporate Secretary</li> <li>• Chief Executive Officer</li> <li>• General Counsel</li> <li>• Chairman of the Board</li> <li>• General Partner</li> <li>• Specifically designated staff member(s) of a Government Mortgagee</li> </ul> <p>The definition of corporate officer does not include a member of the Board of Directors who does not also hold another office as “corporate officer.”</p> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.3.c.iv.(B)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
39.	6/30/15	What credit reports must be submitted with a lender approval application?	<p>A Nonsupervised or Investing Mortgagee must demonstrate that it is a creditworthy institution, and its Principal Owners and Corporate Officers are creditworthy individuals.</p> <p>A Creditworthy Institution is a Mortgagee with a credit background for the seven-year period preceding the FHA Mortgagee approval application that:</p> <ul style="list-style-type: none"> <li>• reflects no delinquent accounts or collections and no legal actions; or</li> <li>• reflects legal actions that have been adequately resolved, and/or delinquent accounts or collections that have been adequately resolved or that have an acceptable explanation.</li> </ul> <p>A Creditworthy Individual is a person whose credit background for the seven-year period preceding the FHA Mortgagee approval application:</p> <ul style="list-style-type: none"> <li>• reflects no delinquent accounts or collections, and reflects no legal actions that would impair the individual’s credit, such as a foreclosure action, judgment, lien, or bankruptcy; or</li> <li>• reflects legal actions that have been adequately resolved, and/or delinquent accounts or collections that have been adequately resolved or that have an acceptable explanation.</li> </ul> <p>A Nonsupervised or Investing Mortgagee must submit:</p> <ul style="list-style-type: none"> <li>• A commercial credit report not more than 90 Days old with its application and a written explanation for all negative items disclosed on the credit report.</li> <li>• A personal credit report for each of its Principal Owners and Corporate Officers with its application. The personal credit report must be a Residential Mortgage Credit Report (RMCR) or a Tri-Merged Credit Report (TRMCR) not more than 90 Days old. A written explanation must be provided from the relevant Principal Owner or Corporate Officer for any negative item disclosed on the credit report.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.v. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.c.v.
40.	6/30/15	What are the FHA Mortgagee Approval Types?	<p>FHA approves Mortgagees as one of the following four types: Supervised; Nonsupervised; Government; or Investing.</p> <p><u>Supervised Mortgagee</u> A Supervised Mortgagee is a financial institution that is a member of the Federal Reserve System (FRS) or whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). A Supervised Mortgagee may originate, underwrite, close, endorse, service, purchase, hold, or sell FHA-insured Mortgages.</p> <p><u>Nonsupervised Mortgagee</u> A Nonsupervised Mortgagee is a lending institution that has as its principal activity the lending or investing of funds in real estate Mortgages, consumer installment notes or similar advances of credit, the purchase of consumer installment contracts, or from a directly related field. A directly related field is something directly related to the investing or lending of Mortgages, not simply actions relating to real estate in general.</p>	4000.1 I.A.2

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>A Nonsupervised Mortgagee may originate, underwrite, close, endorse, service, purchase, hold, or sell FHA-insured Mortgages.</p> <p><u>Government Mortgagee</u> A Government Mortgagee is a federal, state, or municipal governmental agency, a Federal Reserve Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac), or the Federal National Mortgage Association (FNMA/Fannie Mae). A Government Mortgagee may originate, underwrite, close, endorse, service, purchase, hold, or sell FHA-insured Mortgages.</p> <p><u>Investing Mortgagee</u> An Investing Mortgagee is an organization that invests funds under its own control. An Investing Mortgagee may purchase, hold, or sell FHA-insured Mortgages. An Investing Mortgagee may only service FHA-insured Mortgages if it receives prior approval to do so on a case-by-case basis. An Investing Mortgagee may not originate, underwrite, or close FHA-insured Mortgages in its own name or submit applications for FHA mortgage insurance.</p> <p>For additional information see Handbook 4000.1 I.A.2 at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
41.	6/30/15	What are the fidelity bond requirements for FHA Mortgagees?	<p>A Mortgagee must have fidelity bond coverage of \$300,000. The Mortgagee must ensure that its fidelity bond coverage is in a form generally acceptable to one of the secondary mortgage market agencies, such as Freddie Mac, Fannie Mae, or the Government National Mortgage Association (GNMA/Ginnie Mae).</p> <p>A Government Mortgagee will meet this requirement if it maintains alternative insurance coverage that is approved by FHA and that ensures the faithful performance of the Mortgagee’s responsibilities.</p> <p>For additional information see Handbook 4000.1 I.A.3.x at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.3.x</p> <p><a href="http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_fees_and_coverages.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_fees_and_coverages.pdf</a></p>
42.	6/30/15	What are FHA's requirements for registering "Doing Business As" names?	<p>The “Doing Business As” (DBA) name is any registered name or alias that the mortgagee has a legal right to use. All DBA names used by a mortgagee for conducting FHA business must be registered with FHA.</p> <p>The mortgagee must submit documentation from the state showing it is legally approved to use its DBA name, if the name differs from that shown on its Business Formation Documents. If the mortgagee has six or more DBA names, the mortgagee must submit a change request through the Lender Electronic Assessment Portal (LEAP) to add additional names.</p> <p>The LEAP User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.c.ii; I.A.6.b.iv; I.A.7.d. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.3.c.ii; I.A.6.b.iv; I.A.7.d.</p>

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
43.	6/30/15	How do I apply to become an FHA-approved lender?	<p>An applicant seeking FHA approval must submit an online application containing all information and documentation required to demonstrate eligibility for approval as provided in Handbook 4000.1 I.A.</p> <p>Please refer to the How to Become an FHA-approved lender link in the Approvals and Renewal section on the FHA Lenders web page at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a></p> <p>Note: Paper applications are no longer accepted and will be returned if received.</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.</p> <p>FHA Online Lender Approval Application Process</p>
44.	6/30/15	What are the FHA requirements for an LLC to be an FHA approved lender?	<p>A Limited Liability Company (LLC) is an incorporated legal Entity created under applicable state law that combines certain legal and tax attributes of corporations and partnerships. The LLC must:</p> <ul style="list-style-type: none"> <li>• consist of two or more members, unless its single member is a corporation or LLC consisting of two or more persons or members;</li> <li>• have a minimum term of existence of 10 years from the date of application;</li> <li>• provide for succession;</li> <li>• authorize continuance in the event of the withdrawal or death of a member; and</li> <li>• specify that the LLC will not terminate until all FHA-insured mortgages have been transferred to another approved mortgagee.</li> </ul> <p>A Series LLC is a specific type of LLC that is composed of separate membership interests, which are divided into individual series.</p> <p>The Series LLC must comply with all requirements for approval of an LLC.</p> <p>The Series LLC must be organized in accordance with state law that does not conflict with FHA requirements.</p> <p>The Series LLC’s operating agreement must stipulate that:</p> <ul style="list-style-type: none"> <li>• no series may participate in FHA programs unless the approved Mortgagee owns 100 percent of the membership interests in that series; and</li> <li>• the approved Mortgagee remains fully liable for the debts, liabilities, obligations and expenses of any and all series that participate in FHA programs.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.i.(A)(2)-(3) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A. 3.c.i.(A)(2)-(3)</p>

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
45.	6/30/15	What is the difference between a supervised and a nonsupervised mortgagee?	<p>A Supervised Mortgagee is a financial institution that is a member of the Federal Reserve System (FRS) or whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) (collectively, "Federal Banking Agencies").</p> <p>A Nonsupervised Mortgagee is a lending institution that derives at least 50 percent of its activities from real estate Mortgages, consumer installment notes or similar advances of credit, the purchase of consumer installment contracts, or from a directly related field. A directly related field is something directly related to the investing or lending of Mortgages, not simply actions relating to real estate in general.</p> <p>For additional information see Handbook 4000.1 I.A.2 at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.2.
46.	6/30/15	What are the requirements related to sharing home office space with another company?	<p>The mortgagee's home office is the main office from which it manages its FHA business. A mortgagee must designate a headquarters or "home office" for its FHA business. A mortgagee's home office does not have to be its corporate office.</p> <p>The mortgagee's home office must have a staff of at least two full-time employees. The mortgagee may not rely on a shared receptionist to satisfy this full-time employee requirement.</p> <p>A mortgagee's home office facility must:</p> <ul style="list-style-type: none"> <li>• be located in a commercial space that is separate from any other entity (except for reception-type entrances or lobbies);</li> <li>• be clearly identified, including having a permanently affixed business sign and other means of identification commonly used by businesses, so that the general public and other businesses will know, at all times, exactly which entity is being represented and is conducting business; and</li> <li>• display a fair housing poster if the mortgagee deals with borrowers and the general public.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iii at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iii.
47.	6/30/15	Do I complete two FHA Lender Approval Online Applications to apply for Title I and Title II approval?	<p>An applicant for FHA approval may apply for Title I and Title II approval separately or in the same application. The applicant must pay a nonrefundable application fee when submitting an application for approval. Applicants applying for both Title I and Title II approval, whether simultaneously or separately, will only be assessed a single application fee.</p> <p>Lenders wanting to expand their approval authority to include Title I or Title II must submit the request along with supporting documents through the Lender Electronic Assessment Portal (LEAP). Refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.a; I.A.3.b.iv. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.a; I.A.3.b.iv.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
48.	6/30/15	What are the operating requirements for FHA approved Mortgagees?	<p>A mortgagee must comply with the operating requirements and restrictions in Handbook 4000.1 Section I.A.6 for its FHA business operations in addition to continuing to operate in full compliance with the eligibility requirements outlined Handbook 4000.1.</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.6.a
49.	6/30/15	Can a Mortgagee that was once FHA approved become FHA approved again?	<p>A mortgagee whose approval is voluntarily withdrawn may reapply for FHA approval any time after its withdrawal. If a mortgagee's approval is withdrawn by FHA's Mortgagee Review Board (MRB), their approval is not reinstated at the end of the period of withdrawal. The mortgagee may reapply for FHA approval after the period of withdrawal has expired.</p> <p>An applicant whose approval was denied may reapply after a period of 12 months. The applicant will be required to pay an application fee at the time it submits its second application for approval.</p> <p>For additional information see Handbook 4000.1 I.A.3.f.ii; I.A.9.c available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.f.ii; I.A.9.c
50.	6/30/15	What are the requirements for a mortgagee's funding program?	<p>A Nonsupervised Mortgagee that originates FHA Mortgages must maintain a warehouse line of credit or other mortgage-funding program acceptable to FHA. Title I Mortgagees must have a minimum \$500,000 warehouse line of credit or funding program. Except for multifamily Mortgagees, Title II Mortgagees must have a minimum \$1,000,000 warehouse line of credit or funding program, and must ensure the funding program or warehouse line of credit is sufficient to fund the Mortgagee's average 60-day origination operations. The Mortgagee's average 60-day origination operations refer to loans closed and funded, and/or purchased by the Mortgagee during their highest 60-day period by mortgage amount over the past 12 months.</p> <p>An Investing Mortgagee must have available, or have arranged for, funds or a line of credit sufficient to support a projected investment of at least \$1,000,000 in property improvement, Manufactured Housing or real estate loans or Mortgages.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.ix at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.c.ix.
51.	6/30/15	What are the licensing requirements for FHA Mortgagee approval?	<p>Supervised, Nonsupervised, and Investing Mortgagees must meet the following licensing requirements.</p> <p>The Mortgagee must have an active state license, registration, or equivalent approval to operate its business in the jurisdiction where the home office is located.</p> <p>Each branch office must have all licenses, registrations, or approvals required for the types of Mortgagee functions or activities performed by such branch office for the jurisdiction in which that office is located.</p> <p>The Mortgagee must submit a copy of its state license, registration or equivalent approval for the state in which the home office is located. The Mortgagee, through a Corporate Officer, must certify at application that it has not been refused a</p>	4000.1 I.A.3.c. vi.(A)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>license or been sanctioned by any state in which it will originate FHA mortgages.</p> <p>If the Mortgagee has been subject to an action against its license, it must submit documentation concerning the action that shows the nature of the action and evidence of an acceptable resolution (such as reinstatement or subsequent approval of a license, payment of sanctions or fines, or similar documentation).</p> <p>If the Mortgagee is exempt from state licensing requirements, the Mortgagee must submit documentation of the applicable exemption.</p> <p>For additional information see Handbook 4000.1 I.A.3.c. vi.(A) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	
52.	6/30/15	What is the experience requirement for the officer in charge of an FHA lender?	<p>The Officer in Charge is the Corporate Officer designated to manage and direct the mortgagee’s FHA operations.</p> <p>The Mortgagee must designate as the Officer in Charge a full-time Corporate Officer who has at least three years of experience in the specific Mortgagee functions or activities that the Mortgagee is approved to perform, including:</p> <ul style="list-style-type: none"> <li>• originating or servicing Single Family or Multifamily Mortgages;</li> <li>• investing funds in real estate mortgages; or</li> <li>• managing other individuals performing these services.</li> </ul> <p>The Mortgagee cannot rely on a Corporate Officer’s experience in real estate sales or brokerage as qualifying experience in Mortgagee functions or activities.</p> <p>A current resume covering the most recent seven-year period detailing the individual’s relevant experience must be submitted with the online application.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(2) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.c.iv.(B)(2)
53.	6/30/15	Does the term "corporate officer" include all officers with a title of Vice President or higher?	<p>No. Not all officers with a title of Vice President or higher are defined as a “corporate officer” for FHA purposes. A Corporate Office of a Nonsupervised and Investing Mortgagee is a natural person who serves as one of the following positions for a Nonsupervised or Investing Mortgagee:</p> <ul style="list-style-type: none"> <li>• Owner;</li> <li>• President;</li> <li>• Vice President;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> </ul>	4000.1 I.A.3.c.iv.(B)(1)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Member or manager of an LLC.</li> </ul> <p>A Corporate Officer of Supervised and Government Mortgagees is a natural person who serves as one of the following positions for a Supervised or Government Mortgagee:</p> <ul style="list-style-type: none"> <li>• President;</li> <li>• Vice President in charge of managing or overseeing any aspect of the Mortgagee’s FHA business;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Specifically designated staff member(s) of a Government Mortgagee.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(1) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	
54.	6/30/15	What is the application fee for FHA mortgagee approval?	<p>The applicant must pay a nonrefundable application fee when submitting an application for approval. Applicants applying for both Title I and Title II approval, whether simultaneously or separately, will only be assessed a single application fee. The application fee must be submitted as part of the online application.</p> <p>Applicants applying for approval as Government Mortgagees or applicants organized as nonprofits are not required to pay an application fee.</p> <p><u>INITIAL APPROVAL AND CONVERSION FEES</u>                      Title I - \$1,000                      Title II - \$1,000</p> <p>FHA Approval Fees and Coverages can be found on the Approval and Renewals web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/approvals_renewals">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/approvals_renewals</a>.</p>	4000.1 I.A.3.b.iv.  <a href="http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_fees_and_coverages.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_fees_and_coverages.pdf</a>

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			Handbook 4000.1 I.A.3.b.iv. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a> .	
55.	6/30/15	What types of business forms can be approved as an FHA lender?	<p>A Nonsupervised or Investing Mortgagee must be organized in one of the following acceptable business forms:</p> <ul style="list-style-type: none"> <li>• Corporation</li> <li>• Limited Liability Company (LLC)</li> <li>• Series Limited Liability Company (LLC)</li> <li>• Partnership</li> <li>• Nonprofit</li> </ul> <p>A sole proprietorship is not an acceptable business form.</p> <p>For additional information see Handbook 4000.1 I.A.3.c.i. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.c.i.
56.	6/30/15	What is a corporate officer?	<p>A Corporate Office of a Nonsupervised and Investing Mortgagee is a natural person who serves as one of the following positions for a Nonsupervised or Investing Mortgagee:</p> <ul style="list-style-type: none"> <li>• Owner;</li> <li>• President;</li> <li>• Vice President;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Member or manager of an LLC.</li> </ul> <p>A Corporate Officer of Supervised and Government Mortgagees is a natural person who serves as one of the following positions for a Supervised or Government Mortgagee:</p> <ul style="list-style-type: none"> <li>• President;</li> <li>• Vice President in charge of managing or overseeing any aspect of the Mortgagee’s FHA business;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> </ul>	4000.1 I.A.3.c.iv.(B)(1)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Specifically designated staff member(s) of a Government Mortgagee.</li> </ul> <p>The Mortgagee must ensure that no Corporate Officers are suspended, debarred or otherwise excluded from participation in FHA programs.</p> <p>Corporate Officers may only represent a single Mortgagee, unless the following criteria are met:</p> <ul style="list-style-type: none"> <li>• the Entities represented have some or all of the same Corporate Officers or Principal Owners;</li> <li>• there is a clear and effective separation of the Entities, and Borrowers know at all times exactly which Entity is being represented and with whom they are conducting business; and</li> <li>• there is a duly appointed or elected senior officer designated as the Officer in Charge who only conducts business of the Mortgagee during normal business hours.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(1) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
57.	6/30/15	How does a lender applicant appeal the denial of their online application for FHA approval?	<p>If FHA denies the application, FHA will provide written notice to the applicant that includes an explanation of the reasons for the denial. The applicant may submit an appeal of the denial decision through the online application within 30 days of the date of the denial.</p> <p>All reasons for disapproval must be addressed before resubmitting the application. Applicants are limited to two appeals and each resubmission counts as an appeal.</p> <p>If the denial is sustained, the applicant may submit a second appeal through the online application within 30 Days of the date the denial is sustained. If the denial is sustained a second time, the applicant will be ineligible to apply for FHA approval for a period of 12 months.</p> <p>The FHA Online Application is available on the How to Become an FHA-Approved Lender web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendappr</a>.</p> <p>For additional information see Handbook 4000.1 I.A.3.f.i at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	HQ Policy  4000.1 I.A.3.f.i.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
58.	6/30/15	What is a Sponsor/Sponsored Third Party Originator relationship and how is it set up?	<p>A Sponsor/Sponsored Third-Party Originator (TPO) Relationship is one in which a lender with Direct Endorsement (DE) Authority (acting as the “sponsor”) permits another entity to act as an originator and originate mortgages on their behalf.</p> <p>Only a lender with DE Authority may use sponsored TPOs.</p> <p>The lender must ensure its sponsored TPO does not purchase or hold FHA-insured mortgages and may not close mortgages in their own name.</p> <p>The lender may permit its sponsored TPO to purchase or hold FHA-insured mortgages and close in their own name, if the TPO is also an FHA-approved lender.</p> <p>A lender with Unconditional DE authority must register a sponsored TPO on the Sponsored Originator Maintenance screen in FHA Connection.</p> <p>The FHA Connection Guide is available at <a href="https://entp.hud.gov/clas/index.cfm">https://entp.hud.gov/clas/index.cfm</a>.</p> <p>For additional information see Handbook 4000.1 I.A.5.a.v at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.5.a.v
59.	6/30/15	Is a Sponsored Third Party Originator required to register for an NMLS ID?	<p>The FHA-approved lender must verify that all affiliates (including Sponsored Third-Party Originators) participating in HUD programs for, or on behalf of, the lender are registered with the National Mortgage Licensing System and Registry (NMLS), unless excluded from NMLS requirements by law or regulation.</p> <p>The NMLS Resource Center web page is available at <a href="http://mortgage.nationwidelicencingsystem.org/Pages/default.aspx">http://mortgage.nationwidelicencingsystem.org/Pages/default.aspx</a>.</p> <p>For additional information see Handbook 4000.1 V.A.2 I.A.6.k at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.6.k; V.A.2.b.i.(B)(1)(c)
60.	6/30/15	How does an FHA-approved mortgagee transfer its FHA approval to a new company?	<p>If a mortgagee receives a different federal Taxpayer Identification Number (TIN) as a result of a business change, the mortgagee must submit a new application for FHA mortgagee approval.</p> <p>FHA will issue a new FHA lender ID to the mortgagee upon approval. When the new FHA lender ID is issued, the old FHA lender ID will remain active for approximately 45 days to allow for completion of processing of mortgages in process under that identification number.</p> <p>If the mortgagee does not receive a new federal TIN as a result of a business change, then the mortgagee must submit the following documents to FHA using the Lender Electronic Assessment Portal (LEAP) within 10 business days of the change:</p> <ul style="list-style-type: none"> <li>• a Notice of Material Event in the form of a letter signed by a Corporate Officer containing the following provisions: <ul style="list-style-type: none"> <li>- providing a complete description of the business change;</li> <li>- confirming that there has been no change in the federal TIN or depositor insurance (in the case of a Supervised</li> </ul> </li> </ul>	4000.1 I.A.7.n.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>Mortgagee);</p> <ul style="list-style-type: none"> <li>- stipulating that the institution will continue to comply with all FHA approval and eligibility requirements; and</li> <li>- stipulating that the newly chartered entity will continue to be responsible for the assets and liabilities of the former entity, including any problems found subsequently by HUD in the origination or servicing of any mortgages originated or serviced by the entity prior to the business change; and</li> </ul> <ul style="list-style-type: none"> <li>• a copy of the Business Formation Documents.</li> </ul> <p>For more information about submitting a Notice of Material Event using LEAP refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.7.a.ii; I.A.7.n is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
61.	6/30/15	What are the net worth and liquidity requirements for FHA approved mortgagees?	<p>Supervised, Nonsupervised, and Investing Mortgagees must meet the adjusted net worth and liquidity requirements at all times. The requirements do not apply to Government Mortgagees.</p> <p>The adjusted net worth and liquid assets must be computed in accordance with the HUD OIG Handbook 2000.04, Consolidated Audit Guide for Audits of HUD Programs.</p> <p><u>Single Family Programs</u> The Mortgagee must have a minimum adjusted net worth of \$1,000,000 plus 1 percent of the total volume in excess of \$25,000,000 of FHA Single Family Mortgages originated, underwritten, serviced, and/or purchased during the prior fiscal year, up to a maximum required adjusted net worth of \$2,500,000.</p> <p><u>Multifamily Programs With Servicing</u> The Mortgagee must have a minimum adjusted net worth of \$1,000,000 plus an additional net worth of 1 percent of the total volume in excess of \$25,000,000 of FHA multifamily Mortgages originated, underwritten, purchased, and/or serviced during the prior fiscal year, up to a maximum required net worth of \$2,500,000.</p> <p><u>Multifamily Programs Without Servicing</u> The Mortgagee must have a minimum adjusted net worth of \$1,000,000 plus an additional net worth of one-half of 1 percent of the total volume in excess of \$25,000,000 of FHA multifamily Mortgages originated, underwritten, and/or purchased during the prior fiscal year, up to a maximum required net worth of \$2,500,000.</p> <p><u>Dual Participation</u> A Mortgagee approved to participate in both Single Family and Multifamily programs must have a minimum adjusted net worth of \$1,000,000 plus an additional net worth of 1 percent of the total volume in excess of \$25,000,000 of the aggregate of FHA Single Family and Multifamily Mortgages originated, underwritten, purchased, and/or serviced during the prior fiscal year, up to a maximum required net worth of \$2,500,000.</p>	4000.1 I.A.3.c.vii

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p><u>Liquidity</u> The Mortgagee must hold no less than 20 percent of its required adjusted net worth in liquid assets.</p> <p>Handbook 4000.1 I.A.3.c.vii; I.A.7.f. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
62.	6/30/15	What must a mortgagee do if their adjusted net worth or liquidity falls below the required minimum?	<p>If at any time a mortgagee’s adjusted net worth or liquidity falls below the required minimum, the mortgagee must submit a Notice of Material Event to FHA using the Lender Electronic Assessment Portal (LEAP) within 30 business days of the deficiency. The mortgagee must submit a Corrective Action Plan that outlines the steps taken to mitigate the deficiency and includes relevant information, such as contributions and efforts made to obtain additional capital.</p> <p>For more information about submitting a Notice of Material Event using LEAP refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.7.f. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.7.f.
63.	6/30/15	How does an FHA approved mortgagee withdraw its approval?	<p>A mortgagee that does not wish to retain, or that is ineligible to retain, its FHA approval must submit a request for voluntary withdrawal of FHA approval.</p> <p>The mortgagee must satisfy all outstanding payable indemnification debts and Mortgage Insurance Premiums (MIP), and transfer the servicing and ownership of any FHA-insured mortgages in its portfolio to an FHA-approved mortgagee prior to its request being approved, and the mortgagee will remain obligated on any outstanding indemnification agreements. FHA will not honor a mortgagee’s request to withdraw while there is a pending administrative action or Mortgage Review Board (MRB) action, or while the mortgagee has unpaid indemnification claims or unsatisfied settlement agreement obligations owed to HUD. The mortgagee must submit a request for voluntary withdrawal in the form of a letter, signed by a Corporate Officer, and submitted through the Lender Electronic Assessment Portal (LEAP). The request must be submitted within 10 business days of the change in the mortgagee’s eligibility status.</p> <p>A mortgagee whose approval is voluntarily withdrawn may reapply for FHA approval any time after its withdrawal.</p> <p>For more information about submitting a voluntary withdrawal using LEAP refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.9. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.9

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
64.	6/30/15	Which owners and officers of an FHA-approved lender must be reported to FHA?	<p>A Supervised, Nonsupervised, or Investing Mortgagee must identify all Principal Owners. A Principal Owner is any individual or Entity meeting the following thresholds or roles for the applicable business form:</p> <ul style="list-style-type: none"> <li>Publicly Traded Corporation – 10% or more ownership</li> <li>Private or Close Corporation – 25% or more ownership</li> <li>Limited Liability Company – All Members</li> <li>Partnerships – All Partners</li> </ul> <p>The Mortgagee must identify all Corporate Officers who will be directly involved in managing, overseeing, or conducting FHA business. The Mortgagee must also identify the Officer in Charge, which is the Corporate Officer designated to manage and direct the Mortgagee’s FHA Operations.</p> <p><u>NONSUPERVISED &amp; INVESTING MORTGAGEES</u>                      A Corporate Officer is a natural person who serves as one of the following positions for a Nonsupervised or Investing Mortgagee:</p> <ul style="list-style-type: none"> <li>Owner;</li> <li>President;</li> <li>Vice President;</li> <li>Chief Operating Officer (COO);</li> <li>Chief Financial Officer (CFO);</li> <li>Director;</li> <li>Corporate Secretary;</li> <li>Chief Executive Officer (CEO);</li> <li>General Counsel;</li> <li>Chairman of the Board;</li> <li>General Partner; or</li> <li>Member or manager of an LLC.</li> </ul> <p><u>SUPERVISED &amp; GOVERNMENT MORTGAGEES</u>                      A Corporate Officer is a natural person who serves as one of the following positions for a Supervised or Government Mortgagee:</p> <ul style="list-style-type: none"> <li>President;</li> <li>Vice President in charge of managing or overseeing any aspect of the Mortgagee’s FHA business;</li> <li>Chief Operating Officer (COO);</li> <li>Chief Financial Officer (CFO);</li> <li>Director;</li> <li>Corporate Secretary;</li> <li>Chief Executive Officer (CEO);</li> <li>General Counsel;</li> </ul>	4000.1 1.A.3.c.iv.(A)-(B)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Specifically designated staff member(s) of a Government Mortgagee.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(A)-(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
65.	6/30/15	What is the definition of a small supervised mortgagee?	<p>A Small Supervised Mortgagee is a Supervised Mortgagee that has consolidated assets below the threshold for audited financial reporting established by the Federal Banking Agency with oversight of the Mortgagee. Thresholds are codified at 12 CFR 363.1(a), 562.4(b)(2), and 715.4(c), and are subject to change.</p> <p>The Electronic Code of Regulations (e-CFR) is available at <a href="http://www.ecfr.gov/cgi-bin/ECFR?page=browse">http://www.ecfr.gov/cgi-bin/ECFR?page=browse</a>.</p> <p>For additional information see Handbook 4000.1 I.A.2.a.i.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.2.a.i.(B)
66.	6/30/15	How does an FHA mortgagee make changes to its address, phone, or contact information in FHA records?	<p>The mortgagee must submit all information updates to FHA using the Lender Electronic Assessment Portal (LEAP) on the Institution and corresponding Branch page. To make these updates, the mortgagee must have access to the FHA Connection. All information updates must be submitted within 10 business days of the change.</p> <p>An information update is any change to a mortgagee’s basic institution or branch information in the FHA systems that can be directly managed by the mortgagee.</p> <p>The mortgagee must submit Information updates, as applicable, for the following information:</p> <ul style="list-style-type: none"> <li>• addresses for correspondence</li> <li>• point of contact</li> <li>• all other contact and identification information</li> <li>• branch office information</li> <li>• corporate officers</li> <li>• principal/authorized agent relationships</li> <li>• cash flow accounts</li> </ul> <p>For information about using LEAP refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.7.a.-b.is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.7.a.-b.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
67.	6/30/15	How does an FHA approved mortgagee obtain a letter from FHA verifying it is approved?	<p>When FHA approves an application for FHA mortgagee approval, FHA provides notice via email and U.S. mail. This notice includes the mortgagee’s assigned FHA Lender Identification Number (FHA Lender ID).</p> <p>Neighborhood Watch may be used to look up a mortgagee by its legal name, DBA name or FHA Lender ID and verify the company’s FHA lender approval status. Neighborhood Watch can be accessed at: <a href="https://entp.hud.gov/sfnw/public/">https://entp.hud.gov/sfnw/public/</a>.</p> <p>To look up a lender, please click on the “Details” link on the web page above and then select “Lender Details.” The search results will provide the lender’s name, address, phone number, FHA lender ID number, current FHA lender status, other related information and any of its branches that are currently registered with FHA.</p> <p>Handbook 4000.1 I.A.3.e is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.e.
68.	6/30/15	Can I become an FHA mortgagee without getting Direct Endorsement (DE) approval?	<p>Yes. Unconditional Direct Endorsement (DE) Authority is a supplemental authority which permits a mortgagee to underwrite and close Title II Single Family mortgages prior to submitting them for FHA insurance endorsement. An FHA approved mortgagee with Conditional Authority (has not entered or completed the test case phase) can originate FHA loans if sponsored by a mortgagee with FHA Unconditional DE Authority. In this capacity, the sponsored mortgagee would be operating as a Third Party Originator (TPO).</p> <p>FHA allows originations between a TPO and an unconditional DE mortgagee that meet the following:</p> <ol style="list-style-type: none"> <li>1. The TPO must originate the loan.</li> <li>2. The DE mortgagee must underwrite the loan.</li> <li>3. The loan can be funded and closed by the TPO if the TPO is an FHA approved mortgagee.</li> <li>4. The FHA approved mortgagee serving as the TPO on the loan will not be able to access the loan file in the FHA Connection (FHAC).</li> <li>5. A relationship between a TPO and an unconditional DE lender must be registered in FHAC by the DE mortgagee.</li> </ol> <p>For additional information see Handbook 4000.1 I.A.5.a.i(A)(1)&amp;(3); II.A.1.a.iii.(A)(1); II.A.1.a.iii.(B)(1)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.5.a.i.(A)(1)& (3); II.A.1.a.iii.(A)(1); II.A.1.a.iii.(B)(1)(b)
69.	6/30/15	Can a bank or credit union that is an FHA approved lender be a Sponsored Third Party Originator (TPO)?	<p>Yes. A Third-Party Originator (TPO) is an entity that originates FHA-insured mortgages for an FHA-approved mortgagee. A TPO may be an FHA-approved entity or a non-FHA-approved entity.</p> <p>FHA allows originations between a TPO and an unconditional Direct Endorsement (DE) mortgagee that meet the following:</p> <ol style="list-style-type: none"> <li>1. The TPO must originate the loan.</li> <li>2. The DE mortgagee must underwrite the loan.</li> <li>3. The loan can be funded and closed by the TPO if the TPO is an FHA approved mortgagee.</li> <li>4. The FHA approved mortgagee serving as the TPO on the loan will not be able to access the loan file in the FHA Connection (FHAC).</li> </ol>	4000.1 Glossary; I.A.5.a.i.(A)(1)& (3); II.A.1.a.iii.(A)(1); II.A.1.a.iii.(B)(1)(b)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>5. A relationship between a TPO and an unconditional DE mortgagee must be registered by the DE mortgagee in FHAC.</p> <p>For additional information see Handbook 4000.1 I.A.5.a.i(A)(1)&amp;(3); II.A.1.a.iii.(A)(1); II.A.1.a.iii.(B)(1)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn</a>.</p>	
70.	6/30/15	How does a mortgagee get its authorized functions changed?	<p>The mortgagee has an ongoing requirement to notify FHA of any changes to the information outlined in its application for FHA approval or in FHA’s eligibility requirements.</p> <p>The mortgagee must submit all Information Updates, Notices of Material Event, and Change Requests to FHA using the Lender Electronic Assessment Portal (LEAP). All Information Updates, Notices of Material Event, and Change Requests must be submitted within 10 business days of the change, unless otherwise specified in Handbook 4000.1 I.A.7.</p> <p>The mortgagee must:</p> <ul style="list-style-type: none"> <li>• include a cover letter signed by a corporate officer summarizing the business change(s); and</li> <li>• submit any required documents as specified in Handbook 4000.1 I.A.3.c or as described in the LEAP User Manual.</li> </ul> <p>The LEAP User Manual is available at <a href="http://www.hud.gov/lenders">www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn</a>.</p>	4000.1 I.A.7
71.	6/30/15	When must an FHA-approved mortgagee report corporate officer updates or changes to FHA?	<p>The mortgagee must submit all corporate officer updates, to FHA using the Lender Electronic Assessment Portal (LEAP) within 10 business days of the change.</p> <p>The mortgagee must:</p> <ul style="list-style-type: none"> <li>• include a cover letter signed by a corporate officer summarizing the business change(s); and</li> <li>• submit any required documents as specified in Handbook 4000.1 I.A.3.c or as described in the LEAP User Manual.</li> </ul> <p>The LEAP User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.7.a is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgn</a>.</p>	4000.1 I.A.7.a
72.	6/30/15	What types of business changes must a mortgagee report to FHA?	<p>The mortgagee has an ongoing requirement to notify FHA of any changes to the information outlined in its application for FHA approval or in FHA’s eligibility requirements.</p> <p><u>Information Update</u> An Information Update is any change to a mortgagee’s basic institution or branch information in the FHA systems that can be directly managed by the mortgagee.</p>	4000.1 I.A.7.a

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p><u>Notice of Material Event</u> A Notice of Material Event is the method of submitting a required notice to FHA of a change to the information provided by the mortgagee at application as evidence of approval eligibility, or a change that affects the mortgagee’s standing as an FHA-approved mortgagee.</p> <p><u>Change Request</u> A Change Request is the method of submitting information and/or business changes to FHA that requires FHA review and approval before acceptance. Any update or change that cannot be made by the mortgagee directly is submitted as a Change Request.</p> <p>The mortgagee must submit all Information Updates, Notices of Material Event, and Change Requests to FHA using the Lender Electronic Assessment Portal (LEAP) within 10 business days of the change, unless otherwise specified in Handbook 4000.1 I.A.7.</p> <p>The mortgagee must:</p> <ul style="list-style-type: none"> <li>• include a cover letter signed by a corporate officer summarizing the business change(s); and</li> <li>• submit any required documents as specified in Handbook 4000.1 I.A.3.c or as described in the LEAP User Manual.</li> </ul> <p>The LEAP User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.c &amp; I.A.7 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
73.	6/30/15	When must an FHA-approved mortgagee notify FHA of business changes in partnership or Principal Owners?	<p>The mortgagee must submit a Notice of Material Event to FHA if it experiences a change in partnership or principal owners using the Lender Electronic Assessment Portal (LEAP) within 10 business days of the change. This includes the addition or removal of partners or principal owners.</p> <p>A Notice of Material Event is the method of submitting a required notice to FHA of a change to the information provided by the mortgagee at application as evidence of approval eligibility, or a change that affects the mortgagee’s standing as an FHA-approved mortgagee.</p> <p>The mortgagee must:</p> <ul style="list-style-type: none"> <li>• include a cover letter signed by a corporate officer summarizing the business change(s); and</li> <li>• submit any required documents as specified in Handbook 4000.1 I.A.3.c or as described in the LEAP User Manual.</li> </ul>	4000.1 I.A.7.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>The LEAP User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.c &amp; I.A.7 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	
74.	6/30/15	What happens if an NMLS ID is revoked or a license/registration expires?	<p>The mortgagee must ensure that it and its employees comply with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), including the licensing and registration of its employees in the NMLS.</p> <p>The mortgagee must have an active state license, registration, or equivalent approval to operate its business in the jurisdiction where the home office is located.</p> <p>The mortgagee must ensure that each branch office has all licenses, registrations, or approvals required for the types of mortgagee functions or activities performed for the jurisdiction in which that office is located. A mortgagee that has been refused a state license or been sanctioned by any state in which it will originate FHA mortgages must disclose the circumstances of the refusal or sanction and the resolution to FHA.</p> <p>The mortgagee must submit a Notice of Material Event to FHA of any changes to its license(s) using the Lender Electronic Assessment Portal (LEAP) within 10 business days of the change. In the event of a lending license surrender or revocation, the mortgagee must notify FHA which license(s) has been surrendered and provide an explanation of each action.</p> <p>The mortgagee must ensure that its corporate officers, employees, and affiliates conducting FHA business on their behalf have all state and federal licenses and registrations required for the mortgagee functions or activities that will be performed.</p> <p>The Mortgagee Review Board (MRB) is authorized to impose civil money penalties and take administrative action against any FHA-approved mortgagee that does not comply with HUD and FHA statutory, regulatory, and any Handbook requirements.</p> <p>For more information about submitting a Notice of Material Event using LEAP refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.c.iv.(B)(3)(b)(iii); I.A.3.c.vi; V.E.4 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.3.c.iv.(B)(3)(b)(iii); I.A.3.c.vi; V.E.4
75.	6/30/15	Has FHA's requirements been changed so a loan can close in the name of a non-FHA approved entity?	<p>A mortgagee must ensure its sponsored Third Party Originator (TPO) does not purchase or hold FHA insured loans and may not close loans in their own name.</p> <p>A mortgagee may permit its sponsored TPO to purchase or hold FHA insured loans and may close loans in their own name, if the TPO is also an FHA-approved mortgagee. For additional information see Handbook 4000.1 I.A.5.v.a.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.5.a.v.(B)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
76.	6/30/15	How does a mortgagee get its Fiscal Year revised/changed in FHA's computer systems?	<p>The mortgagee must submit a Change Request to FHA in order to change its fiscal year end date.</p> <p>The mortgagee must submit the Requests to FHA using the Lender Electronic Assessment Portal (LEAP) at least 90 days before the end of their current fiscal year, as reported to FHA.</p> <p>The mortgagee must:</p> <ul style="list-style-type: none"> <li>• include a cover letter signed by a corporate officer summarizing the business change(s); and</li> <li>• submit any required documents as specified in Handbook 4000.1 I.A.3.c or as described in the LEAP User Manual.</li> </ul> <p>Before approving the change, FHA may require the mortgagee to submit interim financial reports to ensure the mortgagee's next annual renewal financial reports cover no more than 18 months.</p> <p>The LEAP User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.7.a &amp; I is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.7.a & I
77.	6/30/15	How do I add Authorized Agents in LEAP?	<p>A Principal/Authorized Agent Relationship is one in which a mortgagee with Unconditional Direct Endorsement (DE) authority permits another DE-approved mortgagee to underwrite mortgages on its behalf.</p> <p>The relationship must be documented in the Lender Electronic Assessment Portal (LEAP) by the authorized agent and the principal's FHA Lender ID must be entered in the "Originator" field on the FHA case file and in FHAC.</p> <p>The principal must originate the mortgage and the authorized agent must underwrite the mortgage. The mortgage may close in either mortgagee's name, and either may submit the mortgage for insurance endorsement.</p> <p>The authorized agent must have Unconditional DE authority to underwrite the type of Mortgage that is being underwritten. The mortgagees must be approved as follows.</p> <p><u>To originate forward mortgages:</u></p> <ul style="list-style-type: none"> <li>• the principal may have Unconditional DE authority for either forward mortgages or Home Equity Conversion Mortgages (HECM); and</li> <li>• the authorized agent must have Unconditional DE authority for forward mortgages.</li> </ul> <p><u>To originate Home Equity Conversion Mortgages:</u></p> <ul style="list-style-type: none"> <li>• the principal may have Unconditional DE authority for either forward mortgages or HECM; and</li> <li>• the authorized agent must have Unconditional DE authority for HECM.</li> </ul>	4000.1 I.A.5.a.iv.

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>The LEAP User Manual is located at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.5.a.iv. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	
78.	6/30/15	What are the geographic limits for a lender's home or branch office when originating FHA loans?	<p>An "Area Approved for Business" (AAFB) is the geographic area in which a lender's home or branch office is permitted to originate or underwrite FHA mortgages. The AAFB is subdivided into HUD Field Office jurisdictions.</p> <p>All branch offices registered by a lender will initially be granted a nationwide AAFB. The branch may only exercise its authority to originate or underwrite FHA mortgages in those states where the lender fully complies with state origination and/or underwriting licensing and approval requirements.</p> <p>For additional information see Handbook 4000.1 I.A.4.b available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.4.b.
79.	6/30/15	How does a lender obtain HUD approval to originate FHA loans nationwide?	<p>An "Area Approved for Business" (AAFB) is the geographic area in which a lender's home or branch office is permitted to originate or underwrite FHA Mortgages. The AAFB is subdivided into HUD Field Office jurisdictions.</p> <p>All branch offices registered by a lender will initially be granted a nationwide AAFB. The branch may only exercise its authority to originate or underwrite FHA Mortgages in those states where the lender fully complies with state origination and/or underwriting licensing and approval requirements.</p> <p>For additional information see Handbook 4000.1 I.A.4.b available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.4.b.
80.	6/30/15	Which branch offices of a lender must be registered with FHA?	<p>The mortgagee must register all branch offices in which it conducts FHA business, including originating, underwriting, and/or servicing FHA-insured mortgages. All branch offices must meet FHA's staffing, office facilities, and operating requirements, and all applicable licensing requirements.</p> <p>For additional information see Handbook 4000.1 I.A.4.a; I.A.6. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.4.a; I.A.6.
81.	6/30/15	Does FHA allow net branching?	<p>No. The lender must not engage an existing, legally separate mortgage company or broker to function as the lender's branch office or Doing Business As (DBA) name or to conduct FHA activities using the lender's FHA approval.</p> <p>The lender must pay all of its own operating expenses, including the expenses of its home office and any branch offices where it conducts FHA business. The lender must maintain all accounts for operating expenses in its name.</p> <p>In cases where a lender acquires an existing office with the intent of operating it as a branch office, and the lease of the acquired office is not transferable to the lender, FHA will allow the lender to operate the acquired office as a branch office until the lease expires upon its own terms, so long as the lender can demonstrate that it has assumed financial liability for</p>	4000.1 I.A.4.d; I.A.6.g.ii

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>the payment of the lease. In such cases, the lender must document and maintain evidence that it has assumed financial liability for the payment of the lease and produce this documentation to FHA upon request.</p> <p>For additional information see Handbook 4000.1 I.A.4.d; I.A.6.g.ii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	
82.	6/30/15	How does an FHA-approved lender register a new branch office?	<p>All branch offices in which a lender conducts FHA business, including originating, underwriting, and/or servicing FHA-insured mortgages must be registered. The lender must register each branch office and pay branch office registration fees through the Lender Electronic Assessment Portal (LEAP). A 10-digit FHA lender ID will be assigned to each registered branch office.</p> <p>The lender cannot register a new branch office within a HUD Field Office jurisdiction in which it has withdrawn a branch office in the last six months. Instead, the lender must make a request through LEAP to reassign the former office's 10-digit FHA lender ID to the new branch and pay the branch office registration fee.</p> <p>For information on adding a branch refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>For additional information see Handbook 4000.1 I.A.4.a available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.4.a
83.	6/30/15	Does the term "corporate officer" include branch managers?	<p>No. A corporate officer of a Nonsupervised and Investing Mortgagee is a natural person who serves as one of the following positions for a Nonsupervised or Investing Mortgagee:</p> <ul style="list-style-type: none"> <li>• Owner;</li> <li>• President;</li> <li>• Vice President;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Member or Manager of an LLC.</li> </ul> <p>A Corporate Officer of Supervised and Government Mortgagees is a natural person who serves as one of the following positions for a Supervised or Government Mortgagee:</p> <ul style="list-style-type: none"> <li>• President;</li> <li>• Vice President in charge of managing or overseeing any aspect of the Mortgagee's FHA business;</li> </ul>	4000.1 I.A.3.c.iv.(B)(1)(a)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Specifically designated staff member(s) of a Government Mortgagee.</li> </ul> <p>For additional information see Handbook 4000.1 I.A.3.c.iv.(B)(1)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	
84.	6/30/15	What happens if a lender fails to complete the annual recertification of its FHA approval?	<p>To retain its FHA approval, a lender must, unless otherwise noted, complete FHA’s recertification process on an annual basis. Each lender must submit its recertification package within 90 days after the lender’s fiscal year end.</p> <p>A lender may be referred to the Mortgagee Review Board (MRB) for failing to timely and satisfactorily complete the annual recertification process.</p> <p>For additional information see Handbook 4000.1 I.A.8.a &amp; g available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.8.a & g
85.	6/30/15	Does an FHA approved lender have to meet the liquidity and net worth requirements at all times?	<p>Supervised, Nonsupervised, and Investing Mortgagees must meet the adjusted net worth and liquidity requirements at all times.</p> <p>If at any time a mortgagee’s adjusted net worth or liquidity falls below the required minimum, the mortgagee must submit a Notice of Material Event to FHA using the Lender Electronic Assessment Portal (LEAP) within 30 business days of the deficiency. The mortgagee must submit a corrective action plan that outlines the steps taken to mitigate the deficiency and includes relevant information, such as contributions and efforts made to obtain additional capital.</p> <p>For more information about submitting a Notice of Material Event using LEAP refer to the LEAP User Manual located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.c.vii; I.A.7.f is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.3.c.vii; I.A.7.f
86.	6/30/15	Who can complete the FHA online Annual Certification on behalf of a mortgagee?	<p>The certification must be completed through the Lender Electronic Assessment Portal (LEAP) by a Corporate Officer of the mortgagee who has been granted the Certifying Official authorization in FHA Connection (FHAC).</p> <p>A Corporate Officer of a Nonsupervised and Investing Mortgagee is a natural person who serves as one of the following</p>	4000.1 I.A.8.b; I.A.3.c.iv.(B)(1)

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>positions for a Nonsupervised or Investing Mortgagee:</p> <ul style="list-style-type: none"> <li>• Owner;</li> <li>• President;</li> <li>• Vice President;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Member or Manager of an LLC.</li> </ul> <p>A Corporate Officer of Supervised and Government Mortgagees is a natural person who serves as one of the following positions for a Supervised or Government Mortgagee:</p> <ul style="list-style-type: none"> <li>• President;</li> <li>• Vice President in charge of managing or overseeing any aspect of the Mortgagee’s FHA business;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Specifically designated staff member(s) of a Government Mortgagee.</li> </ul> <p>For LEAP Information, including the LEAP User Manual, please visit the FHA Lenders page, Approvals and Renewal section, at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a>.</p> <p>Handbook 4000.1 I.A.8.b; I.A.3.c.iv.(B)(1)(a) is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
87.	6/30/15	What are the annual recertification requirements for FHA-approved Government Mortgagees?	<p>To retain its FHA approval, a mortgagee must complete FHA’s recertification process on an annual basis within 90 days after their fiscal year end.</p> <p>Government mortgagees must submit the online certification to recertify their FHA approval, but are not required to pay a recertification fee or submit financial information.</p> <p>The mortgagee, through a corporate officer, must complete a series of annual certification statements that address the mortgagee’s compliance with FHA requirements over the certification period. The certification period is the one-year period beginning on the first day of the mortgagee’s prior fiscal year and ending on the last calendar day thereof.</p> <p>The certification must be completed through the Lender Electronic Assessment Portal (LEAP) by a corporate officer of the mortgagee who has been granted the Certifying Official authorization in FHA Connection (FHAC).</p> <p>A corporate officer is a natural person who serves as one of the following positions for a government mortgagee:</p> <ul style="list-style-type: none"> <li>• President;</li> <li>• Vice President in charge of managing or overseeing any aspect of the mortgagee’s FHA business;</li> <li>• Chief Operating Officer (COO);</li> <li>• Chief Financial Officer (CFO);</li> <li>• Director;</li> <li>• Corporate Secretary;</li> <li>• Chief Executive Officer (CEO);</li> <li>• General Counsel;</li> <li>• Chairman of the Board;</li> <li>• General Partner; or</li> <li>• Specifically designated staff member(s) of a Government Mortgagee.</li> </ul> <p>For LEAP Information, including the LEAP User Manual, please visit the FHA Lenders page, Approvals and Renewal section, at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a>.</p> <p>Handbook 4000.1:I.A.3.c.iv.(B)(1)(a) is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	4000.1 I.A.3.c.iv.(B)(1)(a)
88.	6/30/15	When must a newly FHA approved lender submit its first renewal audit of its financial statements?	<p>Lenders approved using audited financial statements that covered a time period ending within the six months before approval are not required to submit a recertification package after the close of that fiscal year.</p> <p>At the close of the first, full fiscal year following receipt of FHA approval, the lender must submit audited financial statements covering the period from the ending date of the financial statements used to obtain initial approval, and ending at the close of the lender’s most recent fiscal year. Lenders may not submit financial statements that cover a period of more than 18 months.</p>	4000.1 I.A.8.a.iii

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			For additional information see Handbook 4000.1 I.A.8.a.iii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a> .	
89.	6/30/15	How do I add an Officer to complete the online annual recertification to renew my FHA approval?	<p>The certification must be completed through the Lender Electronic Assessment Portal (LEAP) by a corporate officer of the mortgagee who has been granted the Certifying Official authorization in FHA Connection (FHAC).</p> <p>The institution’s application coordinators may assign the Certifying Official authorization role to up to three corporate officers’ user IDs.</p> <p>The application coordinators may assign annual certification authority by completing these steps:</p> <ul style="list-style-type: none"> <li>• Sign into the FHA Connection (FHAC);</li> <li>• click on "ID Maintenance";</li> <li>• click on "FHA Connection ID Administration";</li> <li>• enter the user ID of the corporate officer who will do the annual certification in the "By ID" field;</li> <li>• click send;</li> <li>• scroll down to "Authorization for Lender Electronic Assessment Portal Applications";</li> <li>• check "Certifying Official", and</li> <li>• click "Send". The change is effective the next business day.</li> </ul> <p>To register a corporate officer in LEAP, the mortgagee must:</p> <ul style="list-style-type: none"> <li>• include a cover letter signed by a Corporate Officer summarizing the business change(s); and</li> <li>• submit any required documents as specified in Handbook 4000.1 I.A.3 or as described in the LEAP User Manual.</li> </ul> <p>For LEAP Information, including the LEAP User Manual, please visit the FHA Lenders page, Approvals and Renewal section, at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a>.</p> <p>Handbook 4000.1 I.A.8.b.ii &amp; I.A.7.a.iii is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.8.b.ii; I.A.7.a.iii</p> <p>LEAP User Manual</p>
90.	6/30/15	Can an FHA-approved Lender pay its annual recertification fee directly in pay.gov?	<p>No. All fee payments must be made electronically via the Lender Electronic Assessment Portal (LEAP). LEAP uses a direct web service with the Treasury Department’s Pay.Gov service.</p> <p>For LEAP Information, including the LEAP User Manual, please visit the FHA Lenders page, Approvals and Renewal section, at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a>.</p> <p>Handbook 4000.1 I.a.8.c. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>.</p>	<p>4000.1 I.A.8.c</p> <p>LEAP User Manual</p>

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
91.	6/30/15	Can a mortgagee obtain an extension for submission of their financial statements in LEAP?	<p>The mortgagee may request an extension of its recertification package due date. Extension requests must be submitted through the Lender Electronic Assessment Portal (LEAP) at least 45 days prior to the mortgagee’s recertification package due date.</p> <p>For LEAP Information, including the LEAP User Manual, please visit the FHA Lenders page, Approvals and Renewal section, at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a>.</p> <p>Handbook 4000.1 I.A.8.f is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p>	4000.1 I.A.8.f
92.	6/30/15	When does a newly FHA-approved lender have to pay its first annual recertification fee?	<p>The recertification fee is non-refundable and will not be prorated.</p> <p>Lenders approved using financial statements that covered a time period ending within the six months before approval are not required to submit a recertification package after the close of that fiscal year.</p> <p>For additional information see Handbook 4000.1 I.A.8.a.iii; I.A. 8.c available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a>.</p> <p>The Lender Electronic Assessment Portal (LEAP) User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p>	4000.1 I.A.8.a.iii and 8.c
93.	6/30/15	What is the Online Certification process for Mortgagee Annual Recertification?	<p>The mortgagee, through a corporate officer, must complete a series of annual certification statements that address the mortgagee’s compliance with FHA requirements over the certification period. The certification period is the one-year period beginning on the first day of the mortgagee’s prior fiscal year and ending on the last calendar day thereof.</p> <p>The certification must be completed through the Lender Electronic Assessment Portal (LEAP) by a corporate officer of the mortgagee who has been granted the Certifying Official authorization in FHA Connection (FHAC). If a mortgagee is unable to truthfully certify to one or more of the statements set forth in the online certification, the mortgagee must not make the particular certification.</p> <p>The mortgagee must submit an explanation for each certification that it is unable to complete. Supporting documentation may be submitted with the explanation. If additional information is required as a result of the mortgagee’s explanation, FHA will advise what additional information or documentation is required and provide a due date for the submission of the requested information or documentation.</p> <p>FHA will review the mortgagee’s explanation and communicate to the mortgagee any additional information or documentation needed to render a final decision regarding the mortgagee’s ability to complete the annual recertification process.</p> <p>If a mortgagee submits a false certification to FHA, the mortgagee and its certifying corporate officer may be referred for</p>	4000.1 I.A.8.b

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>criminal, civil, or administrative actions, as appropriate.</p> <p>The Lender Electronic Assessment Portal (LEAP) User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.8.b is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	
94.	6/30/15	Can someone other than a Corporate Officer complete the Annual Certification?	<p>The certification must be completed through the Lender Electronic Assessment Portal (LEAP) by a corporate officer of the mortgagee who has been granted the Certifying Official authorization in FHA Connection (FHAC).</p> <p>The Lender Electronic Assessment Portal (LEAP) User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.8.b is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.8.b
95.	6/30/15	What must I do if I am unable to certify the company meets HUD annual recertification requirements?	<p>If a mortgagee is unable to truthfully certify to one or more of the statements set forth in the Lender Electronic Assessment Portal (LEAP) online certification, the mortgagee must not make the particular certification. The corresponding box should be left unchecked and the “Unable to Certify” option selected.</p> <p>The mortgagee must submit an explanation for each certification that it is unable to complete. Supporting documentation may be submitted with its explanation. If additional information is required as a result of the mortgagee’s explanation, FHA will advise what additional information or documentation is required and provide a due date for the submission of the requested information or documentation.</p> <p>FHA will review the mortgagee’s explanation and communicate to the lender any additional information or documentation needed to render a final decision regarding the lender’s ability to complete the annual recertification process.</p> <p>The Lender Electronic Assessment Portal (LEAP) User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 IA.8.b.iii is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	4000.1 I.A.8.b.ii  LEAP User Manual
96.	6/30/15	What are the financial reporting requirements for small supervised mortgagees?	<p>A small supervised mortgagee is a supervised mortgagee that has consolidated assets below the threshold for audited financial reporting established by the Federal Banking Agency with oversight of the mortgagee. Thresholds are codified at 12 CFR 363.1(a), 562.4(b)(2), and 715.4(c), and are subject to change.</p> <p>At application for approval a small supervised mortgagee must submit a copy of its unaudited regulatory report (i.e., report of condition and income, also known as the “call report,” which is submitted on the Federal Financial Institutions</p>	4000.1 I.A.3.c.vii.(C)(1); I.A.8.d.i

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Doing Business with FHA – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>Examination Council Forms 031 and 041, or a consolidated or fourth quarter NCUA call report, submitted on NCUA Form 5300 or 5310) signed by a corporate officer that aligns with its fiscal year end.</p> <p>At renewal a small supervised mortgagee must submit a copy of its unaudited regulatory report, signed by a corporate officer, which aligns with its fiscal year end in the Lender Electronic Assessment Portal (LEAP).</p> <p>The Lender Electronic Assessment Portal (LEAP) User Manual is located at: <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>Handbook 4000.1 I.A.3.c.vii.(C)(1); I.A.8.d.i is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a>.</p>	
97.	6/30/15	How does a lender verify their annual renewal fee payment has been received and processed?	<p>Payment, Correspondence, and Recertification History can be viewed in the Lender Electronic Assessment Portal (LEAP) by selecting the History drop-down on the Menu Bar.</p> <p>An Institution’s payment history can be viewed by selecting “Payment History”. The Payment History page will show any Pay.gov payments required or made by the Institution.</p> <p>For LEAP Information, including the LEAP User Manual, please visit the FHA Lenders page, Approvals and Renewal section, at <a href="http://www.hud.gov/lenders">http://www.hud.gov/lenders</a>.</p>	LEAP User Manual

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
98.	6/17/15	What are the guidelines for borrowers with a short sale on a previous principal residence?	<p>A Borrower is generally not eligible for a new FHA-insured mortgage if they relinquished a property through a short sale within three years from the date of case number assignment.</p> <p>The lender must document the passage of three years since the date of the short sale. If the short sale occurred within three years of the case number assignment date, the mortgage must be downgraded to a Refer and manually underwritten. This three-year period begins on the date of transfer of title by short sale.</p> <p>If the credit report does not verify the date of the transfer of title by short sale, the lender must obtain the short sale documents.</p> <p><u>Exception for Borrower Current at Time of Short Sale</u></p> <p>A Borrower is considered eligible for a new FHA-insured mortgage if, from the date of case number assignment for the new mortgage:</p> <ul style="list-style-type: none"> <li>• all Mortgage Payments on the prior mortgage were made within the month due for the 12-month period preceding the short sale; and</li> <li>• installment debt payments for the same time period were also made within the month due.</li> </ul> <p><u>Exception for Extenuating Circumstances</u></p> <p>The lender may grant an exception to the three-year requirement if the short sale was the result of documented extenuating circumstances that were beyond the control of the Borrower, such as a serious illness or death of a wage earner, and the Borrower has re-established good credit since the short sale.</p> <p>Divorce is not considered an extenuating circumstance. An exception may, however, be granted where a Borrower's mortgage was current at the time of the Borrower's divorce, the ex-spouse received the property, and there was a subsequent short sale.</p> <p>The inability to sell the property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.</p> <p>If the short sale was the result of a circumstance beyond the Borrower's control, the mortgagee must obtain an explanation of the circumstance and document that the circumstance was beyond the Borrower's control.</p> <p>For additional information see Handbook 4000.1 II.A.4.a.v; II.A.4.b.iii.(G); II.A.5.a.iii.(J) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a.v II.A.4.b.iii.(G) II.A.5.a.iii.(J)
99.	6/17/15	Are loan amounts restricted when the purchase involves an identity of interest?	<p>The maximum LTV percentage for Identity-of-Interest transactions on Principal Residences, including transactions where a tenant-landlord relationship exists at the time of contract execution, is restricted to 85 percent.</p> <p>An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members as defined in Handbook 4000.1 II.A.2.b.ii.(A).</p>	4000.1 II.A.2.b.ii.(A)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The 85 percent maximum LTV restriction does not apply for Identity-of-Interest transactions under the following circumstances:</p> <p><u>FAMILY MEMBER TRANSACTIONS</u></p> <ul style="list-style-type: none"> <li>the Principal Residence of another Family Member; or</li> <li>a property owned by another Family Member in which the Borrower has been a tenant for at least six months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required.</li> </ul> <p><u>BUILDER’S EMPLOYEE PURCHASE</u></p> <ul style="list-style-type: none"> <li>An employee of a builder, who is not a Family Member, purchases one of the builder’s new houses or models as a Principal Residence.</li> </ul> <p><u>CORPORATE TRANSFER</u></p> <ul style="list-style-type: none"> <li>A corporation transfers an employee to another location, purchases the employee’s house, and sells the house to another employee.</li> </ul> <p><u>TENANT PURCHASE</u></p> <ul style="list-style-type: none"> <li>the current tenant purchases the property where the tenant has rented the property for at least six months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.2.b.ii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
100.	6/17/15	How does FHA define “Family Member”?	<p>Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> <li>child, parent, or grandparent                             <ul style="list-style-type: none"> <li>- a child is defined as a son, stepson, daughter, or stepdaughter</li> <li>- a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent</li> </ul> </li> <li>spouse or domestic partner</li> <li>legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption</li> <li>foster child</li> <li>brother, stepbrother</li> <li>sister, stepsister</li> <li>uncle</li> <li>aunt, or</li> </ul>	4000.1 Glossary

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower.</li> </ul> <p>For additional information see Handbook 4000.1 Glossary available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
101.	6/17/15	Does FHA require a minimum credit score and how is it determined?	<p>The borrower is not eligible for FHA-insured financing if the Minimum Decision Credit Score (MDCS) is less than 500. If the MDCS is between 500 and 579 the borrower is limited to a maximum LTV of 90%. If the MDCS is at or above 580 the borrower is eligible for maximum financing.</p> <p>The lender must downgrade and manually underwrite a mortgage that received an Accept recommendation if only the non-occupying co-borrower has a credit score. Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing, but must be manually underwritten using the procedures in Handbook 4000.1 II.A.5.</p> <p>The MDCS refers to:</p> <ul style="list-style-type: none"> <li>the credit score reported on the borrower’s credit report when all reported scores are the same.</li> <li>the lowest score where two differing scores are reported.</li> <li>the middle score where three differing scores are reported.</li> </ul> <p>An MDCS is determined for each borrower. Where the mortgage involves multiple borrowers, the lender must determine the MDCS for each borrower, and then select the lowest MDCS for all borrowers.</p> <p>Where the mortgage involves multiple borrowers and one or more of the borrowers do not have a credit score (non-traditional or insufficient credit), the lender must select the lowest MDCS of the borrower(s) with credit score(s). The lender must review the credit report to determine the borrower’s MDCS, except for mortgages to be insured under Sections 247 and 248.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(3); II.A.2.b.i.(A); II.A.5.a.ii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(3) II.A.2.b.i.(A) II.A.5.a.ii.(B)
102.	6/17/15	What are the guidelines for co-borrowers and co-signers?	<p>To be eligible, all occupying and non-occupying borrowers and co-borrowers must take title to the property in their own name or a living trust at settlement, be obligated on the Note or credit instrument, and sign all security instruments.</p> <p>In community property states, the borrower’s spouse is not required to be a borrower. However, the mortgage must be executed by all parties necessary to make the lien valid and enforceable under State Law.</p>	4000.1 II.A.1.b.ii.(A) II.A.1.b.ii.(A)(4)-(6)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>Cosigners are liable for the debt and therefore, must sign the Note. Cosigners do not hold an ownership interest in the subject property and therefore, do not sign the security instrument.</p> <p>Non-occupying co-borrowers or cosigners must either be United States (U.S.) citizens or have a principal residence in the U.S.</p> <p>A party who has a financial interest in the mortgage transaction, such as the seller, builder or real estate agent, may not be a co-borrower or a cosigner. Exceptions may be granted when the party with the financial interest is a family member.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
103.	6/17/15	Do borrowers have to be U.S. citizens to qualify for FHA financing?	<p>U.S. citizenship is not required for eligibility. The lender must determine the residency status of the borrower based on information provided on the application and other applicable documentation. In no case is a Social Security card sufficient to prove immigration or work status.</p> <p>A borrower with lawful permanent resident alien status may be eligible provided the borrower satisfies the same requirements, terms and conditions as those for U.S. citizens. The file must include evidence of the permanent residency and indicate that the borrower is a lawful permanent resident alien on the <i>URLA</i>.</p> <p>The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful, permanent residency status.</p> <p>A borrower who is a non-permanent resident alien may be eligible provided:</p> <ul style="list-style-type: none"> <li>• the property will be the borrower’s principal residence;</li> <li>• the borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD;</li> <li>• the borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document issued by the USCIS; and</li> <li>• the borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.</li> </ul> <p>The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal based on information from the USCIS.</p> <p>A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible</p>	4000.1 II.A.1.b.ii.(A)(8)-(9)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained.</p> <p>Non-U.S. citizens without lawful residency in the U.S. are not eligible.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(8)-(9) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
104.	6/17/15	Does FHA have cash reserve requirements?	<p>The lender must verify and document reserves equivalent to three months' Principal, Interest, Taxes, and Insurance (PITI) after closing for all mortgages for three- to four-unit properties.</p> <p>For manually underwritten mortgages, the lender must very and document reserves equivalent to one month's PITI after closing for one- to two-unit properties.</p> <p>The lender must verify and document all assets submitted to the Automated Underwriting System (AUS). Reserves refer to the sum of the borrower's verified and documented liquid assets minus the total funds the borrower is required to pay at closing.</p> <p>Reserves do not include:</p> <ul style="list-style-type: none"> <li>• the amount of cash taken at settlement in cash-out transactions;</li> <li>• incidental cash received at settlement in other loan transactions;</li> <li>• gift funds;</li> <li>• equity in another property; or</li> <li>• borrowed funds from any source.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(C); II.A.5.c.i.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.i.(C) II.A.5.c.i.(C)
105.	6/17/15	Is a borrower eligible if they have a delinquent Federal debt but have a clear CAIVRS?	<p>If a delinquent federal debt is reflected in a public record, credit report or equivalent, or CAIVRS or an equivalent system, the lender must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed.</p> <p>If the creditor agency confirms that the debt is valid and in delinquent status as defined by the Debt Collection Improvement Act, then the borrower is ineligible for an FHA-insured mortgage until the borrower resolves the debt with the creditor agency.</p> <p>In order for a borrower with verified delinquent federal debt to become eligible, the borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act.</p> <p>The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.</p>	4000.1 II.A.1.b.ii.(A)(10)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The lender must include documentation from the creditor agency to support the verification and resolution of the debt.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(10) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
106.	6/17/15	How does FHA define owner occupant?	<p>At least one borrower must occupy the property as their principal residence within 60 Days of signing the security instrument and intend to continue occupancy for at least one year.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iii.(A)(2)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iii.(A)(2)(a)
107.	6/17/15	How do I confirm whether the borrower is the person whose name appears on the HUD LDP List or GSA List of Excluded Parties?	<p>The lender must check the HUD Limited Denial of Participation (LDP) list and System for Award Management (SAM) and follow appropriate procedures defined by that system to confirm eligibility for all participants involved in the transaction.</p> <p>A borrower is not eligible to participate in FHA-insured mortgage transactions if they are suspended, debarred, or otherwise excluded from participating in HUD programs.</p> <p>The lender must:</p> <ul style="list-style-type: none"> <li>• check the HUD LDP list to confirm the borrower’s eligibility to participate in an FHA-insured mortgage transaction.</li> <li>• check SAM and follow appropriate procedures defined by that system to confirm eligibility for participation.</li> <li>• check the “Yes” box on form HUD-92900-LT if the borrower appears on either the LDP or SAM list.</li> </ul> <p>A mortgage is not eligible for FHA insurance if anyone participating in the mortgage transaction is listed on HUD’s LDP list or in SAM as being excluded from participation in HUD transactions. This may include but is not limited to:</p> <ul style="list-style-type: none"> <li>• seller (except where selling the principal residence)</li> <li>• listing and selling real estate agent</li> <li>• loan officer</li> <li>• loan processor</li> <li>• underwriter</li> <li>• appraiser</li> <li>• 203(k) consultant</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(B)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
108.	6/17/15	Is a social security number required to obtain an FHA loan?	<p>In order to obtain FHA-insured financing each borrower must provide evidence of their Social Security Number (SSN) to the lender.</p> <p>The lender must:</p> <ul style="list-style-type: none"> <li>• Validate and document an SSN for each borrower, co-borrower, or cosigner on the mortgage by:                             <ul style="list-style-type: none"> <li>- entering the borrower's name, date of birth, and SSN in the borrower/address validation screen through FHA Connection (FHAC); and</li> <li>- examining the borrower's original pay stubs, W-2 forms, valid tax returns obtained directly from the IRS, or other document relied upon to underwrite the mortgage; and</li> </ul> </li> <li>• Resolve any inconsistencies or multiple SSNs for individual borrowers that are revealed during mortgage processing and underwriting using a service provider to verify the SSN with the Social Security Administration (SSA).</li> </ul> <p>Only State and local government agencies, instrumentalities of government and HUD-approved Nonprofit organizations are not required to provide an SSN.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)
109.	6/17/15	Can I use FHA financing to acquire a second home?	<p>Secondary residence refers to a dwelling that a borrower occupies, in addition to their principal residence, but less than a majority of the calendar year. A secondary residence does not include a vacation home.</p> <p>Secondary residences are only permitted with written approval from the Jurisdictional Homeownership Center (HOC) after a determination that:</p> <ul style="list-style-type: none"> <li>• the borrower has no other secondary residence;</li> <li>• the secondary residence will not be a vacation home or be otherwise used primarily for recreational purposes;</li> <li>• the commuting distance to the borrower's workplace creates an undue hardship on the borrower and there is no affordable rental housing meeting the borrower's needs within 100 miles of the borrower's workplace; and</li> <li>• the maximum mortgage amount is 85 percent of the lesser of the appraised value or sales price.</li> </ul> <p>The lender must demonstrate the lack of affordable rental housing, and include:</p> <ul style="list-style-type: none"> <li>• a satisfactory explanation of the need for a secondary residence and the lack of available rental housing; and</li> <li>• written evidence from local real estate professionals who verify a lack of acceptable housing in the area.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.iii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iii.(B)
110.	6/17/15	Is there a minimum	A borrower may be eligible to obtain another FHA-insured mortgage without being required to sell an existing	4000.1

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		distance a borrower must relocate before a second FHA loan can be obtained?	<p>property covered by an FHA-insured mortgage if the borrower is:</p> <ol style="list-style-type: none"> <li>1. Relocating or has relocated for an employment-related reason; and</li> <li>2. Establishing or has established a new principal residence in an area more than 100 miles from the borrower's current principal residence.</li> </ol> <p>If the borrower moves back to the original area, the borrower is not required to live in the original house and may obtain a new FHA-insured mortgage on a new principal residence, provided the relocation meets the two requirements above.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iii.(A)(2)(c) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	II.A.1.b.iii.(A)(2)(c)
111.	6/17/15	Can a borrower with a portfolio of rental properties use FHA financing if they have no other FHA loans?	<p>FHA will not insure a mortgage if it is determined that the transaction was designed to use FHA mortgage insurance as a vehicle for obtaining investment properties, even if the property to be insured will be the only one owned using FHA mortgage insurance.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iii.(A)(2)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.1.b.iii.(A)(2)(b)
112.	6/17/15	When should lenders apply the Back to Work underwriting guidance?	<p>Lenders must use the Back to Work – Extenuating Circumstances guidance when manually underwriting a purchase money mortgage application from a borrower who has experienced an economic event resulting in a foreclosure, short sale/pre-foreclosure sale, bankruptcy, or other negative impact on credit.</p> <p>The Back to Work guidance is effective for purchase applications with case numbers assigned on or after August 15, 2013 through September 30, 2016.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.5.d.xi.(B)
113.	6/17/15	Is housing counseling required for Back to Work borrowers?	<p>The borrower must receive homeownership counseling or a combination of homeownership education and counseling.</p> <p>Housing counseling may be conducted in person, via telephone, Internet, or other methods approved by HUD, and mutually agreed upon by the borrower and housing counseling agency as provided for in the Housing Counseling Program Handbook.</p> <p>All housing counseling and education must be completed a minimum of 30 days but no more than six months prior to the borrower submitting an application to a lender.</p> <p>Each borrower must receive one hour of one-on-one counseling from a HUD-approved counseling agency. The counseling must address the cause of the economic event and the actions taken to overcome the economic event to reduce the likelihood of reoccurrence.</p>	4000.1 II.A.5.d.xi.(D)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The housing education may be provided by HUD-approved housing counseling agencies, state housing finance agencies, approved intermediaries or their sub-grantees, or through an online course.</p> <p>A list of HUD-approved housing counseling agencies can be obtained online at <a href="http://www.hud.gov/">http://www.hud.gov/</a> or by calling 1-(800)-569-4287.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
114.	6/17/15	How does FHA define principal residence?	<p>Principal residence refers to a dwelling where the borrower maintains or will maintain their permanent place of abode and typically spends or will live in the house the majority of the calendar year. A person may have only one principal residence at any one time. At least one borrower must occupy the property within 60 days of signing the security instrument and intend to continue occupancy for at least one year. A person in military service must meet the requirements of 24 CFR 203.31.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iii.(A)(1)-(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iii.(A)(1)-(2)
115.	6/17/15	Who signs the identity-of-interest certifications for 203(k)?	<p>All borrowers and consultants must sign certifications to ensure that there are no identity-of-interest issues between the parties participating in the 203(k) transaction. Sales transactions between family members are permitted. The mortgagee must ensure there are no other instances of Identity of Interest or conflict of interest between parties in the 203(k) transaction. The borrower and the 203(k) consultant must each sign an Identity-of-Interest certification that is placed in the case binder.</p> <p>If the borrower selected a 203(k) consultant to perform a feasibility study, the mortgagee may select the same 203(k) consultant for the project without creating an Identity of Interest.</p> <p>For additional information see Handbook 4000.1 II.A.8.a.xiv.(A)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.a.xiv.(A)(1)
116.	6/17/15	What is meant by Seven-Unit Limitation?	<p>Nonprofit borrowers may not have a financial interest, regardless of the ownership or financing type in more than seven dwelling units within a two block radius. In determining the number of dwelling units owned by the borrower, the mortgagee must count each dwelling unit in a two-, three-, and four-family property.</p> <p>If the borrower owns six or more units in the same general area, a map must be provided disclosing the locations of the units, as evidence of compliance with FHA's seven unit limitation.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xii.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.xii.(C)
117.	6/17/15	Can a person living outside the U.S. be a	<p>Non-occupying co-borrowers or cosigners must either be United States (U.S.) citizens or have a principal residence in the U.S.</p>	4000.1 II.A.1.b.ii.(A)(6)

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Row #	Added	FAQ	Answer	References
		non-occupying co-borrower?	For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(6) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
118.	6/17/15	What are the down payment requirements when purchasing a property using FHA-insured financing?	<p>The borrower must make a Minimum Required Investment (MRI) of at least 3.5 percent of the adjusted value of the property.</p> <p>MRI refers to the borrower’s contribution in cash or its equivalent required by Section 203(b)(9) of the National Housing Act, which represents at least 3.5 percent of the adjusted value of the property.</p> <p>The lender is not permitted to use closing costs to help the borrower meet the MRI. Premium pricing may be used to pay a borrower’s actual closing costs and/or prepaid items.</p> <p>For additional information see Handbook 4000.1 II.A.2.a.iv; II.A.2.c.ii; II.A.4.d.i.(B)(2)(h); II.A.5.c.i.(B)(2)(h); II.A.6.a.x available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.2.a.iv; II.A.2.c.ii; II.A.4.d.i.(B)(2)(h); II.A.5.c.i.(B)(2)(h); II.A.6.a.x
119.	6/17/15	What are the maximum qualifying ratio requirements for manually underwritten loans?	<p>Maximum qualifying ratios for manually underwritten loans are determined according to the lowest minimum decision credit score and compensating factors.</p> <p>Lowest Minimum Decision Credit Score 500-579 or No Credit Score: 31/43 (Energy Efficient Homes may have stretch ratios of 33/45)</p> <p>Lowest Minimum Decision Credit Score 580 and above: 1. 31/43 (Energy Efficient Homes may have stretch ratios of 33/45)</p> <p>2. 37/47 - Requires 1 of the following Compensating Factors:</p> <ul style="list-style-type: none"> <li>• Verified /documented cash reserves equal to or exceeding 3 (1-2 units) or 6 (3-4 units) total monthly mortgage payments.</li> <li>• Minimal Increase in Housing Payment                             <ul style="list-style-type: none"> <li>- New total monthly mortgage payment doesn’t exceed current total monthly housing payment by more than \$100 or 5% (whichever is less); and</li> <li>- There is a documented 12 month housing payment history with no more than one 30 day late payment. In cash-out transactions all payments on the mortgage being refinanced were made within the month due for the previous 12 months.</li> <li>- May not be used as a compensating factor if the borrower has no current housing payment.</li> </ul> </li> <li>• Residual income</li> </ul> <p>3. 40/40 - No Discretionary Debt:</p> <ul style="list-style-type: none"> <li>• The Borrower’s housing payment is the only open account with an outstanding balance not paid off monthly; and</li> </ul>	4000.1 II.A.5.d.viii - ix

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>The credit report shows established credit lines in the Borrower’s name open for at least 6 months; and</li> <li>The Borrower can document these accounts have been paid off in full monthly for at least the past 6 months.</li> </ul> <p>4. 40/50 – Requires 2 of the following Compensating Factors:</p> <ul style="list-style-type: none"> <li>Verified /documented cash reserves equal to or exceeding 3 (1-2 units) or 6 (3-4 units) total monthly mortgage payments.</li> <li>Minimal Increase in Housing Payment                             <ul style="list-style-type: none"> <li>New total monthly mortgage payment doesn’t exceed current total monthly housing payment by more than \$100 or 5% (whichever is less); and</li> <li>There is a documented 12 month housing payment history with no more than one 30 day late payment. In cash-out transactions all payments on the mortgage being refinanced were made within the month due for the previous 12 months.</li> <li>May not be used as a compensating factor if the borrower has no current housing payment.</li> </ul> </li> <li>Significant Additional Income (Overtime, Bonuses, Part-Time or Seasonal Employment) Not Reflected in Effective Income                             <ul style="list-style-type: none"> <li>Received for at least 1 year, and will likely continue; and</li> <li>If it were included in gross Effective Income, is sufficient to reduce the qualifying ratios to not more than 37/47.</li> </ul> </li> <li>Residual income</li> </ul> <p>For additional information see Handbook 4000.1 II.A.5.d.viii - ix available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
120.	6/17/15	Are non-occupant co-borrowers allowed under Back to Work guidelines?	<p>The occupying borrower(s) must meet the eligibility requirements for Back to Work and the alternative guidance may be utilized to qualify the occupying borrower. A non-occupant co-borrower (non-household member) is allowed; however, Back to Work alternative guidance may not be utilized to qualify the non-occupant co-borrower; standard underwriting guidelines must be applied to the non-occupant borrower.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	HQ Policy  4000.1 II.A.5.d.xi
121.	6/17/15	Can I rent back the property to the seller after closing to accommodate scheduling issues?	<p>At least one borrower must occupy the property within 60 days of signing the security instrument and intend to continue occupancy for at least one year.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iii.(A)(2)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iii.(A)(2)(a)
122.	6/17/15	Can investors assume FHA loans?	<p>If the original mortgage was closed prior to December 15, 1989, the assuming borrower may assume the mortgage as a principal residence, HUD-approved secondary residence or investment property.</p>	4000.1 II.A.8.n.ii II.A.8.n.iii.(A)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The maximum Loan-to-Value (LTV) for an investment property assumption is 75%. Either the original appraised value or new property value may be used to determine compliance with the 75% LTV limitation.</p> <p>For additional information see Handbook 4000.1 II.A.8.n.ii; II.A.8.n.iii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
123.	6/17/15	Are there age requirements for borrowers using FHA financing?	<p>For forward mortgages, the borrower must be old enough to enter into a mortgage Note that can be legally enforced in the state, or other jurisdiction, where the property is located ("State Law"). There is no maximum age limit for a borrower.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(2)
124.	6/17/15	Can a person get an FHA insured loan in the name of a business?	<p>Except for streamline refinances in which the mortgage was originally insured in the name of a business, FHA will not insure loans made solely in the name of a business entity (such as a corporation, partnership, or sole proprietorship) or trust. One or more individuals, along with the business entity or trust, must be analyzed for creditworthiness. The individual(s) and the business entity or trust must appear on the mortgage note. The business entity, trust, or individual(s) may appear on the property deed or title. All parties appearing on the property deed or title must also appear on the security instrument (i.e. mortgage, deed of trust, security deed). Streamline refinances by investors or for secondary residences may only be made without an appraisal and may be made solely in the business entity's name if previously insured in the business entity's name. An assumption solely in the name of a corporation, partnership, sole proprietorship, trust, etc., is not acceptable if a creditworthiness review is required.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.vi(C); II.A.8.n available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	HQ Policy  4000.1 II.A.8.d.vi(C); II.A.8.n
125.	6/17/15	How do I pay off or resolve my delinquent Federal debt that was a result of a previous FHA loan?	<p>In order for a Borrower with verified delinquent federal debt to become eligible, the borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act. The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act. The mortgagee must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, the mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report.</p> <p>If a borrower is currently delinquent on an FHA-insured mortgage, they are ineligible for a new FHA-insured mortgage unless the delinquency is resolved. For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(11) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(11)
126.	6/17/15	When can "no discretionary debt" be used as a compensating	<p>No discretionary debt may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> <li>the borrower's housing payment is the only open account with an outstanding balance that is not paid off monthly;</li> </ul>	4000.1 II.A.5.d.ix.(D)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
		factor on a manually underwritten loan?	<ul style="list-style-type: none"> <li>the credit report shows established credit lines in the borrower's name open for at least six months; and</li> <li>the borrower can document that these accounts have been paid off in full monthly for at least the past six months.</li> </ul> <p>Borrowers who have no established credit other than their housing payment, no other credit lines in their own name open for at least six months, or who cannot document that all other accounts are paid off in full monthly for at least the past six months, do not qualify under this criterion. Credit lines not in the borrower's name but for which he or she is an authorized user do not qualify under this criterion.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.ix.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
127.	6/17/15	Does FHA allow investor participation in the 203(k) or Streamline K programs?	<p>FHA does not allow investor participation in the 203(k) or Limited 203(k) programs.</p> <p>For more information see Handbook 4000.1 II.A.8.a available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	ML 95-59  4000.1 II.A.8.a
128.	6/17/15	Is housing counseling required for a borrower to obtain an FHA mortgage?	<p>A borrower does not have to have housing counseling in order to obtain an FHA mortgage unless required under specific FHA programs (e.g. HECM, Back to Work). However, housing counseling is still highly encouraged by FHA, particularly for first time buyers. Lenders must ensure that borrowers receive all required counseling, and that all counseling is provided by HUD-approved housing counseling agencies.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.iii.(A)(2); II.A.5.d.xi.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p> <p>For information on housing counseling and to find a counselor go to the following HUD website: <a href="http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor">http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor</a> or call HUD's interactive voice system at 1-800-569-4287.</p>	4000.1 II.A.1.a.iii.(A)(2); II.A.5.d.xi.(D)
129.	6/17/15	What is the FHA definition of a manually underwritten loan?	<p>A manually underwritten loan includes a loan that:</p> <ul style="list-style-type: none"> <li>Involves borrowers without a credit score that were not scored against FHA's TOTAL Scorecard (TOTAL), or</li> <li>Received a Refer scoring recommendation from TOTAL, or</li> <li>Received an Accept scoring recommendation but was downgraded to a Refer by the underwriter. When an Accept recommendation is downgraded to a Refer, the loan must be underwritten according to the policy guidance in Handbook 4000.1 II.A.5.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.5 available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5
130.	6/17/15	Can lenders process loans for HUD employees?	<p>If the mortgage involves a HUD employee, the lender must score the transaction through TOTAL.</p> <p>If the file receives an Accept, the lender must underwrite the transaction in accordance with the guidance in</p>	4000.1 II.A.4.e.iii; II.a.5;

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>Handbook 4000.1 II.A.4. and condition the loan on the approval of the mortgage by HUD.</p> <p>If the file receives a Refer, or for applications which were downgraded to a manual underwrite, the lender must underwrite the transaction in accordance with the guidance in Handbook 4000.1 II.A.5.</p> <p>The lender must submit the underwritten mortgage application to the Processing and Underwriting Division Director at the Jurisdictional Homeownership Center (HOC) for final underwriting approval.</p> <p>For non-credit qualifying Streamline Refinances only, any HUD employee may have their mortgage underwritten and approved/denied by the lender.</p> <p>For additional information see Handbook 4000.1 II.A.4.e.iii; II.a.5; II.A.8.d.vi.(C)(4)(d) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	II.A.8.d.vi.(C)(4)(d);
131.	6/17/15	What is considered a minimal increase in housing payment on a manually underwritten loan?	<p>A minimal increase in housing payment may be cited as a compensating factor subject to the following requirements:</p> <ul style="list-style-type: none"> <li>the new total monthly mortgage payment does not exceed the current total monthly housing payment by more than \$100 or 5%, whichever is less; and</li> <li>there is a documented 12 month housing payment history with no more than one 30 day late payment. In cash-out refinance transactions all payments on the mortgage being refinanced must have been made within the month due for the previous 12 months.</li> <li>If the borrower has no current housing payment lenders may not cite this compensating factor.</li> </ul> <p>The current total monthly housing payment refers to the borrower's current total mortgage payment or current total monthly rent obligation.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.ix.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.ix.(C)
132.	6/17/15	What costs can a seller or other interested party pay on behalf of the borrower?	<p>Interested parties refer to sellers, real estate agents, builders, developers or other parties with an interest in the transaction. Interested parties may contribute up to 6 percent of the sales price toward the borrower's origination fees, other closing costs and discount points. The 6 percent limit also includes:</p> <ul style="list-style-type: none"> <li>Payment for permanent and temporary interest rate buydowns, and other payment supplements;</li> <li>Payments of mortgage interest for fixed rate mortgages;</li> <li>Mortgage payment protection insurance; and</li> <li>Payment of the Upfront Mortgage Insurance Premium (UFMIP).</li> </ul> <p>Interested party contributions that exceed actual origination fees, other closing costs, and discount points and interested party contributions exceeding 6 percent are considered inducements to purchase and result in a dollar-for-dollar reduction to the adjusted value of the property before applying the appropriate LTV percentage.</p>	4000.1 II.A.4.d.iii.(G)-(H); II.A.5.c.iii.(G)-(H)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>Interested party contributions may not be used for the borrower’s Minimum Required Investment (MRI). Payment of real estate agent commissions or fees, typically paid by the seller under local or state law, or local custom, is not considered an interested party contribution. The lender must document the total interested party contributions on form HUD-92900-LT, the Settlement Statement or similar legal document, and the sales contract.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(G)-(H); II.A.5.c.iii.(G)-(H) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
133.	6/17/15	Can a person sell a home to a family member and remain a co-borrower to help them qualify?	<p>A party who has a financial interest in the mortgage transaction, such as the seller, builder or real estate agent, may not be a co-borrower or a cosigner. Exceptions may be granted when the party with the financial interest is a family member.</p> <p>For non-occupying borrower transactions, the maximum LTV is 75 percent. The LTV can be increased to a maximum of 96.5 percent if the borrowers are family members, provided the transaction does not involve:</p> <ul style="list-style-type: none"> <li>• a family member selling to a family member who will be a non-occupying co-borrower; or</li> <li>• a transaction on a two- to four-unit property.</li> </ul> <p>A family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> <li>• child, parent, or grandparent;                         <ul style="list-style-type: none"> <li>- a child is defined as a son, stepson, daughter, or stepdaughter;</li> <li>- a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;</li> </ul> </li> <li>• spouse or domestic partner;</li> <li>• legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption;</li> <li>• foster child;</li> <li>• brother, stepbrother;</li> <li>• sister, stepsister;</li> <li>• uncle;</li> <li>• aunt; or</li> <li>• son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A); II.A.2.b.ii.(B); II.A.2.b.i.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A); II.A.2.b.ii.(B)(1); II.A.2.b.ii.(A)
134.	6/17/15	How does the FHA Construction to Permanent Mortgage	<p>A Construction to Permanent mortgage combines the features of a construction loan (a short-term interim loan for financing the cost of construction) and the traditional long-term permanent residential mortgage with a single mortgage closing prior to the start of construction.</p>	4000.1 II.A.8.j

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		program work?	<p>The borrower must have contracted with a builder (must be a licensed general contractor) to construct the improvements. The Borrower may act as the general contractor, only if the Borrower is also a licensed general contractor.</p> <p>The borrower must be purchasing the land at the closing of the construction loan, or have owned the land for six months or less at the date of case number assignment.</p> <p>At closing, after funds are disbursed to cover the purchase of the land, the balance of the mortgage proceeds must be placed in an escrow account to be disbursed as construction progresses.</p> <p>Amortization of the permanent mortgage must begin no later than the first of the month following 60 Days from the date of the final inspection or issuance of the CO.</p> <p>For additional information see Handbook 4000.1 II.A.8.j available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
135.	6/17/15	Does FHA allow cash-out refinances?	<p>A Cash-Out Refinance is a refinance of any mortgage or a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes.</p> <p>Nonprofit agencies, state and local government agencies and instrumentalities of government are not eligible for cash-out refinances.</p> <p>Cash-out refinance transactions are only permitted on owner-occupied Principal Residences. The property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment.</p> <p>In the case of inheritance, a Borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the Borrower has not treated the subject property as an Investment Property at any point since inheritance of the property. If the Borrower rents the property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the property as a Principal Residence for at least 12 months.</p> <p>At least one Borrower must hold title to the property being refinanced prior to case number assignment.</p> <p>Income from a non-occupant co-Borrower may not be used to qualify for a cash-out refinance.</p> <p>The lender must document that the Borrower has made all payments for all their mortgages within the month due for the previous 12 months or since the Borrower obtained the mortgages, whichever is less. The payments for all mortgages secured by the subject property must have been paid within the month due for the month prior</p>	4000.1 II.A.8.d.i.(B)(1); II.A.8.d.ii.(B)-(C); II.A.8.d.v

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>to mortgage Disbursement. Properties with mortgages must have a minimum of 6 months of Mortgage Payments.</p> <p>Properties owned free and clear may be refinanced as cash-out transactions.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.i.(B)(1); II.A.8.d.ii.(B)-(C); II.A.8.d.v available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
136.	6/17/15	When can borrowers be deleted from the loan when doing a Streamline Refinance?	<p>When doing a Streamline Refinance Credit Qualifying at least one Borrower from the existing mortgage must remain as a Borrower on the new mortgage.</p> <p>A Borrower is eligible for a Streamline Refinance without credit qualification if all Borrowers on the existing mortgage remain as Borrowers on the new mortgage. Mortgages that have been assumed are eligible provided the previous borrower was released from liability.</p> <p>As an exception, a Borrower on the mortgage to be paid may be removed from title and mortgage on a new loan in cases of divorce, legal separation or death when:</p> <ul style="list-style-type: none"> <li>• The divorce decree or legal separation agreement awarded the property and responsibility for payment to the remaining Borrower, if applicable; and</li> <li>• The remaining Borrower can demonstrate that they have made the Mortgage Payments for a minimum of six months prior to case number assignment.</li> </ul> <p>Individuals may be added to the title and mortgage on a non-credit qualifying Streamline Refinance without a creditworthiness review.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(4)(f); II.A.8.d.vi.(C)(5)(a); II.A.8.d.vi.(C)(6)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.d.vi.(C)(4)(f); II.A.8.d.vi.(C)(5)(a); II.A.8.d.vi.(C)(6)(a)
137.	6/17/15	What must be considered when doing a credit qualifying streamline refinance?	<p>When doing a credit qualifying Streamline Refinance at least one Borrower from the existing mortgage must remain as a Borrower on the new mortgage.</p> <p>Credit qualifying Streamline Refinances must meet all requirements of Manual Underwriting, except for any requirements for Appraisals or LTV Calculations.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(6) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.d.vi.(C)(6)
138.	6/17/15	What are the Net Tangible Benefit requirements for an	<p>A Net Tangible Benefit is a reduced combined rate, a reduced term, and/or a change from an ARM to a fixed rate mortgage that results in a financial benefit to the borrower. Combined rate refers to the interest rate on the mortgage plus the Mortgage Insurance Premium (MIP) rate. The lender must determine that there is a net</p>	4000.1 II.A.8.d.vi.(C) (4)(c)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		FHA Streamline Refinance?	<p>tangible benefit to the borrower outlined as follows:</p> <ul style="list-style-type: none"> <li>Fixed Rate to Fixed Rate - The new combined rate is at least 0.5 percentage points below the prior combined rate.</li> <li>Fixed Rate to One-Year ARM - The new combined rate is at least 2 percentage points below the prior combined rate.</li> <li>Fixed to Hybrid ARM - The new combined rate is at least 2 percentage points below the prior combined rate.</li> <li>Any ARM (with less than 15 months to next payment change date) to Fixed Rate - New combined rate is no more than 2 percentage points above the prior combined rate.</li> <li>Any ARM (with less than 15 months to next payment change date) to a One Year ARM - New combined rate is at least 1 percentage point below the prior combined rate.</li> <li>Any ARM (with less than 15 months to next payment change date) to a Hybrid ARM - New combined rate is at least 1 percentage point below the prior combined rate.</li> <li>Any ARM (with greater than or equal to 15 months to next payment change date) to Fixed Rate - New combined rate is no more than 2 percentage points above the prior combined rate.</li> <li>Any ARM (with greater than or equal to 15 months to next payment change date) to a One Year ARM - New combined rate is at least 2 percentage points below the prior combined rate.</li> <li>Any ARM (with greater than or equal to 15 months to next payment change date) to a Hybrid ARM - New combined rate is at least 1 percentage point below the prior combined rate.</li> </ul> <p>REDUCTION IN TERM - If the mortgage term is reduced, the new interest rate does not exceed the current interest rate, and the payment does not increase by more than \$50; this alone meets the net tangible benefit test. For additional information see Handbook 4000.1 II.A.8.d.vi.(C) (4)(c) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
139.	6/17/15	What is the difference between an FHA cash-out refinance and a rate and term refinance?	<p>A Cash-Out Refinance is a refinance of any mortgage or a withdrawal of equity where no mortgage currently exists, in which the mortgage proceeds are not limited to specific purposes.</p> <p>A Rate and Term refers to a no cash-out refinance of any mortgage in which all proceeds are used to pay existing mortgage liens on the subject property and costs associated with the transaction.</p> <p>The lender may utilize estimates of existing debts and costs in calculating the maximum mortgage amount to the extent that the actual debts and costs do not result in the borrower receiving greater than \$500 cash back at mortgage disbursement.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.i.(B); II.A.8.d.vi.(A)(2)(b)(i) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.d.i.(B); II.A.8.d.vi.(A)(2)(b)(i)
140.	6/17/15	Can I do an FHA refinance if I own the property, but am not	A refinance transaction is used to pay off the existing debt or to withdraw equity from the property with the proceeds of a new mortgage for a borrower with legal title to the subject property.	HQ Policy  4000.1

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

### Credit Underwriting

Row #	Added	FAQ	Answer	References
		named on the existing loan?	As long as the borrower has legal title (even though not originally on the loan) the borrower is eligible to refinance the loan.  For additional information see Handbook 4000.1 II.A.8.d.i.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	II.A.8.d.i.(A)
141.	6/17/15	Are there subordinate financing restrictions for FHA streamline refinance transactions?	On a streamline refinance transaction any existing subordinate financing, in place at the time of case number assignment, must be re-subordinated to the streamline refinance. New subordinate financing is permitted only where the proceeds of the subordinate financing are used to: <ul style="list-style-type: none"> <li>• Reduce the principal amount of the existing FHA-insured mortgage, or</li> <li>• Finance the origination fees, other closing costs, or discount points associated with the refinance.</li> </ul> There is no maximum combined loan-to-value (CLTV).  For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(4)(k) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.8.d.vi.(C)(4)(k)
142.	6/17/15	Will FHA allow a Streamline Refinance of an existing FHA loan by an investor?	Streamline Refinances may be used for Principal Residences, HUD-approved Secondary Residences, or non-owner occupied properties. Non-owner occupied properties and HUD-approved Secondary Residences are only eligible for streamline refinancing into a fixed rate mortgage.  For Investment Properties, the maximum Base Loan Amount for Streamline Refinances is: <ol style="list-style-type: none"> <li>1. The lesser of:                             <ul style="list-style-type: none"> <li>- The outstanding principal balance of the existing mortgage as of the month prior to mortgage Disbursement; or</li> <li>- The original principal balance of the existing mortgage (including financed UFMIP);</li> </ul> </li> <li>2. Less any refund of UFMIP (if financed in original mortgage).</li> </ol> For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(2)(a)(i); II.A.8.d.vi.(C)(3)(a); II.A.8.d.vi.(C)(4)(j) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.8.d.vi.(C)(2)(a)(i); II.A.8.d.vi.(C)(3)(a); II.A.8.d.vi.(C)(4)(j)
143.	6/17/15	Can the payment increase if I reduce the mortgage term on a streamline refinance?	For all streamline refinance transactions the lender must determine that there is a net tangible benefit to the borrower. If the mortgage term is reduced, the new interest rate does not exceed the current interest rate, and the payment does not increase by more than \$50; this alone meets the net tangible benefit test.  For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(4)(c) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.8.d.vi.(C)(4)(c)
144.	6/17/15	What is the FHA Short Refinance (Borrowers in Negative Equity	For case numbers assigned on or before December 31, 2016, the Short Refi program allows the lender to refinance a non FHA-insured mortgage in which the borrower is in a negative equity position.	4000.1 II.A.8.e.

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		Positions) program?	<p>The existing first lien holder must write off at least 10 percent of the unpaid principal balance. The borrower must be in a negative equity position and may not have an existing FHA-insured mortgage. The borrower must be current for the month due or have successfully completed a three month trial payment plan on the existing mortgage to be refinanced.</p> <p>The lender is not permitted to use premium pricing to pay off existing debt obligations to qualify the borrower for the new mortgage.</p> <p>The lender is not permitted to make mortgage payments on behalf of the borrower or otherwise bring the existing mortgage current to make it eligible for FHA insurance.</p> <p>The refinanced FHA-insured first mortgage must have a Loan-to-Value (LTV) ratio of no more than 97.75 percent and any new or re-subordinated mortgages must not result in a Combined Loan-to-Value (CLTV) ratio greater than 115 percent. Additional program requirements related to:</p> <ul style="list-style-type: none"> <li>• Borrower Certification,</li> <li>• Trial Payment Plan, and</li> <li>• Underwriting requirements</li> </ul> <p>are available in Handbook 4000.1 II.A.8.e.</p> <p>For additional information see Handbook 4000.1 II.A.8.e. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	
145.	6/17/15	Do subordinate liens need to be paid off when doing a cash out refinance?	<p>Subordinate financing may remain in place, but subordinate to the FHA insured first mortgage. The combined mortgage amount of the first mortgage and any subordinate liens cannot exceed the Nationwide Mortgage Limit described in National Housing Act's Statutory Limits. The maximum Combined Loan-to-Value (CLTV) is 85 percent of the adjusted value.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.v.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.8.d.v.(B)
146.	6/17/15	Can repairs be included in the loan amount when calculating a Rate and Term refinance?	<p>The maximum mortgage amount for a rate and term refinance is:</p> <ul style="list-style-type: none"> <li>• the lesser of: <ul style="list-style-type: none"> <li>○ the Nationwide Mortgage Limit;</li> <li>○ the maximum permissible Loan-to-Value (LTV); or</li> <li>○ the sum of existing debt and costs associated with the transaction as follows: <ul style="list-style-type: none"> <li>▪ existing debt includes: <ul style="list-style-type: none"> <li>– the unpaid principal balance of the first mortgage as of the month prior to mortgage</li> </ul> </li> </ul> </li> </ul> </li> </ul>	4000.1 II.A.8.d.vi.(A)(2)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>disbursement;</li> <li>– the unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage disbursement;</li> <li>– the unpaid principal balance of any junior liens over 12 months old as of the date of mortgage disbursement. If the balance or any portion of an equity line of credit in excess of \$1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond \$1,000 of the line of credit is not eligible for inclusion in the new mortgage;</li> <li>– ex-spouse or co-borrower equity, as described in Handbook 4000.1 II.A.8.d.vi.(A)(2)(b)(i), “Refinancing to Buy out Title Holder Equity”;</li> <li>– interest due on the existing mortgage(s);</li> <li>– Mortgage Insurance Premium (MIP) due on existing mortgage;</li> <li>– any prepayment penalties assessed;</li> <li>– late charges; and</li> <li>– escrow shortages.</li> </ul> <ul style="list-style-type: none"> <li>▪ allowed costs include all borrower paid costs associated with the new mortgage; and</li> <li>▪ any borrower-paid repairs required by the appraisal.</li> </ul> <ul style="list-style-type: none"> <li>○ less any refund of the Upfront Mortgage Insurance Premium (UFMIP), if financed in the original mortgage.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.8.d.vi.(A)(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
147.	6/17/15	Can a "no cash out" refinance be used to buy out the equity of an ex-spouse?	<p>When the purpose of the new mortgage is to refinance an existing mortgage to buy out an existing title-holder's equity, the specified equity to be paid is considered property-related indebtedness and eligible to be included in the new mortgage calculation. The lender must obtain the divorce decree, settlement agreement, or other legally enforceable equity agreement to document the equity awarded to the title-holder.</p> <p>For additional information see Handbook 4000.1 II.A.8.d.vi.(A)(2)(b)(i) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.d.vi.(A)(2)(b)(i)
148.	6/17/15	Can I process a streamline refinance using FHA TOTAL Scorecard?	<p>All transactions must be scored through TOTAL Mortgage Scorecard, except Streamline Refinance transactions and assumptions. Mortgagees must manually underwrite all Streamline Refinances in accordance with the guidance provided in Handbook 4000.1. II.A.5. The Mortgagee may score the mortgage through TOTAL Mortgage Scorecard but the findings are invalid. For additional information see Handbook 4000.1 II.A.4.a.i; II.A.8.d.vi.(C)(1)(a)-(b); II.A.8.d.vi.(C)(4)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a.i; II.A.8.d.vi.(C)(1)(a)-(b); II.A.8.d.vi.(C)(4)(b)
149.	6/17/15	Is a CAIVRS check required for Streamline Refinances?	<p>Borrower ineligibility due to delinquent federal debt does not apply to streamline refinance transactions.</p> <p>Lenders are not required to screen streamline refinance borrowers using the Credit Alert Verification Reporting</p>	4000.1 II.A.8.d.vi.(C)(1)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			System (CAIVRS).  For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
150.	6/17/15	Are there different requirements for underwriting an FHA Short Refinance (negative equity)?	The borrower must qualify for the new mortgage under the applicable TOTAL Underwriting or Manual Underwriting requirements, except for the credit, debt-to-income and new mortgage requirements below: <ul style="list-style-type: none"> <li>The existing mortgage to be refinanced may not have been brought current by the existing first lien holder, except through an acceptable trial payment plan.</li> <li>For mortgages that receive a Refer risk classification from FHA's Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard and/or are manually underwritten, the homeowner's total monthly Mortgage Payment, including the first and any subordinate mortgage(s), cannot be greater than 31 percent of gross monthly income; and total debt, including all recurring debts, cannot be greater than 50 percent of the gross monthly income. The Borrower's monthly total Mortgage Payment may be up to 35 percent of gross monthly income if their total debt does not exceed 48 percent of the gross monthly income.</li> <li>The existing first lien holder must write off at least 10 percent of the unpaid principal balance of the mortgage that is being refinanced.</li> </ul> For additional information see Handbook 4000.1 II.A.8.e.iii. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.8.e.iii.
151.	6/17/15	Can a Section 203(k) loan be refinanced to a different loan type?	A property with an existing 203(k) mortgage is not eligible to be refinanced until all repairs are completed and the case has been electronically closed out.  For additional information see Handbook 4000.1 II.A.8.a.iii; II.A.8.d.vi.(C)(3)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.8.a.iii; II.A.8.d.vi.(C)(3)(b)
152.	6/17/15	Is there a rule barring applicants with criminal records from qualifying for an FHA Short Refinance?	The borrower must certify on form HUD-92918, FHA Refinance of Borrowers in Negative Equity Positions Borrower Certification, that they have not been convicted within the last 10 years, in connection with a real estate or mortgage transaction, of any of the following: <ol style="list-style-type: none"> <li>(a) felony larceny, theft, fraud, or forgery;</li> <li>(b) money laundering; or</li> <li>(c) tax evasion from receiving assistance authorized or funded by the Emergency Economic Stabilization Act of 2008 (EESA).</li> </ol> The executed borrower certification must be included in the FHA case binder submitted for insurance endorsement. For additional information see Handbook 4000.1 II.A.8.e.ii.(A)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.8.e.ii.(A)(1)
153.	6/17/15	Can the interest rate on a new Short Refi loan exceed the interest rate	The Short Refi program allows the mortgagee to refinance a non FHA-insured mortgage in which the borrower is in a negative equity position and the existing first lien holder must write off at least 10 percent of the unpaid principal balance. The eligibility requirements for this program may be found in Handbook 4000.1 II.A.8.e.	HQ Policy  4000.1

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		on the loan being paid off?	<p>This guidance is separate from the guidance surrounding “short payoffs” found in Handbook 4000.1 II.A.8.vi.(A)(2)(b)(i).</p> <p>Because this program is designed to benefit the borrower through a reduction in principal, the interest rate on the new loan may exceed the note rate on the loan being refinanced as long as the debt-to-income (DTI) ratios for the new loan do not exceed the maximums stated in Handbook 4000.1 II.A.8.e.</p> <p>For additional information see Handbook 4000.1 II.A.8.e; II.A.8.d.vi.(A)(2)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	II.A.8.e; II.A.8.d.vi.(A)(2)(b)
154.	6/17/15	What is an FHA Simple Refinance and what are the requirements?	<p>Simple Refinance refers to a no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject property and costs associated with the transaction.</p> <p>Simple Refinance is only permissible for owner-occupied principal or HUD-approved secondary residences.</p> <p>The mortgagee must review the borrower’s employment documentation or obtain utility bills to evidence the borrower currently occupies the property as their principal residence.</p> <p>The mortgagee must obtain evidence that the secondary residence has been approved by the jurisdictional Homeownership Center (HOC):</p> <ul style="list-style-type: none"> <li>• For manually underwritten mortgages with less than 6 months mortgage payment history, the borrower must have made all payments within the month due.</li> <li>• For manually underwritten mortgages with greater than 6 months history, the borrower must have made all mortgage payments within the month due for the 6 months prior to case number assignment and have no more than one 30-day late payment for the previous 6 months for all mortgages secured by the subject property for the month prior to disbursement.</li> </ul> <p>If the mortgage on the subject property is not reported in the borrower’s credit report, the mortgagee must obtain a verification of mortgage to evidence payment history for the previous 12 months.</p> <p>The maximum loan-to-value (LTV) or combined loan-to-value (CLTV if applicable) is 97.75 percent for principal residences and 85% for HUD approved secondary residences.</p> <p>The maximum mortgage amount for a Simple Refinance is the lesser of:</p> <ul style="list-style-type: none"> <li>• the Nationwide Mortgage Limit;</li> <li>• the Maximum LTV ratio from above; or</li> <li>• the sum of existing debt and costs associated with the transaction as follows:</li> </ul>	4000.1 II.A.8.d.vi.(B)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>o existing debt includes:                             <ul style="list-style-type: none"> <li>▪ unpaid principal balance of the FHA-insured first mortgage as of the month prior to mortgage disbursement;</li> <li>▪ interest due on the existing mortgage;</li> <li>▪ MIP due on existing mortgage; late charges;</li> <li>▪ and escrow shortages;</li> </ul> </li> <li>o Allowed costs include:                             <ul style="list-style-type: none"> <li>▪ all borrower paid costs associated with the new mortgage; and</li> <li>▪ Borrower-paid repairs required by the appraisal;</li> <li>▪ less any refund of UFMIP (if financed in original mortgage).</li> </ul> </li> </ul> <p>For additional information see Handbook 4000.1 II.A.8.d.vi.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
155.	6/17/15	Where can I find the guidelines regarding gift funds?	<p>Gifts refer to the contributions of cash or equity with no expectation of repayment.</p> <p>Gift funds may be provided by:</p> <ul style="list-style-type: none"> <li>• the borrower’s family member;</li> <li>• the borrower’s employer or labor union;</li> <li>• a close friend with a clearly defined and documented interest in the borrower;</li> <li>• a charitable organization;</li> <li>• a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers.</li> </ul> <p>Cash on hand is not an acceptable source of donor gift funds.</p> <p>Only family members may provide equity credit as a gift on property being sold to other family members.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F)
156.	6/17/15	Can I receive a loan from a family member rather than a gift?	<p>FHA will insure a first mortgage on a property that has a second mortgage or lien held by a Family Member, provided that all requirements in Handbook 4000.1 II.A.4.d.iii.(J)(3) or II.A.5.c.iii.(J)(3) are met.</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(J)(3); II.A.5.c.iii.(J)(3)
157.	6/17/15	Can gift funds be provided from a friend or other unrelated	<p>Gifts refer to the contributions of cash or equity with no expectation of repayment. Gifts may be provided by:</p> <ul style="list-style-type: none"> <li>• the borrower’s family member;</li> <li>• the borrower’s employer or labor union;</li> </ul>	4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		party?	<ul style="list-style-type: none"> <li>• a close friend with a clearly defined and documented interest in the borrower;</li> <li>• a charitable organization;</li> <li>• a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
158.	6/17/15	Does HUD allow gifts of equity?	<p>Only family members may provide equity credit as a gift on property being sold to other family members.</p> <p>The lender must obtain a gift letter signed and dated by the donor and borrower that includes the following:</p> <ul style="list-style-type: none"> <li>• the donor’s name, address, telephone number;</li> <li>• the donor’s relationship to the borrower;</li> <li>• the dollar amount of the gift; and</li> <li>• a statement that no repayment is required.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F)(4); II.A.5.c.iii.(F)(4) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(F)(4); II.A.5.c.iii.(F)(4)
159.	6/17/15	How do lenders document gifts given in the form of cash?	<p>Cash on hand is not an acceptable source of donor gift funds. The lender must obtain a gift letter signed and dated by the donor and borrower that includes the following:</p> <ul style="list-style-type: none"> <li>• the donor’s name, address, telephone number;</li> <li>• the donor’s relationship to the borrower;</li> <li>• the dollar amount of the gift; and</li> <li>• a statement that no repayment is required.</li> </ul> <p>The lender must verify and document the transfer of gift funds from the donor to the borrower in accordance with the following requirements:</p> <ol style="list-style-type: none"> <li>a. If the gift funds have been verified in the borrower’s account, obtain the donor’s bank statement showing the withdrawal and evidence of the deposit into the borrower’s account.</li> <li>b. If the gift funds are not verified in the borrower’s account, obtain the certified check or money order or cashier’s check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor’s account.</li> </ol> <p>If the gift funds are paid directly to the settlement agent, the lender must verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source.</p> <p>If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the lender must have the donor provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction, including the lender.</p>	4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>Regardless of when gift funds are made available to a borrower, the lender must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source (i.e., not from a party to the transaction, including the lender), and were the donor's own funds.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F)(4); II.A.5.c.iii.(F)(4) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
160.	6/17/15	What is required to verify assets in a bank account?	<p>The lender must verify and document the existence of and amounts in the borrower's checking and savings accounts.</p> <p>For recently opened accounts and recent individual deposits of more than 1 percent of the adjusted value, the lender must obtain documentation of the deposits and verify that no debts were incurred to obtain part, or all, of the minimum Required investment (MRI).</p> <p>If the borrower does not hold the deposit account solely, all non-borrower parties on the account must provide a written statement that the borrower has full access and use of the funds.</p> <p>The lender must obtain a written Verification of Deposit (VOD) and the borrower's most recent statement for each account. If a VOD is not obtained, a statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, the lender must obtain statement(s) for the most recent two months.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(A); II.A.5.c.iii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(A); II.A.5.c.iii.(A)
161.	6/17/15	Can gift funds come from the seller, lender or other interested party?	<p>Gifts may be provided by:</p> <ul style="list-style-type: none"> <li>• the borrower's family member;</li> <li>• the borrower's employer or labor union;</li> <li>• a close friend with a clearly defined and documented interest in the borrower;</li> <li>• a charitable organization;</li> <li>• a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers.</li> </ul> <p>The lender may only permit the borrower's Minimum Required Investment (MRI) to be provided by a source permissible under Section 203(b)(9)(C) of the National Housing Act, which means the funds for the borrower's MRI must not come from:</p> <ol style="list-style-type: none"> <li>(1) the seller of the property;</li> <li>(2) any other person or entity who financially benefits from the transaction (directly or indirectly); or</li> <li>(3) anyone who is or will be reimbursed, directly or indirectly, by any party included in (1) or (2) above.</li> </ol>	4000.1 II.A.4.d.iii.4.d.(F)(2); II.A.4.d.ii.(B); II.A.5.c.iii.(F)(2)(a); II.A.5.c.ii.(B)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>While additional funds to close may be provided by one of these sources if permitted under the relevant source of funds requirements above, none of the borrower’s MRI may come from these sources. The lender must document permissible sources for the full MRI in accordance with special requirements noted above.</p> <p>Additionally, in accordance with HUD’s Interpretive Rule, Docket No. FR-5679-N-01, HUD does not interpret Section 203(b)(9)(C) of the National Housing Act to prohibit Governmental Entities from providing the borrower’s MRI where the Governmental Entity is originating the insured mortgage through one of its homeownership programs.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F)(2); II.A.4.d.ii.(B); II.A.5.c.iii.(F)(2)(a); II.A.5.c.ii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
162.	6/17/15	Can a realtor give a gift of their commission for the down payment?	<p>Real Estate Commission from Sale of Subject Property refers to the Borrower’s (i.e., buyer’s) portion of a real estate commission earned from the sale of the property being purchased.</p> <p>Lenders may consider Real Estate Commissions from the Sale of the Subject Property as part of the Borrower’s acceptable source of funds if the Borrower is a licensed real estate agent. A Family Member entitled to the commission may also provide it as a gift, in compliance with standard gift requirements. The Lender must verify and document that the Borrower, or Family Member giving the commission as a gift, is a licensed real estate agent, and is entitled to a real estate commission from the sale of the property being purchased.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(Q); II.A.5.c.iii.(Q) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(Q); II.A.5.c.iii.(Q)
163.	6/17/15	Is it acceptable to get a loan for the down payment?	<p>A collateralized loan is a loan that is fully secured by a financial asset of the borrower, such as deposit accounts, certificates of deposit, investment accounts, or real property. These assets may include stocks, bonds, and real estate other than the property being purchased.</p> <p>Loans secured against deposited funds, where repayment may be obtained through extinguishing the asset, do not require consideration of repayment for qualifying purposes. The lender must reduce the amount of the corresponding asset by the amount of the collateralized loan.</p> <p>Only an independent third party may provide the borrowed funds for collateralized loans. The seller, real estate agent or broker, lender, or other Interested party may not provide such funds. Unacceptable borrowed funds include:</p> <ul style="list-style-type: none"> <li>• unsecured signature loans;</li> <li>• cash advances on credit cards;</li> <li>• borrowing against household goods and furniture; and</li> </ul>	4000.1 II.A.4.d.iii.(K); II.A.5.c.iii.(K)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• other similar unsecured financing.</li> </ul> <p>The lender must verify and document the existence of the borrower’s assets used to collateralize the loan, the promissory Note securing the asset, and the loan proceeds.</p> <p>Any loan of the borrower’s Minimum Required Investment (MRI) must also comply with the additional requirements set forth in “Source Requirements for the borrower’s MRI” (see 4000.1 II.A.4.d.ii and II.A.5.c.ii).</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(K); II.A.5.c.iii.(K) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
164.	6/17/15	How do lenders document cash assets?	<p>Cash on hand refers to cash held by the borrower outside of a financial institution.</p> <p>To include cash on hand as liquid assets for cash to close or reserves, the lender must:</p> <ul style="list-style-type: none"> <li>• verify that the borrower’s cash on hand is deposited in a financial institution or held by the escrow/title company.</li> <li>• verify and document the borrower’s cash on hand by obtaining an explanation from the borrower describing how the funds were accumulated and the amount of time it took to accumulate the funds.</li> <li>• determine the reasonableness of the accumulation based on the time period during which the funds were saved and the borrower’s:                             <ul style="list-style-type: none"> <li>- income stream;</li> <li>- spending habits;</li> <li>- documented expenses; and</li> <li>- history of using financial institutions.</li> </ul> </li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(B); II.A.5.c.iii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(B); II.A.5.c.iii.(B)
165.	6/17/15	Can gift funds come from the employer?	<p>Gift funds may be provided by the borrower’s employer or labor union. Any gift of the borrower’s required minimum investment must also comply with the additional requirements for Source Requirements of Borrower’s Minimum Required Investment (MRI) found in Handbook 4000.1 II.A.4.d.ii.(B).</p> <p>The lender must obtain a gift letter signed and dated by the donor and borrower that includes the following:</p> <ul style="list-style-type: none"> <li>• the donor’s name, address, and telephone number;</li> <li>• the donor’s relationship to the borrower;</li> <li>• the dollar amount of the gift; and</li> <li>• a statement that no repayment is required.</li> </ul>	4000.1 II.A.4.d.iii.(F); II.A.4.d.iii.(M); II.A.5.c.iii.(F); II.A.5.c.iii.(M)

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Credit Underwriting				
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			<p>The receipt of the gift funds must be documented in accordance with Handbook 4000.1 II.A.4.d.iii.(F) or II.A.5.c.iii.(F).</p> <p>A salary advance cannot be considered as assets to close.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F); II.A.4.d.iii.(M); II.A.5.c.iii.(M) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
166.	6/17/15	Can gift funds be used to pay for prepaids and closing costs?	<p>The lender must document all funds that are used for the purpose of qualifying for or closing a mortgage, including those to satisfy debt or pay costs outside of closing.</p> <p>The lender must verify and document that the borrower has sufficient funds from an acceptable source to facilitate the closing.</p> <p>Gifts may be provided by:</p> <ul style="list-style-type: none"> <li>• the borrower’s family member;</li> <li>• the borrower’s employer or labor union;</li> <li>• a close friend with a clearly defined and documented interest in the borrower;</li> <li>• a charitable organization;</li> <li>• a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers.</li> </ul> <p>Any gift of the borrower’s Minimum Required Investment (MRI) must also comply with the additional requirements set forth in Handbook 4000.1 II.A.4.d.ii. or II.A.5.c.ii, Source Requirements for the Borrower’s MRI.</p> <p>Closing costs, prepaid items and other fees may not be applied towards the Borrower’s MRI.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i; II.A.4.d.iii.(F); II.A.5.c.iii.(F) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.i; II.A.4.d.iii.(F); II.A.5.c.iii.(F)
167.	6/17/15	Where can I find policy governing rent credit?	<p>Rent credits refer to the amount of the rental payment that exceeds the appraiser’s estimate of fair market rent. The lender may use the cumulative amount of rental payments that exceeds the appraiser’s estimate of fair market rent towards the borrower’s Minimum Required Investment (MRI). The lender must obtain:</p> <ul style="list-style-type: none"> <li>• the rent with option to purchase agreement,</li> <li>• the appraiser’s estimate of market rent, and</li> <li>• evidence of receipt of payments.</li> </ul> <p>Rent may be an inducement to purchase when the sales agreement reveals that the borrower has been living in</p>	4000.1 II.A.4.d.iii.(H)(3); II.A.4.d.iii.(T); II.A.5.c.iii.(H)(3); II.A.5.c.iii.(T)

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Credit Underwriting				
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			<p>the property rent-free or has an agreement to occupy the property at a rental amount considerably below fair market value. Rent below fair market value is not considered an inducement to purchase when:</p> <ul style="list-style-type: none"> <li>• a builder fails to deliver a property at an agreed-upon time, and permits the borrower to occupy an existing or other unit for less than market rent until construction is complete; or</li> <li>• for borrowers who meet the Identity-of-Interest exception for family members.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(H)(3); II.A.4.d.iii.(T); II.A.5.c.iii.(H)(3); II.A.5.c.iii.(T) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
168.	6/17/15	How do I document assets in a Retirement account?	<p>Retirement accounts refer to assets accumulated by the borrower for the purpose of retirement. The lender may include up to 60 percent of the value of assets, less any existing loans, from the borrower’s retirement accounts, such as IRAs, thrift savings plans, 401(k) plan, and Keogh accounts, unless the borrower provides conclusive evidence that a higher percentage may be withdrawn after subtracting any federal income tax and withdrawal penalties. The portion of the assets not used to meet closing requirements, after adjusting for taxes and penalties, may be counted as reserves.</p> <p>The lender must obtain the most recent monthly or quarterly statement to verify and document the existence and amounts in the borrower’s retirement accounts, the borrower’s eligibility for withdrawals, and the terms and conditions for withdrawal from any retirement account.</p> <p>If any portion of the asset is required for funds to close, evidence of liquidation is required.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(C); II.A.5.c.iii.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(C); II.A.5.c.iii.(C)
169.	6/17/15	How do I document the value of personal property sold for funds to close?	<p>Borrowers may sell personal property to obtain cash for closing. Personal property refers to tangible property, other than real property, such as cars, recreational vehicles, stamps, coins or other collectibles.</p> <p>The lender must obtain a satisfactory estimate of the value of the item, a copy of the bill of sale, evidence of receipt, and deposit of proceeds. A value estimate may take the form of a published value estimate issued by organizations such as automobile dealers, philatelic or numismatic associations, or a separate written appraisal by a qualified appraiser with no financial interest in the mortgage transaction</p> <p>The lesser of the estimated value or actual sales price must be used when determining the sufficiency of assets to close. For additional information see Handbook 4000.1 II.A.4.d.iii.(N); II.A.5.c.iii.(N) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(N); II.A.5.c.iii.(N)
170.	6/17/15	Does FHA allow unsecured loans to be used toward the down	<p>Funds obtained from unsecured loans cannot be used toward the down payment. Unacceptable borrowed funds include:</p> <ul style="list-style-type: none"> <li>• unsecured signature loans;</li> </ul>	4000.1 II.A.4.d.iii.(K)(1); II.A.5.c.iii.(K)(1)

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Credit Underwriting

Row #	Added	FAQ	Answer	References
		payment?	<ul style="list-style-type: none"> <li>• cash advances on credit cards;</li> <li>• borrowing against household goods and furniture; and</li> <li>• other similar unsecured financing.</li> </ul> <p>A collateralized loan that is fully secured by a financial asset of the borrower, such as deposit accounts, certificates of deposit, investment accounts, or real property is acceptable. These assets may include stocks, bonds, and real estate other than the property being purchased. For additional information see Handbook 4000.1 II.A.4.d.iii.(K)(1); II.A.5.c.iii.(K)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
171.	6/17/15	Can an individual or organization provide a second mortgage for the buyer's down payment?	<p>Generally, only Federal, state, local government, and nonprofit agencies considered instrumentalities of government are considered an acceptable source of funds for the borrower's required minimum cash investment, and may provide them as secondary financing. FHA will insure a first mortgage on a property that has a second mortgage or lien held by private individuals and other organizations, provided that:</p> <ul style="list-style-type: none"> <li>• the secondary financing is disclosed at the time of application;</li> <li>• no costs associated with the secondary financing are financed into the FHA-insured first mortgage;</li> <li>• the secondary financing payments must be included in the total mortgage payment;</li> <li>• the secondary financing must not result in cash back to the borrower except for refund of earnest money deposit or other borrower costs paid outside of closing;</li> <li>• the secondary financing may not be used to meet the borrower's Minimum Required Investment (MRI);</li> <li>• the Combined Loan-to Value (CLTV) ratio of the base loan amount and secondary financing amount must not exceed the applicable FHA Loan-to-Value (LTV) limit;</li> <li>• the base loan amount and secondary financing amount must not exceed the Nationwide Mortgage Limits;</li> <li>• the second lien may not provide for a balloon payment within 10 years from the date of execution;</li> <li>• any periodic payments are level and monthly; and</li> <li>• there is no prepayment penalty, after giving the mortgagee 30 days advance notice.</li> </ul> <p>Any secondary financing meeting this standard is deemed to have prior approval in accordance with 24 CFR 203.32.</p> <p>The lender must obtain from the provider of any secondary financing:</p> <ul style="list-style-type: none"> <li>• documentation showing the amount of funds provided to the borrower for each transaction; and</li> <li>• copies of the loan instruments.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(J)(4); II.A.5.c.iii.(J)(4) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(J)(4); II.A.5.c.iii.(J)(4)
172.	6/17/15	Can employers contribute toward the borrower's down	<p>Employer assistance refers to benefits provided by an employer to relocate the borrower or assist in the borrower's housing purchase, including closing costs, Mortgage Insurance Premiums (MIP), or any portion of the borrower's Minimum Required Investment (MRI). Employer assistance does not include benefits provided by an</p>	4000.1 II.A.4.d.iii.(M); II.A.5.c.iii.(M)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		payment?	<p>employer through secondary financing. A salary advance cannot be considered as assets to close.</p> <p><u>RELOCATION GUARANTEED PURCHASE</u> The lender may allow the net proceeds (relocation guaranteed purchase price minus the outstanding liens and expenses) to be used as cash to close. If the borrower is being transferred by their company under a guaranteed sales plan, the lender must obtain an executed buyout agreement signed by all parties and receipt of funds indicating that the employer or relocation service takes responsibility for the outstanding mortgage debt. The lender must verify and document the agreement guaranteeing employer purchase of the borrower's previous residence and the net proceeds from sale.</p> <p><u>EMPLOYER ASSISTANCE PLANS</u> The amount received under employer assistance plans may be used as cash to close. The lender must verify and document the borrower's receipt of assistance. If the employer provides this benefit after settlement, the lender must verify and document that the borrower has sufficient cash for closing.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(M); II.A.5.c.iii.(M) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
173.	6/17/15	Can a Homeownership Set Aside Program grant be used for down payment?	<p>The Federal Home Loan Bank's (FHLB) Affordable Housing Program (AHP) Homeownership Set-Aside Grant Program is an acceptable source of down payment assistance and may be used in conjunction with FHA-insured financing. Secondary financing that creates a lien against the property is not considered a gift or grant even if it does not require regular payments or has other features forgiving the debt. Any AHP Set-Aside funds used for the borrower's Minimum Required Investment (MRI) must also comply with the additional requirements set forth in Handbook 4000.1:II.A.4.d.ii and II.A.5.c.ii.</p> <p>The lender must:</p> <ul style="list-style-type: none"> <li>• Verify and document the borrower's receipt of the grant and terms of use.</li> <li>• Verify and document that the retention agreement required by the FHLB is recorded against the property and results in a deed restriction, and not a second lien. The retention agreement must: <ul style="list-style-type: none"> <li>- provide that the FHLB will have ultimate control over the AHP grant funds if the funds are repaid by the borrower;</li> <li>- include language terminating the legal restrictions on conveyance if title to the property is transferred by foreclosure or deed-in lieu (DIL), or assigned to the Secretary of HUD; and</li> <li>- comply with all other FHA regulations.</li> </ul> </li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(L)(2); II.A.5.c.iii.(L)(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(L)(2); II.A.5.c.iii.(L)(2)
174.	6/17/15	Can a nonprofit or government entity who	<p>The lender may only permit the borrower's Minimum Required Investment (MRI) to be provided by a source permissible under Section 203(b)(9)(C) of the National Housing Act, which means the funds for the borrower's</p>	4000.1 II.A.4.c.ii;

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		is the seller of a property provide gift funds?	<p>MRI must not come from:</p> <p>(1) the seller of the property;</p> <p>(2) any other person or entity who financially benefits from the transaction; or</p> <p>(3) anyone who is or will be reimbursed, directly or indirectly, by any party included in (1) or (2) above.</p> <p>HUD does not interpret Section 203(b)(9)(C) of the National Housing Act to prohibit governmental entities from providing the borrower’s MRI where the governmental entity is originating the insured mortgage through one of its homeownership programs.</p> <p>The lender must document that the governmental entity incurred prior to or at closing an enforceable legal liability or obligation to fund the borrower’s MRI. It is not sufficient to document that the governmental entity has agreed to reimburse the lender for the use of funds legally belonging to the lender to fund the Borrower’s MRI.</p> <p>The lender must obtain:</p> <ul style="list-style-type: none"> <li>• a cancelled check, evidence of wire transfer or other draw request showing that prior to or at the time of closing the governmental entity had authorized a draw of the funds provided towards the borrower’s MRI from the governmental entity’s account; or</li> <li>• a letter from the governmental entity, signed by an authorized official, establishing that the funds provided towards the borrower’s MRI were funds legally belonging to the governmental entity at or before closing. Examples of acceptable language are available in Handbook 4000.1 II.A.4.d.ii.(C).</li> </ul> <p>While the lender is not required to document the actual transfer of funds in satisfaction of the obligation or liability, the failure of the governmental entity to satisfy the obligation or liability may result in a determination that the funds were provided by a prohibited source.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.ii; II.A.5.c.ii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	II.A.5.c.ii
175.	6/17/15	How much is counted for the borrower's labor when calculating sweat equity?	<p>Sweat equity refers to labor performed, or materials furnished, by or on behalf of the borrower before closing on the property being purchased.</p> <p>The lender may consider the reasonable estimated cost of the work or materials as an acceptable source of funds.</p> <p>Sweat equity provided by anyone other than the borrower can only be used as the Minimum Required Investment (MRI) if it meets the source requirements for the borrower’s MRI in Handbook 4000.1 II.A.4.c.ii &amp; II.A.5.c.ii.</p> <p>The lender may consider sweat equity that has not already been included in the mortgage however, clean up,</p>	4000.1 II.A.4.d.iii.(R); II.A.5.c.iii.(R)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>debris removal, other general maintenance, and work to be performed using repair escrow cannot be considered as Sweat Equity. Cash back to the borrower is not permitted in sweat equity transactions.</p> <p>For materials furnished, the lender must obtain evidence of the source of funds and the market value of the materials. For labor, verify and document that the work will be completed in a satisfactory manner and obtain evidence of contributory value of the labor through an appraiser's estimate, or a cost-estimating service.</p> <ul style="list-style-type: none"> <li>• For labor on existing construction: obtain an appraisal indicating the repairs or improvements to be performed. (Any work completed or materials provided before the appraisal are not eligible)</li> <li>• For labor on proposed construction: obtain the sales contract indicating the tasks to be performed by the borrower during construction.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(R); II.A.5.c.iii.(R) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
176.	6/17/15	Are government entities required to provide a gift letter?	<p>If a gift is provided by a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers, a gift letter is required. The gift letter must be signed and dated by the donor and borrower and includes the following:</p> <ul style="list-style-type: none"> <li>• the donor's name, address, and telephone number;</li> <li>• the donor's relationship to the Borrower;</li> <li>• the dollar amount of the gift; and</li> <li>• a statement that no repayment is required.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(F); II.A.5.c.iii.(F)
177.	6/17/15	What is the FHA definition of borrower reserves?	<p>Reserves refer to the sum of the borrower's verified and documented liquid assets minus the total funds the borrower is required to pay at closing. Reserves do not include:</p> <ul style="list-style-type: none"> <li>• the amount of cash taken at settlement in cash out transactions</li> <li>• incidental cash received at settlement in other loan transactions</li> <li>• gift funds in excess of the amount required for the cash investment and other expenses</li> <li>• equity in another property</li> <li>• borrowed funds from any source</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(C); II.A.5.c.i.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1. II.A.4.d.i.(C); II.A.5.c.i.(C)
178.	6/17/15	Are reserves required for borrowers with manually underwritten	<p>Yes, the lender must verify and document reserves equivalent to one month's principal, interest, taxes, and insurance (PITI) after closing for one- to two-unit properties.</p>	4000.1 II.A.5.c.i.(C)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
		loans?	The lender must verify and document reserves equivalent to three months' PITI after closing for three- to four-unit properties.  For additional information see Handbook 4000.1 II.A.5.c.i (C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
179.	6/17/15	Does FHA allow borrowers to use equity resulting from a trade of real property toward the cash investment?	Trade equity refers to when a borrower trades their real property to the seller as part of the cash investment.  The amount of the borrower's equity contribution is determined by: <ul style="list-style-type: none"> <li>• using the lesser of the property's appraised value or sales price; and</li> <li>• subtracting all liens against the property being traded, along with any real estate commission.</li> </ul> If the property being traded has an FHA-insured mortgage, assumption processing requirements and restrictions apply.  The lender must obtain a residential appraisal report complying with FHA appraisal policy to determine the property's value and must also obtain the Settlement Statement or similar legal document to document the sale of the property.  For additional information see Handbook 4000.1 II.A.4.d.iii.(S); II.A.5.c.iii.(S) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.4.d.iii.(S); II.A.5.c.iii.(S)
180.	6/17/15	When can borrower cash reserves be used as a compensating factor for a manually underwritten loan?	Compensating factors may be used to justify approval of manually underwritten mortgages with qualifying ratios as described in Handbook 4000.1 II.A.5.d.viii. Verified and documented cash reserves may be cited as a compensating factor subject to the following requirements: <ul style="list-style-type: none"> <li>• Reserves are equal to or exceed 3 total monthly mortgage payments (1 and 2 units); or</li> <li>• Reserves are equal to or exceed 6 total monthly mortgage payments (3 and 4 units).</li> </ul> Reserves are calculated as the borrower's total assets less: <ul style="list-style-type: none"> <li>• the total funds required to close the mortgage;</li> <li>• gifts;</li> <li>• borrowed funds; and</li> <li>• cash received at closing in a cash-out refinance transaction or incidental cash received at closing in the mortgage transaction.</li> </ul> For additional information see Handbook 4000.1 II.A.5.d.viii; II.A.5.d.ix.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.5.d.viii II.A.5.d.ix.(B).
181.	6/17/15	What are the requirements regarding real estate tax credits to be received by a	Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the borrower's Minimum Required Investment (MRI), if the lender documents that the borrower had sufficient assets to meet the MRI and the borrower paid closing costs at the time of underwriting.	4000.1 II.A.4.d.i.(B)(2)(j); II.A.4.c.i.(B) (2)(j)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		borrower at closing?	<p>This permits the borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total MRI.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(B)(2)(j); II.A.4.c.i.(B) (2)(j) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
182.	6/17/15	How are debts paid by another person considered?	<p>A contingent liability refers to a liability that may result in the obligation to repay only when a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include cosigner liabilities and liabilities resulting from a mortgage assumption without release of liability.</p> <p>The lender must include monthly payments on contingent liabilities in the calculation of the borrower's monthly obligations unless the lender verifies and documents that there is no possibility that the debt holder will pursue debt collection against the Borrower should the other party default or the other legally obligated party has made 12 months of timely payments.</p> <p><b>REQUIRED DOCUMENTATION</b></p> <ul style="list-style-type: none"> <li>• Mortgage Assumptions - The lender must obtain the agreement creating the contingent liability or assumption agreement and deed showing transfer of title out of the borrower's name.</li> <li>• Cosigned Liabilities - If the cosigned liability is not included in the monthly obligation, the lender must obtain documentation to evidence that the other party to the debt has been making regular on-time payments during the previous 12 months, and does not have a history of delinquent payments on the loan.</li> <li>• Court Ordered Divorce Decree - The lender must obtain a copy of the divorce decree ordering the spouse to make payments.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.b.iv.(K); II.A.5.a.iv.(M) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.b.iv.(K); II.A.5.a.iv.(M)
183.	6/17/15	Do I have to count a debt that is almost paid off?	<p>The lender must determine the borrower's monthly liabilities by reviewing all debts listed on the credit report, Uniform Residential Loan Application (URLA), and required documentation. All applicable monthly liabilities must be included in the qualifying ratio. Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5 percent of the borrower's gross monthly income. The borrower may not pay down the balance in order to meet the 10-month requirement.</p> <p>For additional information see Handbook 4000.1 II.A.4.b.iv.(A); II.A.5.a.iv.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.b.iv.(A); II.A.5.a.iv.(A)
184.	6/17/15	Are child support and alimony counted as a liability for qualifying?	<p>Alimony, Child Support, and Other Maintenance are court-ordered or otherwise agreed upon payments.</p> <p>For alimony, if the borrower's income was not reduced by the amount of the monthly alimony obligation in the calculation of the borrower's gross income, the lender must include the monthly obligation in the calculation of</p>	4000.1 II.A.4.b.iv.(E); II.A.5.a.iv.(D)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>the borrower's debt.</p> <p>Child support and other maintenance are to be treated as a recurring liability and the lender must include the monthly obligation in the borrower's liabilities and debt.</p> <p>The lender must verify and document the monthly obligation by obtaining the official signed divorce decree, separation agreement, maintenance agreement, or other legal order and must also obtain the borrower's pay stubs covering no less than 28 consecutive days to verify whether the borrower is subject to any order of garnishment relating to the alimony, child support, or other maintenance.</p> <p>The lender must calculate the borrower's monthly obligation from the greater of:</p> <ul style="list-style-type: none"> <li>• the amount shown on the most recent decree or agreement establishing the borrower's payment obligation; or</li> <li>• the monthly amount of the garnishment.</li> </ul> <p>For additional information see Handbook II.A.4.b.iv.(E); II.A.5.a.iv.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
185.	6/17/15	Can I exclude the cost of utilities from the analysis when they are included in the HOA fees?	<p>The portion of a condominium fee that is clearly attributable to utilities may be subtracted from the HOA fees before computing qualifying ratios, provided the Borrower provides proper documentation, such as statements from the utility company.</p> <p>For additional information see Handbook II.A.5.d.vii.(B)(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.vii.(B)(2)
186.	6/17/15	Must a monthly obligation for a leased energy system be included in the borrower's DTI?	An obligation for a home energy system need not be included as a debt in the borrower's qualifying ratios.	HQ Policy
187.	6/17/15	May non-taxable income be "grossed up"?	<p>Non-Taxable Income refers to types of income not subject to federal taxes, which includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• some portion of Social Security Income;</li> <li>• some federal government employee Retirement Income;</li> <li>• Railroad Retirement benefits;</li> <li>• some state government Retirement Income;</li> <li>• certain types of disability and Public Assistance payments;</li> <li>• Child Support;</li> <li>• military allowances; and</li> <li>• other income that is documented as being exempt from federal income taxes.</li> </ul>	4000.1 II.A.4.c.xii(P); II.A.5.b.xii(P)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The lender must document and support the amount of income to be grossed up for any non-taxable income source and the current tax rate applicable to the borrower's income that is being grossed up.</p> <p>The amount of continuing tax savings attributed to non-taxable income may be added to the borrower's gross income.</p> <p>The percentage of non-taxable income that may be added cannot exceed the greater of 15 percent or the appropriate tax rate for the income amount, based on the borrower's tax rate for the previous year. If the borrower was not required to file a federal tax return for the previous tax reporting period, the lender may gross up the non-taxable income by 15 percent.</p> <p>The lender may not make any additional adjustments or allowances based on the number of the borrower's dependents.</p> <p>For additional information see Handbook II.A.4.c.xii(P); II.A.5.b.xii(P) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
188.	6/17/15	How is rental income for the subject property calculated when analyzing borrower qualifying ratios?	<p>To calculate the effective income from the subject property where the borrower does not have a history of rental income from the subject property since the previous tax filing, the lender must use the lesser of:</p> <ul style="list-style-type: none"> <li>• the monthly operating income reported on Freddie Mac Form 998; or</li> <li>• 75 percent of the lesser of:                             <ul style="list-style-type: none"> <li>- fair market rent reported by the appraiser; or</li> <li>- rent reflected in the lease or other rental agreement.</li> </ul> </li> </ul> <p>To calculate effective income from the subject property where the borrower does have a history of rental income the lender must calculate the rental income by averaging the amount shown on Schedule E. Depreciation, mortgage interest, taxes, insurance and any HOA dues shown on Schedule E may be added back to the net income or loss.</p> <p>If the property has been owned for less than two years, the lender must annualize the rental income for the length of time the property has been owned.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(I); II.A.5.b.xii.(I) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xii.(I); A.5.b.xii.(I)
189.	6/17/15	How is rental income from other real estate calculated?	<p>To calculate the effective net rental income from other real estate holdings, including a property being vacated by the borrower, where the borrower does not have a history of rental income since the previous tax filing, the lender must deduct the Principal, Interest, Taxes, and Insurance (PITI) from the lesser of:</p> <ul style="list-style-type: none"> <li>• the monthly operating income reported on Freddie Mac Form 998; or</li> </ul>	4000.1 II.A.5.b.xii.(I)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• 75 percent of the lesser of:                             <ul style="list-style-type: none"> <li>- fair market rent reported by the appraiser; or</li> <li>- rent reflected in the lease or other rental agreement.</li> </ul> </li> </ul> <p>To calculate effective income from other real estate where the borrower does have a history of rental income the lender must average the amount shown on the Schedule E provided the borrower continues to own all properties included on the Schedule E. Depreciation shown on Schedule E may be added back to the net income or loss.</p> <p>If the property has been owned for less than two years, the lender must annualize the rental income for the length of time the property has been owned. For properties with less than two years of rental income history, the lender must document the date of acquisition by providing the deed, Settlement Statement or similar legal document.</p> <p>Positive net rental income must be added to the borrower’s effective income. Negative net rental income must be included as a debt/liability.</p> <p>For additional information see Handbook 4000.1 II.A.5.b.xii.(I) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
190.	6/17/15	Can child support or alimony be used as income?	<p>Alimony, child support, or maintenance income refers to income received from a former spouse or partner or from a non-custodial parent of the borrower's minor dependent.</p> <p>The lender must obtain a fully executed copy of the borrower’s final divorce decree, legal separation agreement, court order, or voluntary payment agreement with documented receipt.</p> <p>When using a final divorce decree, legal separation agreement or court order, the lender must obtain evidence of receipt using deposits on bank statements; canceled checks; or documentation from the child support agency for the most recent three months that supports the amount used in qualifying.</p> <p>If the borrower has received consistent alimony, child support or other maintenance payments for the most recent three months, the lender may use the current payment to calculate effective income.</p> <p>For a voluntary payment agreement, the lender must document receipt with 12 months of cancelled checks, deposit slips, or tax returns. If the borrower has received consistent alimony, child support or other maintenance payments for the most recent six months, the lender may use the current payment to calculate effective income.</p> <p>The lender must provide evidence that the claimed income will continue for at least three years. The lender may use the front and pertinent pages of the divorce decree/settlement agreement and/or court order showing the</p>	4000.1 II.A.4.c.xii.(B); II.A.5.b.xii.(B)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>financial details.</p> <p>If the alimony, child support or other maintenance payments have not been consistently received for the most recent six months, the lender must use the average of the income received over the previous two years to calculate effective Income. If alimony, child support or maintenance income has been received for less than two years, the lender must use the average over the time of receipt.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(B); II.A.5.b.xii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	
191.	6/17/15	Can disability payments be used as income?	<p>Disability benefits are benefits received from the Social Security Administration (SSA), Department of Veterans Affairs (VA,) other public agencies, or a private disability insurance provider.</p> <p>The lender must verify and document the borrower’s receipt of benefits from the SSA, VA or private disability insurance provider. The lender must obtain:</p> <ol style="list-style-type: none"> <li>(1) a copy of the last Notice of Award letter which states the SSA’s or private disability insurer’s determination on the borrower’s eligibility for disability benefits, or</li> <li>(2) equivalent documentation that establishes the award of benefits to the borrower.</li> </ol> <p>If the Notice of Award or equivalent document does not have a defined expiration date, the lender may consider the income effective and reasonably likely to continue. The lender may not rely upon a pending or current re-evaluation of medical eligibility for benefit payments as evidence that the benefit payment is not reasonably likely to continue.</p> <p>Under no circumstances may the lender inquire into or request documentation concerning the nature of the disability or the medical condition of the borrower.</p> <p>For Social Security Disability income, including Supplemental Security Income (SSI), the lender must obtain one of the following documents:</p> <ul style="list-style-type: none"> <li>• Federal tax returns;</li> <li>• The most recent bank statement evidencing receipt of income from the SSA;</li> <li>• A Proof of Income Letter, also known as a “Budget Letter” or “Benefits Letter” that evidences income from the SSA; or</li> <li>• A copy of the Borrower’s FORM SSA-1099/1042S, Social Security Benefit Statement.</li> </ul> <p>For VA disability benefits, the lender must obtain VA Form 26-8937, Verification of VA Benefits, showing the amount of the assistance and the expiration date of benefits, if any.</p> <p>For private disability benefits, the lender must obtain documentation from the private disability insurance</p>	4000.1 II.A.4.c.xiii.(A); II.A.5.b.xiii.(A)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>provider showing the amount of the assistance and the expiration date of the benefits, if any.</p> <p>The lender must use the most recent amount of benefits received to calculate effective income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(A) (1); II.A.5.b.xii.(A)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
192.	6/17/15	Can public assistance be used as income?	<p>Public assistance refers to income received from government assistance programs. Lenders must verify and document the income received from the government agency. The lender must use the current rate of public assistance received to calculate effective income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(F); II.A.5.b.xii.(F) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xii.(F) II.A.5.b.xii.(F)
193.	6/17/15	Can income earned from part-time employment be used as income?	<p>Part-time employment refers to employment that is not the borrower's primary employment and is generally performed for less than 40 hours per week. The lender may use part-time employment income as effective income if the borrower has worked a part-time job uninterrupted for the past two years and the current position is reasonably likely to continue. The income must be averaged over the previous two years. If the lender can document an increase in pay rate, a 12-month average of hours at the current pay rate may be used.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.iv; II.A.5.b.iv available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.iv; II.A. 5.b.iv
194.	6/17/15	Can income from employment that has not begun be used as income?	<p>Expected income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 days of mortgage closing.</p> <p>The lender must verify and document the existence and amount of expected income with the employer in writing and that it is guaranteed to begin within 60 days of mortgage closing.</p> <p>For expected retirement income, the lender must verify the amount and that it is guaranteed to begin within 60 days of the mortgage closing.</p> <p>Income is calculated in accordance with the standards for the type of income being received.</p> <p>The lender must also verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between mortgage closing and the beginning of the receipt of the income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(L); II.A.5.b.xii.(L) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xii.(L); II.A.5.b.xii.(L)
195.	6/17/15	How do I approach transactions where we know the income will be changing?	<p>Expected income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 days of mortgage closing.</p> <p>The lender must verify and document the existence and amount of expected income with the employer in writing</p>	4000.1 II.A.4.c.xii. (L); II.A.5.b.xii. (L); II.A.4.c.xi(C);

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>and that it is guaranteed to begin within 60 days of mortgage closing.</p> <p>For expected retirement income, the lender must verify the amount and that it is guaranteed to begin within 60 days of the mortgage closing.</p> <p>Income is calculated in accordance with the standards for the type of income being received. The lender must also verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between mortgage closing and the beginning of receipt of the income.</p> <p>For borrowers with a temporary reduction of income due to a short-term disability or similar temporary leave, the lender may consider the borrower's current income as effective income, if it can verify and document the borrower:</p> <ul style="list-style-type: none"> <li>• intends to return to work;</li> <li>• has the right to return to work; and</li> <li>• qualifies for the mortgage taking into account any reduction of income due to the circumstance.</li> </ul> <p>For borrowers returning to work before or at the time of the first mortgage payment due date, the lender may use the borrower's pre-leave income.</p> <p>For borrowers returning to work after the first mortgage payment due date, the lender may use the borrower's current income plus available surplus liquid asset reserves, above and beyond any required reserves, as an income supplement up to the amount of the borrower's pre-leave income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xi(C); II.A.5.b.xi.(C); II.A.4.c.xii.(L); II.A.5.b.xii.(L) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	II.A.5.b.xi.(C)
196.	6/17/15	How do you calculate income for self-employed borrowers?	<p>The lender must analyze the borrower's tax returns to determine gross self-employment income.</p> <p>Requirements for analyzing self-employment documentation are found in Handbook 4000.1 Appendix 2.0 - Analyzing IRS Forms.</p> <p>The lender must calculate gross self-employment income by using the lesser of:</p> <ul style="list-style-type: none"> <li>• the average gross self-employment income earned over the previous 2 years; or</li> <li>• the average gross self-employment income earned over the previous 1 year.</li> </ul> <p>For loans receiving a TOTAL Scorecard Accept/Eligible recommendation refer to the self-employment income requirements in Handbook 4000.1 II.A.4.c.x.</p> <p>For loans that must be manually underwritten, refer to the self-employment income requirements in Handbook</p>	4000.1 II.A.4.c.x; II.A.5.b.x; Appendix 2.0

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			4000.1 II.A.5.b.x.  Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
197.	6/17/15	Can overtime or bonuses be used as income?	Overtime and bonus income refers to income that the borrower receives in addition to the borrower's normal salary. The lender may use overtime and bonus income as effective income if the borrower has received this income for the past two years and it is reasonably likely to continue. Periods of overtime and bonus income less than two years may be considered effective income if the lender documents that the overtime and bonus income has been consistently earned over a period of not less than one year and is reasonably likely to continue.  For employees with overtime or bonus income, the lender must average the income earned over the previous two years to calculate effective income. However, if the overtime or bonus income from the current year decreases by 20 percent or more from the previous year, the lender must use the current year's income.  For additional information see Handbook 4000.1 II.A.4.c.xi(C); II.A.5.b.xi.(C); II.A.4.c.xii.(L); II.A.5.b.xii.(L) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.4.c.v; II.A.5.b.v
198.	6/17/15	How do I document employment for non-permanent resident aliens?	The Employment Authorization Document issued by the United States Citizenship and Immigration Services (USCIS) is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal based on information from the USCIS.  A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained.  While a borrower is required to have a valid Social Security Number, in no case is a Social Security card sufficient to prove immigration or work status.  For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(9)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.1.b.ii.(A)(9)(b)
199.	6/17/15	Can commissions be used as income?	Commission income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.  Commission Income may be used as effective income if the borrower earned the income for at least one year in the same or similar line of work and it is reasonably likely to continue.	4000.1 II.A.4.c.ix; II.A.5.b.ix; Appendix 2.0 - Analyzing IRS Forms

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Credit Underwriting				
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			<ul style="list-style-type: none"> <li>For Commission Income less than or equal to 25 percent of the borrower’s total earnings, the lender must use traditional or alternative employment documentation.</li> <li>For Commission Income greater than 25 percent of the borrower’s total earnings, the lender must obtain signed tax returns, including all applicable schedules, for the last two years. In lieu of signed tax returns from the borrower, the lender may obtain a signed IRS Form 4506, Request for Copy of Tax Return, IRS Form 4506-T, Request for Transcript of Tax Return, or IRS Form 8821, Tax Information Authorization, and tax transcripts directly from the IRS.</li> </ul> <p>The lender must calculate effective income for commission by using the lesser of:</p> <p>(a) the average net Commission Income earned over the previous two years, or the length of time Commission Income has been earned if less than two years; or</p> <p>(b) the average net Commission Income earned over the previous one year. The net Commission Income is calculated by subtracting the unreimbursed business expenses from the gross Commission Income.</p> <p>The lender must reduce the effective income by the amount of any unreimbursed employee business expenses, as shown on the borrower’s Schedule A. For information on analyzing the Borrower’s 1040, review Handbook 4000.1 Appendix 2.0 - Analyzing IRS Forms.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.ix ; II.A.5.b.ix available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
200.	6/17/15	Can Social Security benefits be used as income?	<p>Social Security Income or Supplemental Security Income (SSI) refers to income received from the Social Security Administration (SSA) other than disability income. The mortgagee must verify and document the borrower’s receipt of income from the SSA and that it is likely to continue for at least a three year period from the date of case number assignment. For SSI, the mortgagee must obtain any one of the following documents:</p> <ul style="list-style-type: none"> <li>federal tax returns;</li> <li>the most recent bank statement evidencing receipt of income from the SSA;</li> <li>a Proof of Income Letter, also known as a “Budget Letter” or “Benefits Letter” that evidences income from the SSA; or</li> <li>a copy of the borrower’s SSA Form-1099/1042S, Social Security Benefit Statement.</li> </ul> <p>In addition to verification of income, the mortgagee must document the continuance of this income by obtaining from the borrower:</p> <p>(1) a copy of the last Notice of Award letter which states the SSA’s determination on the borrower’s eligibility for SSA income, or</p> <p>(2) equivalent documentation that establishes award benefits to the borrower (equivalent document).</p> <p>If any income from the SSA is due to expire within three years from the date of case number assignment, that income may not be used for qualifying. If the Notice of Award or equivalent document does not have a defined</p>	4000.1 II.A.4.c.xii.(H)(1); II.A.5.b.xii.(H)(1)

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Row #	Added	FAQ	Answer	References
			<p>expiration date, the mortgagee must consider the income effective and reasonably likely to continue. The mortgagee may not request additional documentation from the Borrower to demonstrate continuance of Social Security Income.</p> <p>If the Notice of Award letter or equivalent document specifies a future start date for receipt of income, this income may only be considered effective on the specified start date.</p> <p>The mortgagee must use the current amount of Social Security Income received to calculate Effective Income.</p> <p>For information on Disability Income see Handbook 4000.1 II.A.4.c.xii.(A) &amp; 5.b.xii.(A).</p> <p>For more information on Social Security Income see Handbook 4000.1 II.A.4.c.xii.(H)(1) &amp; II.A.5.b.xii.(H)(1).</p> <p>Handbook 4000.1 is available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
201.	6/17/15	How does FHA view borrowers who change jobs frequently?	<p>If the borrower has changed jobs more than three times in the previous 12-month period, or has changed lines of work, the lender must take additional steps to verify and document the stability of the borrower's employment income. The lender must obtain:</p> <ul style="list-style-type: none"> <li>transcripts of training and education demonstrating qualification for a new position; or</li> <li>employment documentation evidencing continual increases in income and/or benefits.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.c.xi(A); II.A.5.b.xi(A) available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xi(A); II.A.5.b.xi (A)
202.	6/17/15	How are gaps in employment considered when analyzing income stability?	<p>For borrowers with gaps in employment of six months or more (an extended absence), the lender may consider the borrower's current income as effective income if it can verify and document that:</p> <ul style="list-style-type: none"> <li>the borrower has been employed in the current job for at least six months at the time of case number assignment; and</li> <li>a two year work history prior to the absence from employment using standard or alternative employment verification.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.c.xi.(B); II.A.5.b.xi.(B) available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xi.(B); II.A.5.b.xi (B)
203.	6/17/15	How should lenders treat temporary reductions in income?	<p>For borrowers with a temporary reduction in income due to a short-term disability or similar temporary leave, the lender may consider the borrower's current income as effective income, if it can verify and document that:</p> <ul style="list-style-type: none"> <li>The borrower has the right to return to work; and</li> <li>The borrower qualifies for the mortgage taking into account any reduction income due to circumstances.</li> </ul>	4000.1 II.A.4.c.xi.(C); II.A.5.b.xi (C)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>For borrowers returning to work before or at the time of the first mortgage payment due date, the lender may use the borrower's pre-leave income.</p> <p>For borrowers returning to work after the first mortgage payment due date, the lender may use the borrower's current income plus available surplus liquid asset Reserves, above and beyond any required reserves, as an income supplement up to the amount of the borrower's pre-leave income. The amount of the monthly income supplement is the total amount of surplus reserves divided by the number of months between the first payment due date and the borrower's intended date of return to work.</p> <p>The lender must provide the following documentation for borrowers on temporary leave:</p> <ul style="list-style-type: none"> <li>• A written statement from the borrower confirming the borrower's intent to return to work, and the intended date of return;</li> <li>• Documentation generated by current employer confirming the borrower's eligibility to return to current employment after temporary leave; and</li> <li>• Documentation of sufficient liquid assets, in accordance with Handbook 4000.1 Sources of Funds requirements, used to supplement the borrower's income through intended date of return to work with the current employer.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.c.xi.(C); II.A.5.b.xi.(.) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
204.	6/17/15	Where can I find employment documentation requirements?	<p>Employment income refers to income received as an employee of a business that is reported on IRS Form W-2. For employment related Income, the lender must verify the borrower's most recent 2 years of employment and income and use one of the following documentation methods:</p> <p><u>TRADITIONAL DOCUMENTATION - CURRENT EMPLOYMENT</u> Obtain the most recent pay stub and one of the following to verify current employment:</p> <ul style="list-style-type: none"> <li>• written Verification of Employment (VOE) covering 2 years; or</li> <li>• electronic verification acceptable to FHA.</li> </ul> <p><u>ALTERNATIVE DOCUMENTATION - CURRENT EMPLOYMENT</u> Obtain copies of the most recent pay stub that shows the borrower's year-to-date earnings;</p> <ul style="list-style-type: none"> <li>• obtain copies of the original IRS W-2 forms from the previous 2 years; and</li> <li>• document current employment by telephone, sign and date the verification documentation, and note the name, title, and telephone number of the person with whom employment was verified.</li> </ul> <p><u>REVERIFICATION OF EMPLOYMENT</u> Re-verification of employment applies to both traditional and alternative documentation methods and must be completed within 10 days prior to mortgage disbursement. Verbal re-verification of employment is acceptable.</p>	4000.1 II.A.4.c.ii; II.A.5.b.ii

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p><u>PAST EMPLOYMENT DOCUMENTATION</u>                      Direct verification of the borrower’s employment history for the previous 2 years is not required if all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>• The current employer confirms a 2 year employment history, or a paystub reflects a hiring date.</li> <li>• Only base pay is used to qualify (no overtime or bonus income).</li> <li>• The borrower executes IRS Form 4506, <i>Request for Copy of Tax Return</i>, or IRS Form 8821, <i>Tax Information Authorization</i>, for the previous 2 tax years.</li> </ul> <p>If the applicant has not been employed with the same employer for the previous 2 years and/or not all conditions immediately above can be met, then the lender must obtain one or a combination of the following for the most recent 2 years to verify employment history:</p> <ul style="list-style-type: none"> <li>• W-2(s)</li> <li>• VOE(s)</li> <li>• electronic verification acceptable to FHA</li> <li>• evidence supporting enrollment in school or the military during the most recent 2 full years</li> </ul> <p>For additional information see Handbook 4000.1, II.A.5.b.ii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
205.	6/17/15	Can automobile allowances be used as income?	<p>Automobile allowance refers to the funds provided by the borrower's employer for automobile related expenses. The lender must verify and document the automobile allowance received from the employer for the previous two years and obtain IRS Form 2106, Employee Business Expenses, for the previous two years.</p> <p>To determine the portion of the allowance that can be considered effective income the lender must subtract automobile expenses as shown on IRS Form 2106 from the automobile allowance before calculating effective income based on the current amount of the allowance received. If the borrower uses the standard per-mile rate in calculating automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. Expenses that must be treated as recurring debt include:</p> <ul style="list-style-type: none"> <li>• the borrower’s monthly car payment; and</li> <li>• any loss resulting from the calculation of the difference between the actual expenditures and the expense account allowance.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(G); II.A.5.b.xii.(G) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xii.(G); II.A.5.b.xii.(G)
206.	6/17/15	For how long must the borrower be employed?	<p>For all employment related income, the lender must verify the borrower’s most recent two years of employment and income. Effective Income must be reasonably likely to continue through at least the first three years of the mortgage.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.; II.A.5.b. available at</p>	4000.1 II.A.4.c.; II.A.5.b.

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
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			<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
207.	6/17/15	Can seasonal employment be used as income?	<p>Seasonal employment refers to employment that is not year round, regardless of the number of hours per week the borrower works on the job. Seasonal employment may be considered effective income if the borrower has worked the same line of work for the past two years and is reasonably likely to be rehired for the next season.</p> <p>The lender may consider unemployment income as effective income for those with effective seasonal employment income. The unemployment income must be documented for two full years and there must be reasonable assurance that the income will continue.</p> <p>The lender must average the income earned over the previous two full years to determine the effective income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.vi; II.A.5.b.vi available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.vi; II.A.5.b.vi
208.	6/17/15	How do I analyze self-employment income for sole proprietorship, corporations or other businesses?	<p>Self-employment income refers to income generated by a business in which the borrower has a 25 percent or greater ownership interest. There are four basic types of business structures. They include: sole proprietorships; corporations; limited liability or “S” corporations; and partnerships.</p> <p>Self-employment income should be calculated based on the requirements in Handbook 4000.1 for self-employment income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.x ; II.A.5.b.x; Appendix 2.0 – Analyzing IRS Forms available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.x; II.A.5.b.x; Appendix 2.0 - Analyzing IRS Forms
209.	6/17/15	Are there special guidelines for borrowers who are employed by a family owned business?	<p>Family-owned business income refers to employment income from a business owned by the borrower’s family, but in which the borrower is not an owner. The lender must verify and document that the borrower is not an owner in the family-owned business by using official business documents showing the ownership percentage. Official business documents include corporate resolutions or other business organizational documents, business tax returns or Schedule K-1(IRS Form 1065), U.S. Return of Partnership Income, or an official letter from a certified public accountant on their business letterhead. In addition to traditional or alternative employment documentation requirements, the lender must obtain copies of signed personal tax returns or tax transcripts.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.viii ; II.A.5.b.viii; available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.viii; II.A.5.b.viii.
210.	6/17/15	Can rent received from boarders be used as income?	<p>Boarder refers to an individual renting space inside the borrower’s dwelling unit.</p> <p>Rental Income from boarders is only acceptable if the borrower has a two-year history of receiving income from boarders that is shown on the tax return and the borrower is currently receiving boarder income.</p>	4000.1 II.A.4.c.xii.(1)(4); II.A.5.b.xii.(1)(4)

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			<p>The lender must obtain two years of the borrower’s tax returns evidencing income from boarders and the current lease.</p> <p>For purchase transactions, a copy of the executed written agreement documenting their intent to continue boarding with the borrower must be obtained. The lender must calculate the effective income by using the lesser of the two-year average or the current lease.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(I)(4); II.A.5.b.xii.(I)(4) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
211.	6/17/15	What is FHA's definition of self-employed?	<p>A borrower with a 25 percent or greater ownership interest in a business is considered self-employed for FHA mortgage loan underwriting purposes.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.x; II.A.5.b.x available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.x; II.A.5.b.x
212.	6/17/15	How do I calculate income for a person in the military?	<p>Military income refers to income received by military personnel during their period of active, Reserve, or National Guard service, including:</p> <ul style="list-style-type: none"> <li>• Base pay;</li> <li>• Basic Allowance for Housing;</li> <li>• Clothing allowances;</li> <li>• Flight or hazard pay;</li> <li>• Basic Allowance for Subsistence; and</li> <li>• Proficiency pay.</li> </ul> <p>The lender may not use education benefits as effective income.</p> <p>A copy of the borrower’s military Leave and Earnings Statement (LES) must be obtained to verify the expiration term of service date on the LES. If the expiration term of service date is within the first 12 months of the mortgage, military income may only be considered effective income if the borrower represents their intent to continue military service. The lender must use the current amount of military income received to calculate effective income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(C); II.A.5.b.xii.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xii.(C); II.A.5.b.xii.(C)
213.	6/17/15	Can a trust be used as income?	<p>Trust income refers to income that is regularly distributed to a borrower from a trust account, The lender must:</p> <ul style="list-style-type: none"> <li>• verify and document the existence of the Trust Agreement or other trustee statement.</li> <li>• verify and document the frequency, duration, and amount of the distribution by obtaining a bank statement or transaction history from the bank.</li> <li>• verify that regular payments will continue for at least the first three years of the mortgage term.</li> </ul>	4000.1 II.A.4.c.xii.(M); II.A.5.b.xii.(M)

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			<ul style="list-style-type: none"> <li>use the income based on the terms and conditions in the Trust Agreement or other trustee statement to calculate effective income.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(M); II.A.5.b.xii.(M) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
214.	6/17/15	Can Mortgage Credit Certificates be used as income?	<p>Mortgage Credit Certificates refer to government mortgage payment subsidies other than Section 8 Homeownership Vouchers.</p> <p>The lender must verify and document that the governmental entity subsidizes the borrower’s mortgage payments either through direct payments or tax rebates.</p> <p>Mortgage Credit Certificate income that is not used to directly offset the mortgage payment before calculating the qualifying ratios may be included as effective income. The lender must use the current subsidy rate to calculate the effective income.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.xii.(D); II.A.5.b.xii.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.c.xii.(D); II.A.5.b.xii.(D)
215.	6/17/15	How is residual income calculated for a manually underwritten loan?	<p>Residual income may be cited as an acceptable compensating factor for qualifying ratios as described in Handbook 4000.1 II.A.5.d.viii.</p> <p>Residual income is calculated as total effective income of all occupying borrowers less:</p> <ul style="list-style-type: none"> <li>state income taxes;</li> <li>federal income taxes;</li> <li>municipal or other income taxes;</li> <li>retirement or Social Security;</li> <li>proposed total mortgage payment;</li> <li>estimated maintenance and utilities;</li> <li>job related expenses (e.g., child care); and</li> <li>the amount of the gross up of any non-taxable income.</li> </ul> <p>If available, lenders must use federal and state tax returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. If tax returns are not available, lenders may rely upon current pay stubs.</p> <p>For estimated maintenance and utilities, multiply the gross living area of the property by the maintenance and utility factor found in the Lenders Handbook - VA Pamphlet 26-7.</p> <p>To use residual income as a compensating factor, the lender must count all members of the household of the occupying borrower without regard to the nature of their relationship and without regard to whether they are</p>	4000.1 II.A.5.d.viii; II.A.5.d.ix(F)

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			<p>joining on title or the Note to determine “family size.” The lender may omit any individuals from “family size” who are fully supported from a source of verified income which is not included in effective income in the mortgage analysis. These individuals must voluntarily provide sufficient documentation to verify their income to qualify for this exception.</p> <p>From the table provided in Lenders Handbook - VA Pamphlet 26-7, select the applicable mortgage amount, region and household size. If residual income equals or exceeds the corresponding amount on the table, it may be cited as a compensating factor.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.viii; II.A.5.d.ix(F) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
216.	6/17/15	What is the Back to Work Program?	<p>The Back to Work – Extenuating Circumstances Policy guidance allows borrowers who have experienced an economic event resulting in loss of employment and household income to use an alternative manner for credit qualification for purchase money mortgages.</p> <p>An economic event for the purposes of the Back to Work-Extenuating Circumstances program refers to any occurrence beyond the borrower’s control that results in loss of employment, loss of income, or both, which causes a reduction in the borrower’s household income of 20 percent or more for a period of at least six months.</p> <p>Back to Work guidance is effective for purchase applications with case numbers assigned on or after August 15, 2013 through September 30, 2016.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.xi
217.	6/17/15	How do lenders document loss of income for Back to Work?	<p>The lender must obtain the necessary authorization to verify the loss of income of the household member that experienced the economic event, even if the household member is not an applicant on the current mortgage.</p> <p>The lender must verify and document the borrower’s household income prior to loss of income by obtaining a written Verification of Employment (VOE) evidencing prior income, or tax transcripts, or W-2s. For a loss of income based on seasonal employment, the lender must verify and document a two-year history of seasonal employment in the same field immediately prior to the loss of income, in addition to meeting the documentation requirement above.</p> <p>For a loss of income based on part-time employment, the lender must verify and document a two-year history of continuous part-time employment immediately prior to the loss of income in addition to meeting the documentation requirements above.</p> <p>Only the income of borrowers who were household members at the time of the economic event may be used as effective income for the purpose of establishing a 20 percent reduction in income.</p>	4000.1 II.A.5.d.xi

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218.	6/17/15	How do lenders document loss of employment for Back to Work?	<p>The lender must verify and document the loss of employment by obtaining a written Verification of Employment (VOE) evidencing the termination date. In cases where the prior employer is no longer in business, the lender must obtain a written termination notice or other publicly available documentation of the business closure. They must also document receipt of unemployment income.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.xi.
219.	6/17/15	How do lenders determine the income of a Household Member for Back to Work?	<p>The gross income of each household member must be determined according to the guidelines Sections II.A.4 and 5 of Handbook 4000.1.</p> <p>Only the income of borrowers who were household members at the time of the economic event may be used as effective income for the purpose of establishing a 20 percent reduction in income.</p> <p>Only the income from the borrower, not household income, may be used as effective income for the purpose of qualifying for the new loan.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.xi.
220.	6/17/15	Is a household member required to be a borrower on the application for Back to Work?	<p>A household member does not need to be a borrower on the current application. However, the lender must obtain the necessary authorization to verify the loss of income of the household member that experienced the economic event, even if the household member is not an applicant on the current mortgage.</p> <p>For additional information see Handbook 4000.1 available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.5.d.xi
221.	6/17/15	What is the minimum down payment requirement for FHA?	<p>The maximum mortgage amount that FHA will insure on a specific purchase is calculated by multiplying the appropriate Loan-to-Value (LTV) percentage by the adjusted value. In order for FHA to insure this maximum mortgage amount, the borrower must make a Minimum Required Investment (MRI) of at least 3.5 percent of the adjusted value.</p> <p>MRI refers to the borrower's contribution in cash or its equivalent required by Section 203(b)(9) of the National Housing Act, which represents at least 3.5 percent of the adjusted value of the property.</p> <p>Total required investment refers to the amount the borrower must contribute to the transaction including the borrower's down payment and the borrower-paid transaction costs. The total required investment includes the MRI.</p>	4000.1 II.A.2.a.iv; II.A.2.c.i-ii

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222.	6/17/15	How do I determine the loan amount when I have a non-occupant co-borrower?	<p>A non-occupying borrower transaction refers to a transaction involving two or more borrowers in which one or more of the Borrower(s) will not occupy the property as their principal residence. For non-occupying borrower transactions, the maximum Loan-to-Value (LTV) is 75 percent. The LTV can be increased to a maximum of 96.5 percent if the borrowers are family members, provided the transaction does not involve:</p> <ul style="list-style-type: none"> <li>• A family member selling to a family member who will be a non-occupying co-borrower; or</li> <li>• A transaction on a two- to four-unit property.</li> </ul> <p>Family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> <li>• child, parent, or grandparent;</li> <li>• a child is defined as a son, stepson, daughter, or stepdaughter;</li> <li>• a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;</li> <li>• spouse or domestic partner;</li> <li>• legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption;</li> <li>• foster child;</li> <li>• brother, stepbrother;</li> <li>• sister, stepsister;</li> <li>• uncle;</li> <li>• aunt; or</li> <li>• son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.</li> </ul> <p>To be eligible, all occupying and non-occupying borrowers and co-borrowers must take title to the property in their own name or a living trust at settlement, be obligated on the Note or credit instrument, and sign all security instruments.</p> <p>For additional information see Handbook 4000.1 II.A.2.b.ii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.2.b.ii.(B)  Glossary
223.	6/17/15	How do I calculate an FHA loan for a property involving a land contract?	<p>Properties to be acquired through an unrecorded land contract must be treated as a purchase.</p> <p>When the purpose of the new mortgage is to pay off an outstanding recorded land contract, the transaction is treated as a Rate and Term Refinance. The unpaid principal balance shall be deemed to be the outstanding balance on the recorded land contract.</p>	4000.1 II.A.1.b.i.(A); II.A.8.d.vi.(A)(2)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>For information on calculating mortgage amounts for Purchase Transactions see Handbook 4000.1 II.A.2</p> <p>For information on calculating mortgage amounts for Refinance Transactions see Handbook 4000.1 II.A.8.d</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
224.	6/17/15	Do the requirements for 3-4 unit properties apply to both purchase and refinance transactions?	<p>The requirements that apply to 3-4 unit property purchase transactions also apply to all refinance transactions of 3-4 unit properties.</p> <p>The requirements for 3-4 unit properties can be found in Handbook 4000.1 II.A.1.b.iv.(B)(3); II.A.4.d.i.(C); II.A.5.c.i.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iv.(B)(3); II.A.4.d.i.(C); II.A.5.c.i.(C)
225.	6/17/15	Which appraisal do I use to calculate the loan amount when there is a second appraisal?	<p>The lender is prohibited from ordering an additional appraisal to achieve an increase in value for the property and/or the elimination or reduction of deficiencies and/or repairs required.</p> <p>With the exception of property flipping requirements, a second appraisal may only be ordered and relied upon if the Direct Endorsement (DE) Underwriter determines the first appraisal is materially deficient and the appraiser is unable or uncooperative in resolving the deficiency.</p> <p>On a transferred case, a second appraisal may only be ordered and relied on by the second lender under the following circumstances:</p> <ul style="list-style-type: none"> <li>the first appraisal contains material deficiencies as determined by the DE Underwriter for the second lender;</li> <li>the appraiser performing the first appraisal is prohibited from performing appraisals for the second lender;</li> <li>the first lender fails to provide a copy of the appraisal to the second lender in a timely manner, and the failure would cause a delay in closing and harm to the borrower, including loss of interest rate lock, violation of purchase contract deadline, occurrence of foreclosure proceedings and imposition of late fees.</li> </ul> <p><b>PROPERTY FLIPPING</b></p> <p>A lender must obtain a second appraisal by another appraiser if:</p> <ul style="list-style-type: none"> <li>the resale date of a property is between 91 and 180 days following the acquisition of the property by the seller; and</li> <li>the resale price is 100 percent or more over the price paid by the seller to acquire the property.</li> </ul> <p>If the second appraisal supports a value of the property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used to determine the adjusted value.</p>	24 CFR 203.37a (4) (iii)  4000.1 II.A.1.a.iii.(B)(8); II.A.1.b.iv.(A)(3)(b)(iii)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>For information on ordering second appraisals see Handbook 4000.1 II.A.1.a.iii.(B)(8).</p> <p>For additional information on Property Flipping see Handbook 4000.1 II.A.1.b.iv.(A)(3)(b)(iii).</p> <p>Handbook 4000.1 is available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
226.	6/17/15	Does FHA allow non-occupying co-borrowers on a multi-unit property?	<p>For non-occupying borrower purchase transactions, the maximum Loan-to-Value (LTV) is 75 percent. The LTV can be increased to a maximum of 96.5 percent if the borrowers are family members, provided the transaction does not involve:</p> <ul style="list-style-type: none"> <li>• a family member selling to a family member who will be a non-occupying co-borrower; or</li> <li>• a transaction on a two- to four-unit property.</li> </ul> <p>For additional information see 4000.1 II.A.2.b.ii.(B)(2) available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.2.b.ii.(B)(2)
227.	6/17/15	What rate do borrowers qualify at when using an ARM loan?	<p>The lender must underwrite the mortgage based on payments calculated using the initial interest rate.</p> <p>For 1-year ARMs, if the Loan-to-Value (LTV) is 95 percent or more, the lender must underwrite the mortgage based on payments calculated using the initial interest rate plus 1 percent. If the LTV is less than 95 percent, the lender must underwrite the mortgage based on payments calculated using the initial interest rate.</p> <p>For additional information see 4000.1 II.A.8.f.vii available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.f.vii
228.	6/17/15	Does FHA specify the length of the mortgage term?	<p>The maximum mortgage term may not exceed 30 years from the date that amortization begins. FHA does not require that mortgage terms be in five year multiples.</p> <p>For Adjustable Rate Mortgages (ARM) the mortgage be fully amortizing over a period of no more than 30 years.</p> <p>The maximum amortization period of a Streamline Refinance is limited to the lesser of:</p> <ul style="list-style-type: none"> <li>• the remaining amortization period of the existing mortgage plus 12 years; or</li> <li>• 30 years.</li> </ul> <p>For additional information see 4000.1 II.A.2.d; II.A.8.f.viii; II.A.8.d.vi.(C)(4)(i) available at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.2.d; II.A.8.f.viii; II.A.8.d.vi.(C)(4)(i)
229.	6/17/15	Are there any refinance restrictions for borrowers who re-occupy their former investment property?	<p>A cash-out refinance transaction is only permitted on owner-occupied principal residences. The property securing the cash-out refinance must have been owned and occupied by the borrower as their principal residence for the 12 months prior to the date of case number assignment.</p> <p>The maximum Loan-to-Value (LTV) for a rate and term refinance is:</p>	4000.1 II.A.8.d.v.(A)(1); II.A.8.d.vi.(A)(2)(a)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• 97.75 percent for principal residences that have been owner-occupied for previous 12 months, or owner-occupied since acquisition if acquired within 12 months, at case number assignment.</li> <li>• 85 percent for a borrower who has occupied the subject property as their principal residence for fewer than 12 months prior to the case number assignment date; or if owned less than 12 months, has not occupied the property for that entire period of ownership.</li> </ul> <p>For additional information see 4000.1 II.A.8.d available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
230.	6/17/15	How do I calculate the mortgage for an Energy Efficient Mortgage (EEM)?	<p>The maximum final base loan amount for an Energy Efficient Mortgage (EEM) is determined by adding the maximum financeable energy package amount to the initial maximum base loan amount.</p> <p>For new construction, the cost of the financeable energy package must be subtracted from the sales price when computing the adjusted value.</p> <p>When utilizing an EEM in conjunction with a 203(k) or Weatherization, the items included in the maximum financeable energy package must be excluded from the items included when calculating the initial maximum base loan amount under these programs.</p> <p>The maximum FHA Nationwide Mortgage Limit for an area may be exceeded by the maximum financeable energy package.</p> <p>The maximum amount of the energy package that can be added to the base loan amount is the lesser of:</p> <ul style="list-style-type: none"> <li>• the dollar amount of a cost-effective energy package as determined by the home energy audit; or</li> <li>• the lesser of 5 percent of:                             <ul style="list-style-type: none"> <li>- the adjusted value;</li> <li>- 115 percent of the median area price of a single family dwelling; or</li> <li>- 150 percent of the national conforming mortgage limit.</li> </ul> </li> </ul> <p>The lender must calculate the dollar amount of a cost-effective energy package as determined by the home energy audit, as shown in Handbook 4000.1 II.A.8.c.iii (Energy Package).</p> <p>The EEM Calculator, located in FHA Connection (FHAC) on the Case Processing screen, will perform the calculation of maximum financeable energy package. The EEM Calculator uses data entered for the mortgage to calculate the maximum energy package. For a streamlined refinance, the EEM Calculator uses the appraised value from the initial transaction, contained within FHA Connection records, as the adjusted value.</p> <p>For additional information see 4000.1 II.A.8.c. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.c.v-vi

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
231.	6/17/15	What costs can be included in an Energy Efficient Mortgage (EEM)?	<p>The Energy Efficient Mortgage (EEM) program allows the lender to offer financing for cost-effective energy efficient improvements to an existing property at the time of purchase or refinancing or for upgrades above the established residential building code for new construction.</p> <p>Cost-Effective refers to the costs of the energy efficiency improvements that are less than the present value of the energy saved over the estimated useful life of those improvements.</p> <p>The energy package is the set of improvements agreed to by the borrower based on recommendations and analysis performed by a qualified home energy rater. The improvements can include energy-saving equipment, and active and passive solar and wind technologies. The energy package can include materials, labor, inspections, and the home energy assessment by a qualified energy rater. If the borrower desires, labor may include the cost of an EEM facilitator (general contractor).</p> <p>The maximum amount of the energy package that can be added to the base loan amount is the lesser of:</p> <ul style="list-style-type: none"> <li>• the dollar amount of a cost-effective energy package as determined by the home energy audit; or</li> <li>• the lesser of 5 percent of:                             <ul style="list-style-type: none"> <li>— the adjusted value;</li> <li>— 115 percent of the median area price of a single family dwelling; or</li> <li>— 150 percent of the national conforming mortgage limit.</li> </ul> </li> </ul> <p>The maximum FHA Nationwide Mortgage Limit for an area may be exceeded by the maximum financeable energy package.</p> <p>For additional information see 4000.1 II.A.8.c. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.c
232.	6/17/15	How do I calculate the loan amount for an FHA Short Refinance (negative equity)?	<p>The refinanced FHA-insured first mortgage must have a Loan-to-Value (LTV) ratio of no more than 97.75 percent and any new or re-subordinated mortgages must not result in a Combined Loan-to-Value (CLTV) ratio greater than 115 percent.</p> <p>New or re-subordinated secondary financing that permits the borrower to comply with the eligibility requirements of the program is permitted, subject to the following limitations:</p> <ul style="list-style-type: none"> <li>• the terms of the subordinate lien(s) must not provide for a balloon payment before 10 years, unless the property is sold or refinanced;</li> <li>• the terms must permit prepayment by the borrower, without penalty, after giving 30 days advance notice;</li> <li>• periodic payments, if any, must be collected monthly; and</li> <li>• if payments on subordinate financing are required, they must be included in the qualifying ratios unless payments are deferred until at least 36 months after disbursement.</li> </ul>	4000.1 II.A.8.e.

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The existing first lien holder must write off at least 10 percent of the unpaid principal balance of the mortgage that is being refinanced.</p> <p>For additional information see 4000.1 II.A.8.e. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
233.	6/17/15	How are energy efficient mortgage (EEM) improvements added to a Section 203(k) loan?	<p>When utilizing an Energy Efficient Mortgage (EEM) in conjunction with a 203(k) or Weatherization, the items included in the maximum financeable energy package must be excluded from the items included when calculating the initial maximum base loan amount under these programs.</p> <p>The after improved value should be used to calculating the maximum financeable energy package and maximum mortgage amount.</p> <p>If the energy package is part of a Section 203(k) Rehabilitation Mortgage, then the escrowed amounts of the energy package must be included in the rehabilitation escrow account. The mortgagee must follow the 203(k) Escrow Guidance found in Handbook 4000.1 II.A.8.a.xviii.</p> <p>For more information see Handbook 4000.1 II.A.8.c.vi; II.A.8.c.viii; II.A.8.c.x.(A); II.A.8.c.xi; II.A.8.a.xviii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.c.vi; II.A.8.c.viii; II.A.8.c.x.(A); II.A.8.c.xi; II.A.8.a.xviii
234.	6/17/15	Can the cost of a solar lease be prepaid or financed through a Title II FHA-insured mortgage?	<p>The borrower must own, not lease, solar or wind energy systems for the systems to be considered eligible improvements. Leased equipment and Solar Power Purchase Agreements (SPPA) may not be financed under any FHA Title II programs.</p> <p>The mortgagee must ensure that the value of an energy system that is not fully owned by the borrower, and part of the real property, is not included in the property value.</p> <p>For additional information see Handbook 4000.1 II.A.3.a.iv; II.A.8.a.m.iii. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.3.a.iv; II.A.8.a.m.iii
235.	6/17/15	What are the guidelines for borrowers with a previous mortgage foreclosure or deed-in-lieu of foreclosure for a manually underwritten mortgage?	<p>A borrower is generally not eligible for a new FHA-insured mortgage if the borrower had a foreclosure or a deed-in-lieu of foreclosure in the three-year period prior to the date of case number assignment. This three-year period begins on the date in which title transferred from the borrower.</p> <p>If the credit report does not indicate the date of the foreclosure or deed-in-lieu of foreclosure, the lender must obtain the Settlement Statement, deed or other legal documents evidencing the date of property transfer.</p> <p>If the foreclosure or deed-in-lieu of foreclosure was the result of a circumstance beyond the borrower's control, the lender must obtain an explanation of the circumstance and document that the circumstance was beyond the borrower's control.</p>	4000.1 II.A.5.a.iii.(I)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>The lender may grant an exception to the three-year requirement if the foreclosure was the result of documented extenuating circumstances that were beyond the control of the borrower, such as a serious illness or death of a wage earner, and the borrower has re-established good credit since the foreclosure.</p> <p>Divorce is not considered an extenuating circumstance, however, an exception may be granted where a borrower's mortgage was current at the time of the borrower's divorce, the ex-spouse received the property, and the mortgage was later foreclosed.</p> <p>The inability to sell the property due to a job transfer or relocation to another area does not qualify as an extenuating circumstance.</p> <p>For additional information see Handbook 4000.1 II.A.5.a.iii.(I) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
236.	6/17/15	What are FHA's policies regarding credit history when manually underwriting a mortgage?	<p>The underwriter must examine the borrower's overall pattern of credit behavior, not just isolated unsatisfactory or slow payments, to determine the borrower's creditworthiness.</p> <p>The underwriter must evaluate the borrower's payment histories in the following order:                      (1) previous housing expenses and related expenses, including utilities;                      (2) installment debts; and                      (3) revolving accounts.</p> <p>The underwriter may consider a borrower to have an acceptable payment history if the borrower has made all housing and installment debt payments on time for the previous 12 months and no more than two 30-day late mortgage or installment payments in the previous 24 months.</p> <p>The underwriter may approve the borrower with an acceptable payment history if the borrower has no major derogatory credit on revolving accounts in the previous 12 months.</p> <p>Major derogatory credit on revolving accounts must include any payments made more than 90 days after the due date, or three or more payments more than 60 days after the due date.</p> <p>If a borrower's credit history does not reflect satisfactory credit as stated above, the borrower's payment history requires additional analysis.</p> <p>The lender must analyze the borrower's delinquent accounts to determine whether late payments were based on a disregard for financial obligations, an inability to manage debt, or extenuating circumstances. The lender must document this analysis in the mortgage file. Any explanation or documentation of delinquent accounts must be consistent with other information in the file. A borrower may only approve with a credit history not meeting the satisfactory credit history above if the underwriter has documented the delinquency was related to extenuating circumstances.</p>	4000.1 II.A.5.a.iii

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			For additional information see Handbook 4000.1.II.A.5.a.iii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
237.	6/17/15	How are judgments considered for FHA financing when manually underwriting a mortgage?	<p>Judgment refers to any debt or monetary liability of the borrower, and the borrower’s spouse in a community property state unless excluded by state law, created by a court, or other adjudicating body. The lender must verify that court-ordered judgments are resolved or paid off prior to or at closing. Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law.</p> <p>Regardless of the amount of outstanding Judgments, the lender must also determine if the judgment was a result of:</p> <ul style="list-style-type: none"> <li>• the borrower’s disregard for financial obligations;</li> <li>• the borrower’s inability to manage debt; or</li> <li>• extenuating circumstances.</li> </ul> <p><u>EXCEPTION</u></p> <p>A judgment is considered resolved if the borrower has entered into a valid agreement with the creditor to make regular payments on the debt, the borrower has made timely payments for at least three months of scheduled payments and the judgment will not supersede the FHA-insured mortgage lien. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. The payment amount in the agreement must be included in the borrower’s monthly liabilities and debt. The lender must obtain a copy of the agreement and evidence that payments were made on time in accordance with the agreement.</p> <p>The lender must provide the following documentation:</p> <ul style="list-style-type: none"> <li>• evidence of payment in full, if paid prior to settlement;</li> <li>• the payoff statement, if paid at settlement; or</li> <li>• the payment arrangement with creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title.</li> </ul> <p>For additional information see Handbook 4000.1 II.A. 5.a. iii.(G) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 5.a. iii.(G)
238.	6/17/15	How are disputed credit accounts considered when using the TOTAL Scorecard?	<p>Disputed derogatory credit account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months. If the credit report utilized by TOTAL Mortgage Scorecard indicates that the borrower has \$1,000 or more collectively in disputed derogatory credit accounts, the mortgage must be downgraded to a Refer and manually underwritten.</p> <p>Exclusions from the \$1,000 cumulative balance include:</p>	4000.1 II.A.4.b.iii.(B)-(C)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>disputed medical accounts; and</li> <li>disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the lender must include a copy of the police report or other documentation from the creditor to support the status of the accounts.</li> <li>Accounts of a non-borrowing spouse in a community property state</li> <li>Non-derogatory disputed accounts</li> </ul> <p><u>NON-DEROGATORY DISPUTED ACCOUNTS AND DISPUTED ACCOUNTS NOT INDICATED ON THE CREDIT REPORT</u> Non-derogatory disputed accounts include the following types of accounts:</p> <ul style="list-style-type: none"> <li>disputed accounts with zero balance;</li> <li>disputed accounts with late payments aged 24 months or greater; and</li> <li>disputed accounts that are current and paid as agreed.</li> </ul> <p>If a borrower is disputing non-derogatory accounts, or is disputing accounts which are not indicated on the credit report as being disputed, the lender is not required to downgrade the application to a Refer. However, the lender must analyze the effect of the disputed accounts on the borrower’s ability to repay the mortgage. If the dispute results in the borrower’s monthly debt payments used in computing the debt-to-income being less than the amount indicated on the credit report, the borrower must provide documentation of the lower payments.</p> <p>For additional information see Handbook 4000.1 II.A.4.b.iii.(B)-(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
239.	6/17/15	How are disputed credit accounts considered for manually underwritten loans?	<p>Disputed derogatory credit account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months.</p> <p>If the credit report 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>If the disputed derogatory credit resulted from identity theft, credit card theft or unauthorized use balances, the mortgagee must obtain a copy of the police report or other documentation from the creditor to support the status of the accounts.</p> <p>If the borrower has \$1,000 or more collectively in disputed derogatory credit accounts, the lender must include a monthly payment in the borrower’s debt calculation.</p> <p>The following items are excluded from the \$1,000 cumulative balance:</p> <ul style="list-style-type: none"> <li>disputed medical accounts; and</li> <li>disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use.</li> </ul>	4000.1 II.A.5.a.iii.(F); II.A.5.a.iv.(K)-(L)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>accounts of a non-borrowing spouse in a community property state.</li> </ul> <p>If a borrower is disputing non-derogatory accounts, or is disputing accounts which are not indicated on the credit report as being disputed, the lender must analyze the effect of the disputed accounts on the borrower's ability to repay the loan. If the dispute results in the borrower's monthly debt payments utilized in computing the debt-to-income (DTI) ratio being less than the amount indicated on the credit report, the borrower must provide documentation of the lower payments.</p> <p>Non-derogatory disputed accounts include the following types of accounts:</p> <ul style="list-style-type: none"> <li>disputed accounts with zero balance;</li> <li>disputed accounts with late payments aged 24 months or greater; or</li> <li>disputed accounts that are current and paid as agreed.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.5.a.iii.(F); II.a.5.iv.(K)–(L) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	
240.	6/17/15	Do I have to take into account the credit and debts of a non-purchasing spouse in a community property state?	<p>The lender must not consider the credit history of a non-borrowing spouse. The non-borrowing spouse's credit history is not considered a reason to deny a mortgage application. If the borrower resides in a community property state or the property being insured is located in a community property state, debts of the non-borrowing spouse must be included in the borrower's qualifying ratios, except for obligations specifically excluded by state law. The lender must:</p> <ul style="list-style-type: none"> <li>verify and document the debt of the non-borrowing spouse.</li> <li>make a note in the file referencing the specific state law that justifies the exclusion of any debt from consideration.</li> <li>obtain a credit report for the non-borrowing spouse in order to determine the debts that must be included in the liabilities. The credit report for the non-borrowing spouse is for the purpose of establishing debt only, and is not submitted to TOTAL Mortgage Scorecard for the purpose of credit evaluation. The credit report for the non-borrowing spouse may be traditional or non-traditional.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.b.iv.(F); II.A.5.b.i, II.A.5.a.iv.(E) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.4.b.i; II.A.4.b.iv.(F); II.A.5.a.i; II.A.5.a.iv.(E)
241.	6/17/15	Does FHA require collections to be paid off for a borrower to be eligible for FHA financing?	<p>A collection account refers to a borrower's loan or debt that has been submitted to a collection agency by a creditor.</p> <p>If the credit reports used in the analysis show cumulative outstanding collection account balances of \$2,000 or greater, the lender must:</p> <ul style="list-style-type: none"> <li>verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds;</li> <li>verify that the borrower has made payment arrangements with the creditor and include the monthly payment</li> </ul>	4000.1 II.A.4.b.iv.(L); II.A.5.a.iii.(D); A.5.a.iv.(N)

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Credit Underwriting

Row #	Added	FAQ	Answer	References
			<p>in the borrower’s debt-to-income (DTI) ratio; or</p> <ul style="list-style-type: none"> <li>• if a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the borrower’s DTI.</li> </ul> <p>Collection accounts of a non-borrowing spouse in a community property state must be included in the \$2,000 cumulative balance and analyzed as part of the borrower’s ability to pay all collection accounts, unless excluded by state law.</p> <p>Unless the lender uses 5 percent of the outstanding balance, the lender must provide the following documentation:</p> <ul style="list-style-type: none"> <li>• evidence of payment in full, if paid prior to settlement;</li> <li>• the payoff statement, if paid at settlement; or</li> <li>• the payment arrangement with creditor, if not paid prior to or at settlement.</li> </ul> <p>For manually underwritten loans, the lender must determine if collection accounts were a result of:</p> <ul style="list-style-type: none"> <li>• the borrower’s disregard for financial obligations;</li> <li>• the borrower’s inability to manage debt; or</li> <li>• extenuating circumstances.</li> </ul> <p>The lender must document reasons for approving a mortgage when the borrower has any collection accounts. The borrower must provide a letter of explanation, which is supported by documentation, for each outstanding collection account. The explanation and supporting documentation must be consistent with other credit information in the file.</p> <p>For additional information see Handbook 4000.1 II.A.4.b.iv.(L); II.A.5.a.iii.(D), II.A.5.a.iv.(N) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
242.	6/17/15	Is a borrower eligible for FHA insured financing if he or she does not have any credit history?	<p>Lack of traditional credit or a borrower’s decision to not use credit may not be used as the sole basis for rejecting the mortgage application. For borrowers without a credit score, the lender must obtain a Non-Traditional Mortgage Credit Report (NTMCR) from a credit reporting company or independently develop the Borrower’s credit history.</p> <p>A NTMCR is used to access the credit history of a borrower who does not have trade references that appear on traditional credit reports and is used as</p> <ul style="list-style-type: none"> <li>• a substitute for a Tri-Merged Credit Report (TRMCR) or a Residential Mortgage Credit Report (RMCR); or</li> <li>• a supplement to a traditional credit report with an insufficient number of trade items.</li> </ul> <p>To be sufficient to establish credit history, 3 credit references must be used, including at least 1 of the following:</p> <ul style="list-style-type: none"> <li>• rental housing payments (requires independent verification if borrower is a renter);</li> </ul>	4000.1 II.A.5.a.ii.(B) II.A.5.d.iii

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• phone service; or</li> <li>• utility company reference (if not included in rental housing payment), including gas, electricity, water, or television or internet service.</li> </ul> <p>If 3 credit references from the list cannot be obtained, the following may be used:</p> <ul style="list-style-type: none"> <li>• insurance premiums not payroll deducted (e.g., medical, auto, life, renter’s insurance);</li> <li>• payment made to child care provider businesses that provide such services;</li> <li>• school tuition;</li> <li>• retail store credit cards (department, furniture, appliance stores);</li> <li>• rent-to-own (e.g., furniture, appliances);</li> <li>• medical bill payments not covered by insurance;</li> <li>• personal loan from an individual with repayment terms in writing &amp; cancelled checks to document payments;</li> <li>• automobile lease; or</li> <li>• 12-month savings history evidenced by regular deposits resulting in an increased balance to the account that:                             <ul style="list-style-type: none"> <li>- were made at least quarterly;</li> <li>- were not payroll deducted, and;</li> <li>- caused no insufficient funds (NSF) checks</li> </ul> </li> </ul> <p>Additional information is available in Handbook 4000.1 II.A.5.a.ii.(B) and II.A.5.d.iii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
243.	6/17/15	Is a foreclosure on a timeshare considered a mortgage foreclosure or installment loan?	A loan secured by an interest in a timeshare must be considered an Installment Loan and not a housing obligation, even in the event of a foreclosure.	HQ Policy  4000.1 II.A.4.b.iv.(H); II.A.5.a.iv.(G)
244.	6/17/15	Must the borrower pay off a judgment against a non-purchasing spouse in a community property state?	<p>Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law.</p> <p>A judgment is considered resolved if the borrower has entered into a valid agreement with the creditor to make regular payments on the debt, the borrower has made timely payments for at least three months of scheduled payments and the judgment will not supersede the FHA-insured mortgage lien. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.</p>	4000.1 II.A.4.b.iii.(D); II.A.5.a.iii.(G)(2)

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Row #	Added	FAQ	Answer	References
			<p>The payment amount in the agreement must be included in the borrower's monthly liabilities and debt.</p> <p>The lender must obtain a copy of the agreement and evidence that payments were made on time in accordance with the agreement.</p> <p>The lender must provide the following documentation:</p> <ul style="list-style-type: none"> <li>• evidence of payment in full, if paid prior to settlement;</li> <li>• the payoff statement, if paid at settlement; or</li> <li>• the payment arrangement with creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.b.iii.(D); II.A.5.a.iii.(G) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
245.	6/17/15	Is a subordination agreement required if the borrower has an outstanding tax lien?	<p>Tax liens may remain unpaid if:</p> <ul style="list-style-type: none"> <li>• the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt.</li> <li>• the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.</li> <li>• the lien holder subordinates the tax lien to the FHA-insured mortgage.</li> </ul> <p>The lender must:</p> <ul style="list-style-type: none"> <li>• include the payment amount in the agreement in the calculation of the borrower's Debt-to-Income (DTI) ratio.</li> <li>• check public records and credit information to verify that the borrower is not presently delinquent on any federal debt and does not have a tax lien placed against their property for a debt owed to the federal government.</li> <li>• include documentation from the IRS evidencing the repayment agreement and verification of payments made, if applicable.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(12)-(13) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(12)-(13)
246.	6/17/15	Is a borrower eligible for an FHA loan if the borrower has participated in consumer credit counseling?	<p>Participating in a consumer credit counseling program does not disqualify a borrower from obtaining an FHA-insured mortgage. For manually underwritten loans the lender must document that:</p> <ul style="list-style-type: none"> <li>• one year of the pay-out period has elapsed under the plan;</li> <li>• the borrower's payment performance has been satisfactory and all required payments have been made on time; and</li> <li>• the borrower has received written permission from the counseling agency to enter into the mortgage transaction.</li> </ul>	4000.1 II.A.4.b.iii.(J); II.A.5.a.iii.(K)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>When processing an application through TOTAL Scorecard, participation in a consumer credit counseling program does not require a downgrade to manual underwriting and no explanation or other documentation is needed.</p> <p>For additional information see Handbook 4000.1 II.A.4.b.iii.(J); II.A.5.a.iii.(K) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
247.	6/17/15	Is a verification of rent or mortgage required?	<p>Where a loan underwritten using the TOTAL Scorecard receives an Accept recommendation no verification of rent or mortgage is required.</p> <p>For manually underwritten loans, the lender must determine the borrower’s housing obligation payment history through:</p> <ul style="list-style-type: none"> <li>• the credit report;</li> <li>• verification of rent received directly from the landlord (for landlords with no Identity of Interest with the borrower);</li> <li>• verification of mortgage received directly from the mortgage servicer; or</li> <li>• a review of canceled checks that cover the most recent 12-month period.</li> </ul> <p>The lender must verify and document the previous 12 months’ housing history. For borrowers who indicate they are living rent-free, the lender must obtain verification from the property owner where they are residing that the borrower has been living rent-free and the amount of time the borrower has been living rent free.</p> <p><b>FOR NO CASH OUT REFINANCES</b>                      For manually underwritten mortgages with less than six months of mortgage payment history, the borrower must have made all payments within the month due. For manually underwritten mortgages with greater than six months history, the borrower must have made all mortgage payments within the month due for the six months prior to case number assignment and have no more than one 30-day late payment for the previous six months for all mortgages.</p> <p>If the mortgage on the subject property is not reported in the borrower’s credit report, the lender must obtain a verification of mortgage to evidence payment history for the previous 12 months.</p> <p><b>FOR CASH OUT REFINANCES</b>                      The lender must verify that the borrower has made all payments for all their mortgages within the month due for the previous 12 months, or since the borrower obtained the mortgages, whichever is less.</p> <p>If the mortgage on the subject property is not reported in the borrower’s credit report or is not in the name of the borrower, the lender must obtain a verification of mortgage, bank statements or other documentation to evidence that all payments have been made by the borrower in the month due for the previous 12 months.</p>	4000.1 II.A.5.a.iii.(C); II.A.8.d.v.(A)(2); II.A.8.d.vi.(A)(1)(b); II.A.8.vi.(B)(1)(b)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
			For additional information see Handbook 4000.1 II.A.5.a.iii.(C); II.A.8.d.v.(A)(2); II.A.8.d.vi.(A)(1)(b); II.A.8.vi.(B)(1)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
248.	6/17/15	How long is credit documentation valid?	<p>Documents used in the origination and underwriting of a mortgage may not be more than 120 days old at the disbursement date. Documents whose validity for underwriting purposes is not affected by the passage of time, such as divorce decrees or tax returns, may be more than 120 days old at the disbursement date.</p> <p>For purposes of counting days for periods provided in the SF Handbook 4000.1, day one is the day after the effective or issue date of the document, whichever is later.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.i.(A)(1)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.i.(A)(1)(a)
249.	6/17/15	Can I get a single credit report for unmarried co-borrowers?	<p>The lender must obtain a credit report for each borrower who will be obligated on the mortgage Note. The lender may obtain a joint report for individuals with joint accounts.</p> <p>For additional information see Handbook 4000.1 II.A.4.b.i; II.A.5.a.i available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.b.i; II.A.5.a.i
250.	6/17/15	Can I still obtain an FHA insured loan if my loan was denied through FHA TOTAL Scorecard?	<p>The lender may not accept or deny an FHA-insured mortgage based solely on a risk assessment generated by TOTAL Mortgage Scorecard.</p> <p>The underwriter must manually underwrite any mortgage application where the Automated Underwriting System (AUS) issues a Refer recommendation.</p> <p>For additional information see Handbook 4000.1 II.A.4.a.iii; II.A.4.a.iv.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a.iii; II.A.4.a.iv.(C)
251.	6/17/15	What is FHA's policy with regard to assumptions?	<p>Assumption refers to the transfer of an existing mortgage obligation from an existing borrower to the assuming borrower.</p> <p>If the original mortgage was closed on or after December 15, 1989, the assuming borrower must intend to occupy the property as a principal residence or HUD-approved secondary residence.</p> <p>If the original mortgage was closed prior to December 15, 1989, the assuming borrower may assume the mortgage as a principal residence, HUD-approved secondary residence or investment property.</p> <p>The maximum Loan-to-Value (LTV) for an investment property assumption is 75%. Either the original appraised value or new property value may be used to determine compliance with the 75% LTV limitation.</p> <p>The maximum LTV for a HUD-approved secondary residence assumption is 85%. Either the original appraised</p>	4000.1 II.A.8.n

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			<p>value or new property value may be used to determine compliance with the 85% LTV limitation.</p> <p>Mortgagees must complete form HUD 92210, Request for Credit Approval of Substitute Mortgagor, or equivalent form to document its processing of an assumption. The completion of such form does not formally release the original borrower from personal liability for the mortgage Note.</p> <p>The mortgagee must prepare form HUD 92210.1, Approval of Purchaser and Release of Seller, thereby releasing the original owner when they sell by assumption to the assuming borrower who executes an agreement to assume the mortgage and to pay the debt.</p> <p>For additional information see Handbook 4000.1 II.A.8.n available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
252.	6/17/15	Does TOTAL Scorecard verify my loan data?	<p>FHA's Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard is not an Automated Underwriting System (AUS) but a scorecard that must interface through a system-to-system connection with an AUS.</p> <p>TOTAL Mortgage Scorecard evaluates the overall credit risk posed by the borrower, based on a number of credit variables, when combined with the functionalities of an AUS.</p> <p>The lender may not accept or deny an FHA-insured mortgage based solely on a risk assessment generated by TOTAL Mortgage Scorecard.</p> <p>The lender must ensure full compliance with all FHA eligibility requirements, and all requirements. The lender must verify the information used to score the mortgage through TOTAL but does not need to analyze the credit history, unless otherwise stated in Handbook 4000.1 II.A.4, if an Accept or Approve recommendation is received.</p> <p>Lenders using TOTAL remain solely responsible for prudent underwriting practices and the final underwriting decision.</p> <p>For additional information see Handbook 4000.1 II.A.4.a available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a
253.	6/17/15	How are FHA energy efficient mortgages processed through automated underwriting?	<p>For purposes of submission to the TOTAL Mortgage Scorecard, the lender must utilize the initial base loan amount prior to the addition of the financeable energy package for an Energy Efficient Mortgage (EEM).</p> <p>If the lender obtains an Accept or Approve on a mortgage application that does not include the financeable energy package, FHA will recognize the risk rating from TOTAL Mortgage Scorecard and permit the increase to the mortgage payment without re-underwriting or rescoring. The lender must provide a form HUD-92900-LT, FHA Loan Underwriting and Transmittal Summary, without the financeable energy package, showing the qualifying ratios in the case binder. A second form HUD-92900-LT must be completed by the underwriter showing mortgage</p>	4000.1 II.A. 8.c.vii. (A)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>amount calculation that includes the financeable energy package, as reflected in FHA Connection. The second form must also be included in the case binder.</p> <p>The underwriter must attest on the second form HUD-92900-LT that they have reviewed the calculations associated with the energy efficient improvements and found the mortgage and the property to be in compliance with FHA's underwriting instructions.</p> <p>The EEM Home page is located at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem</a></p> <p>For additional information see Handbook 4000.1 II.A.8.c.vii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
254.	6/17/15	What data must be entered in FHA TOTAL to indicate that a loan is a Sponsored TPO origination?	<p>The lender must ensure the Employer Identification Number (EIN) of the sponsored third party originator (TPO) is entered into the Automated Underwriting System (AUS). If the lender is using an AUS that is unable to transmit the TPO's EIN, they must enter "6999609996" in the Lender ID field.</p> <p>The lender may permit a sponsored TPO to enter data into the AUS. Both the lender and its TPO must ensure and verify all data entered into the AUS. The lender remains ultimately responsible for ensuring the data entered into the AUS is correct.</p> <p>For more information see Handbook 4000.1 II.A.4.a.iii.(A)(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a.iii.(A)(2)
255.	6/17/15	How are pipeline loans previously scored by TOTAL affected when a new version of TOTAL is released?	<p>From time to time, FHA will release new versions of TOTAL Mortgage Scorecard. FHA will announce the date that the new version will be available and from that date forward all new, first-time risk assessments will be based on the new scorecard. Unless otherwise specifically announced with the release, mortgage applications that were scored with a case number under the previous version will be "grandfathered" and eligible for rescoring under the earlier version for 90 days. Once that period has elapsed, all rescoring will be subject to the new version of TOTAL Mortgage Scorecard. Mortgagees are also advised that the version number must be passed back to TOTAL to allow this grandfathering feature to operate. For additional information see Handbook 4000.1 II.A.4.a.iii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a.iii.(B)
256.	6/17/15	When must a lender downgrade and manually underwrite a mortgage with an Accept risk classification?	<p>The lender must downgrade and manually underwrite any mortgage that received an Accept recommendation if:</p> <ul style="list-style-type: none"> <li>• the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard;</li> <li>• additional information, not considered in the AUS recommendation affects the overall insurability of the mortgage;</li> <li>• the borrower has \$1,000 or more collectively in disputed derogatory credit accounts;</li> <li>• the date of the borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment;</li> </ul>	4000.1 II.A.4.a.v - vi

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Credit Underwriting

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>the case number assignment date is within three years of the date of the transfer of title through a pre-foreclosure sale (short sale);</li> <li>the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale;</li> <li>the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure;</li> <li>only the non-occupying co-borrower has a credit score;</li> <li>the mortgage payment history requires a downgrade as defined in Handbook 4000.1 II. A. b.iii (K) - Housing Obligations/Mortgage Payment History;</li> <li>the borrower has undisclosed mortgage debt; or</li> <li>business income shows a greater than 20 percent decline over the analysis period.</li> </ul> <p>If a determination is made that the mortgage must be manually downgraded, the lender must cease its use of the AUS and comply with all requirements for manual underwriting when underwriting a downgraded mortgage.</p> <p>For additional information see Handbook 4000.1 II.A.4.a.v – vi available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
257.	6/17/15	What are the TOTAL Mortgage Scorecard Tolerance Levels for Rescoring?	<p>The lender must rescoring a mortgage when any data element of the mortgage change and/or new borrower information becomes available.</p> <p>The lender is NOT required to rescoring a mortgage if the following data elements change from the last scoring event within the described tolerance levels:</p> <ul style="list-style-type: none"> <li>Cash Reserves – verified case reserves are not less than 10% below the previously scored amount.</li> <li>Income – verified income is not less than 5% below the previously scored amount.</li> <li>Tax and Insurance Escrow – the cumulative monthly tax and insurance escrow does not result in more than a 2% increase in the total payment to effective income ratio (PTI).</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.a.vii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.a.vii
258.	6/17/15	What is considered secondary financing on an FHA insured first mortgage?	<p>Secondary Financing is any financing other than the first mortgage that creates a lien against the property. Any such financing that does create a lien against the property is not considered a gift or a grant even if it does not require regular payments or has other features forgiving the debt.</p> <p>Requirements for Secondary Financing provided by:</p> <ul style="list-style-type: none"> <li>Government Entities and HOPE Grantees;</li> <li>HUD-Approved Nonprofits;</li> <li>Family Members; and</li> <li>Private Individuals and Other Organizations can be found in Handbook 4000.1 II.A.4.d.iii.(J) ; II.A.5.c.iii.(J)</li> </ul>	4000.1 II.A.4.d.iii.(J); II.A.5.c.iii.(J)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a>	
259.	6/17/15	Do nonprofits assisting with a government entity's secondary financing program require HUD approval?	<p>Nonprofits assisting a Governmental Entity in the operation of its secondary financing programs must have HUD approval and placement on the Nonprofit Organization Roster unless there is a documented agreement that:</p> <ul style="list-style-type: none"> <li>the functions performed are limited to the Governmental Entity's secondary financing program; and</li> <li>the secondary financing legal documents (Note and Deed of Trust) name the Governmental Entity as the Mortgagee.</li> </ul> <p>Secondary financing that will close in the name of the nonprofit and be held by a Governmental Entity must be made by a HUD-approved Nonprofit.</p> <p>The Nonprofit Organization Roster is available at <a href="https://entp.hud.gov/idapp/html/f17npdata.cfm">https://entp.hud.gov/idapp/html/f17npdata.cfm</a></p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(J)(1)(b); II.A.5.c.iii.(J)(1)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.4.d.iii.(J)(1)(b); II.A.5.c.iii.(J)(1)
260.	6/17/15	Who must be screened through CAIVRS?	<p>Lenders may obtain information on delinquent federal debts from public records, credit reports or equivalent, and must check all borrowers including nonprofits acting as a borrower, against the Credit Alert Verification Reporting System (CAIVRS) except on streamline refinances.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(10); II.A.5.d.xii.(B)(2); II.A.8.d.vi.(C)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.1.b.ii.(A)(10); II.A.5.d.xii.(B)(2); II.A.8.d.vi.(C)(1)
261.	6/17/15	Can FHA clear the CAIVRS if I have evidence supporting the debt is paid off?	<p>FHA cannot alter or delete Credit Alert Verification Reporting System (CAIVRS) information reported from other Federal agencies, such as the Department of Education, Veterans Affairs, etc.</p> <p>If a delinquent federal debt is reflected in a public record, credit report or equivalent, or CAIVRS or an equivalent system, the lender must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed. If the debt was identified through CAIVRS, the lender must contact the creditor agency using the contact phone number and debt reference number reflected in the borrower's CAIVRS report.</p> <p>If the creditor agency confirms that the debt is valid and in delinquent status as defined by the Debt Collection Improvement Act, then the borrower is ineligible for an FHA-insured mortgage until the borrower resolves the debt with the creditor agency.</p> <p>The lender may not deny a mortgage solely on the basis of CAIVRS information that has not been verified by the lender. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the lender may continue to process the mortgage application.</p> <p>The lender must include documentation from the creditor agency to support the verification and resolution of</p>	4000.1 II.A.1.b.ii.(A)(10)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			<p>the debt. For debt reported through CAIVRS, the lender may obtain evidence of resolution by obtaining a clear CAIVRS report.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(10) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
262.	6/17/15	How does the lender complete the LDP/GSA box on the HUD-92900-LT form?	<p>The lender must check the “Yes” box on form HUD-92900-LT if the Borrower appears on either the LDP or SAM list.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(B)
263.	6/17/15	What are the underwriting guidelines for the Energy Efficient Mortgage program?	<p>The lender must calculate the borrower’s debt ratios using the initial base loan amount plus the portion of the Upfront Mortgage Insurance Premium (UFMIP) attributable to the initial base loan amount.</p> <p><b>TOTAL MORTGAGE SCORECARD</b> For purposes of submission to TOTAL Mortgage Scorecard, the lender must utilize the initial base loan amount prior to adding the financeable energy package.</p> <p>If the lender obtains an Accept or Approve on a mortgage application that does not include the financeable energy package, FHA will recognize the risk rating from TOTAL and permit the increase to the mortgage payment without re-underwriting or rescoring. The lender must provide a form HUD-92900-LT, FHA Loan Underwriting and Transmittal Summary, without the financeable energy package, showing the qualifying ratios in the case binder. A second form HUD-92900-LT must be completed by the underwriter showing mortgage amount calculation including the financeable energy package, as reflected in FHAC. The second form HUD-92900-LT must also be included in the case binder.</p> <p>The underwriter must attest on the second form HUD-92900-LT that they reviewed the calculations associated with the energy efficient improvements and found the mortgage and property in compliance with FHA's underwriting instructions.</p> <p><b>MANUAL UNDERWRITING</b> The lender must provide a form HUD-92900-LT, without the financeable energy package, showing the qualifying ratios in the case binder. A second form HUD-92900-LT must be completed by the underwriter showing mortgage amount calculation including the financeable energy package, as reflected in FHAC. The second form must also be included in the case binder. The underwriter must attest on the second form that they have reviewed the calculations associated with the energy efficient improvements and found the mortgage and property in compliance with FHA's underwriting instructions.</p> <p>For additional information see Handbook 4000.1 II.A.8.c available at</p>	4000.1 II.A.8.c.

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
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			<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
264.	6/17/15	Does FHA allow alternative documentation if I'm unable to get a Verification of Deposit?	<p>The lender must obtain a written Verification of Deposit (VOD) and the borrower's most recent statement for each account.</p> <p>If a VOD is not obtained, a statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, the lender must obtain statement(s) for the most recent two months.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.iii.(A)(3); II.A.5.c.iii.(A)(3) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.iii.(A)(3); II.A.5.c.iii.(A)(3)
265.	6/17/15	What information is required on the URLA Addendum (92900A) for a sponsored origination (TPO)?	<p>The HUD/VA Addendum to Uniform Residential Loan Application (form HUD-92900-A) captures necessary information for sponsored originators.</p> <p>While common practice in the industry is for the interviewer to sign page 1 of the 92900-A, if a sponsored originator is involved, the sponsoring lender is required to sign and date page 1 of this form.</p> <p>The following information must be provided on page 3:</p> <ul style="list-style-type: none"> <li>• Loan Origination Company – Entity's Legal Name of the originating FHA lender</li> <li>• Loan Origination Company Tax ID - Employer Identification Number issued by the Internal Revenue Service (IRS)</li> <li>• NMLS ID of the Loan Origination Company - The unique identifier of the company, if licensed with NMLS</li> </ul> <p>For those loans originated by a sponsored originator, the sponsoring lender must enter its name and address in block 15 on pages 1 and 3.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.i.(B)(1) <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.i.(B)(1)
266.	6/17/15	Is the borrower required to provide a photo identification to obtain an FHA mortgage?	<p>The lender must include a statement that it has verified the borrower's identity using valid government-issued photo identification prior to endorsement of the mortgage or the lender may choose to include a copy of such photo identification as documentation.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.i.(B)(2)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.i.(B)(2)(b)
267.	6/17/15	Where must the underwriter record compensating factors	Any Compensating factors used to support the underwriting decision must be recorded on form HUD-92900-LT, FHA Loan Underwriting and Transmittal Summary.	4000.1 II.A.5.d.x.(B)(1)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		used to support the underwriting decision?	For additional information see Handbook 4000.1 II.A.5.d.x.(B)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
268.	6/17/15	Where can I obtain a list of FHA origination forms?	An all-inclusive list is not available as the requirements are different by loan type. Your lender's underwriter should know what is required for your particular transaction including all additional loan origination documents required by other regulatory agencies. HUD Forms are available on-line at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms</a>	<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/forms</a>
269.	6/17/15	Does the sponsored originator or the sponsoring lender complete the Interviewer section on the URLA?	The interviewer identified on the Uniform Residential Loan Application (URLA) must be the actual licensed interviewer regardless of whether the interviewer is employed by a sponsored Third-Party Originator (TPO) or the lender. The URLA must contain the interviewer's name, Nationwide Mortgage Licensing System and Registry (NMLS) identification number, telephone number, and signature.  For additional information see Handbook 4000.1 II.A.1.a.i.(B)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.1.a.i.(B)(1)
270.	6/17/15	Are there any sellers exempt from the requirement that the Mortgagee must ensure the sales contract includes a provision that the Borrower has applied for Section 203(k) financing and the Borrower's acceptance of additional required improvements as determined by the Mortgagee?	No. The Mortgagee must ensure the sales contract includes a provision that the Borrowers has applied for Section 203(k) financing, and that the contract is contingent upon the Borrower's acceptance of additional required improvements and mortgage approval regardless of seller of the property.	4000.1 II.A.8.a.vi.H.(4)
271.	6/17/15	Is the Mortgagee to rely on the consultant to fully determine the required contingency amount?	The Mortgagee determines when a Contingency Reserve is required, not the consultant. The minimum and maximum Contingency Reserve is established as a percentage of the Financeable Repair and Improvement Costs.	4000.1 II 8.a.vi.(E) II A.8.a.vii.(E)
272.	6/17/15	How is the "After Improved Value" determined?	An appraisal by an FHA Roster Appraiser is always required to establish the After Improved Value of the Property.	4000.1 II.A.8.a.viii.(A)(1)
273.	6/17/15	What are the fees that	Standard 203(k) and Limited 203(k) each have their own lists of financeable repair and improvement costs and	4000.1

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		can be included in the 203(k) maximum mortgage calculation? Is there a list?	<p>fees associated with the new mortgage. Please refer to the following handbook sections for more information.</p> <p>For the Standard 203(k) financeable costs and fees, see 4000.1:</p> <ul style="list-style-type: none"> <li>- II A 8 vi D - Standard 203(k) Financeable Repair and Improvement Costs and Fees</li> <li>- II A 8 vi E - Standard 203(k) Financeable Contingency Reserve</li> <li>- II A 8 vi F - Standard 203(k) Financeable Mortgage Payment Reserves</li> <li>- II A 8 vi G - Standard 203(k) Financeable Mortgage Fees</li> </ul> <p>For the Limited 203(k) program, see 4000.1:</p> <ul style="list-style-type: none"> <li>- II A 8 vii D - Limited 203(k) Financeable Repair and Improvement Costs and Fees</li> <li>- II A 8 vii E - Limited 203(k) Financeable (E) Contingency Reserves</li> <li>- II A 8 vii F - Limited 203(k) Financeable Mortgage Fees</li> <li>- II A 8 vii G - Limited 203(k) Ineligible Fees and Costs</li> </ul>	<p>II.A.8.vi.(2)(D)</p> <p>II.A.8.vi.(2)(E)</p> <p>II.A.8.vi.(2)(F)</p> <p>II.A.8.vi.(2)(G)</p> <p>II.A.8.vii.(2)(D)</p> <p>II.A.8.vii.(2)(E)</p> <p>II.A.8.vii.(2)(F)</p> <p>II.A.8.vii.(2)(G)</p>
274.	6/17/15	The Building on Own Land section of the 4000.1 has removed allowances for the loan to be closed as a purchase, was this intentional?	A Building on Own Land Mortgage may be closed as a purchase or refinance. The Settlement Statement or similar legal document <b>may</b> be prepared as a refinance transaction.	<p>4000.1</p> <p>II.A.8.k.iv</p>
275.	6/17/15	Do the payment history requirements in the Refinance section only apply to the subject property, or do they apply to all other mortgages held by the Borrower? (i.e. Second Home, Investment property, conventional	<p>Refinance program and product subsections contain payment history requirements specific to the type of refinance:</p> <ul style="list-style-type: none"> <li>• Cash-Out 4000.1 II.A.8.v.(2)(a);</li> <li>• No Cash-Out 4000.1 II.A.8.vi.(b);</li> <li>• Simple 4000.1 II.A.8.(B)(b)(i); and Streamline 4000.1 II.A.8.(C)(b)(i).</li> </ul> <p>Also review TOTAL mortgage payment history requirements at 4000.1 II.A.4.b.iii.K.(2) and (3); and Manual Underwriting mortgage payment history requirements at 4000.1 II.A.5.a.iii.(C).</p>	<p>4000.1</p> <p>II.A.8.v.(2)(a)</p> <p>II.A.8.vi.(b)</p> <p>II.A.8.(B)(b)(i)</p> <p>II.A.8.(C)(b)(i)</p> <p>II.A.4.b.iii.K.(2)</p> <p>II.A.4.b.iii.K.(3)</p> <p>II.A.5.a.iii.(C)</p> <p>II.A.5.iii.a.(B)(1)</p>

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		loan, etc.)		
276.	6/17/15	Do the satisfactory credit requirements apply only to purchase transactions?	The origination, underwriting, closing, post-closing, and endorsement standards and procedures are applicable to all Single Family (one- to four-units) Mortgages. Program-specific standards or procedures are explicitly stated.	4000.1 II.A.5.iii.a.(B)(1) II.A.8
277.	6/17/15	On Annuities, what is the required Legal Agreement?	The legal agreement is the contract used to establish the annuity income and guaranteeing the continuation of the annuity for the first three years of the Mortgage.	4000.1 II.A.4.c.viii(N)(2).
278.	6/17/15	The LDP/GSA section lists the job descriptions that must be reviewed against the LDP and GSA lists of parties excluded from doing business with HUD; Can the underwriter certify that they cleared the lists themselves, or should there be an independent review by another party or department?	The Mortgagee's standard operating quality control procedures should identify the staff responsible for performing this task.	
279.	6/17/15	Do we use the standard definition of Acquisition Cost in the glossary for property flipping?	No. Defined terms as stated in the Glossary are to be used where that term is indicated as a glossary term in the Handbook. All glossary terms are capitalized throughout Handbook 4000.1.	
280.	6/17/15	The policy in 4000.1 II.A.8.d.ii.(D) states that for cases endorsed on or before September 30, 2015, the Mortgagee must not approve any Mortgage that refinances or otherwise replaces a Mortgage that has been	If this policy does not change, on or before September 30, 2015, yes.	4000.1 II.A.8.d.ii.(D)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state. QUESTION: Does this mean that after September 30, 2015, this requirement is void?		
281.	6/17/15	For a cash-out refinance, if a borrower applies for a loan today, would they need to provide a 2013 and 2014 w-2 to verify 12 months of owner occupancy? If using paystubs, would the borrower have to submit a paystub from 12 months ago?	The Property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment. The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence the Borrower has occupied the subject Property as their Principal Residence for the 12 months prior to case number assignment.	4000.1 II.A.8.v.(A)(1)(b)
282.	6/17/15	For a rate and term refinance, if a borrower is self-employed or retired and needs to use the utility statements, would s/he have to provide 12 months' worth of utility statements? Or would the borrower only	The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence the Borrower has occupied the subject Property as their Principal Residence for the 12 months prior to case number assignment. For all income types, including self-employed or retired individuals, employment documentation could include copies of tax returns. 4000.1 II A 8 v A 1 b  For retired borrowers, Mortgagees would review the borrower's retirement income documentation or utility bills. For more information about retirement income documentation, see Other Sources of Effective Income 4000.1 II A 4 b xii H (TOTAL) and 4000.1 II A 5 b xii H (Manual)	4000.1 II. A. 8. v.(A)(1)(b) II. A.4.b.xii.(H)(b) II. A.5.b.xii.(H)(b)

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		provide a statement from 12 months ago? It doesn't seem like HUD would want all 12 months, as it would be difficult for many borrowers to obtain this information.		
283.	6/17/15	What does it mean to resolve delinquent federal debt in compliance with the Debt Collection Improvement Act??	<p>In order for a Borrower with verified delinquent Federal Debt to become eligible, the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act.</p> <p>The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.</p> <p>The Mortgagee must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report.</p>	4000.1 II.A.1.b.ii.A.(10)
284.	6/17/15	Is a "cousin" considered a "family member" for the purpose of providing gifts and identity of interest transactions?	<p>No- FHA has defined "family member" for the purposes of determining eligible sources of gift funds as well as identifying exceptions to prohibitions against identity of interest (non-arm's length) transactions, FHA defines Family Member as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> <li>• child, parent, or grandparent;                             <ul style="list-style-type: none"> <li>- a child is defined as a son, stepson, daughter, or stepdaughter;</li> <li>- a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;</li> </ul> </li> <li>• spouse or domestic partner;</li> <li>• legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption;</li> <li>• foster child;</li> <li>• brother, stepbrother;</li> <li>• sister, stepsister;</li> <li>• uncle;</li> <li>• aunt; or</li> <li>• son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower.</li> </ul> <p>A cousin may provide gift funds in accordance with the requirements for gift funds in II.A.4.d.iii.F (TOTAL) or II.A.5.d.iii.F (Manual) as appropriate. Any gift of the Borrower's Minimum Required Investment must also comply with the additional requirements set forth in Source Requirements for the Borrower's MRI in II.A.4.d.ii (TOTAL) or</p>	4000.1 II.A.2.b.ii.A.(1), II.A.4.d.iii.F , II.A.5.d.iii.F, II.A.4.d.ii, II.A.5.d.ii

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
			II.A.5.d.ii (Manual) as appropriate.	
285.	6/17/15	How should a lender process a loan for a HUD employee?	<p>For loans underwritten with TOTAL, if the Mortgage involves a HUD employee, the Mortgagee must score the transaction through TOTAL. If the file receives an Accept, the Mortgagee must underwrite the transaction in accordance with the TOTAL Underwriting guidance in Handbook 4000.1. The Mortgagee must submit the underwritten mortgage application to the Processing and Underwriting Division Director at the Jurisdictional HOC for final underwriting approval.</p> <p>For HUD employee loans receiving an AUS Refer or downgrade to manual processing, the Mortgagee must underwrite the transaction in accordance with the Manual Underwriting guidance in Handbook 4000.1. The Mortgagee must submit the underwritten mortgage application to the Processing and Underwriting Division Director at the Jurisdictional HOC for final underwriting approval.</p> <p>For non-credit qualifying Streamline Refinances only, any HUD employee may have their Mortgage underwritten and approved/denied by the Mortgagee.</p>	4000.1 II.A.4.a.i; II.A.4.e.iii; II.A.5; II.A.8.d.vi.(C)(4)(d)
286.	6/17/15	The Handbook does not speak to the issue of whether or not a Tax Service Fee may be charged to an FHA borrower. Handbook 4155.1 prohibited such charges for FHA borrowers. Are tax service fees going to be allowed once the new handbook goes into effect?	<p>Handbook 4000.1 does not prohibit the charging of a Tax Service Fee. The Mortgagee or sponsored TPO may charge and collect from Borrowers those customary and reasonable closing costs necessary to close the Mortgage. Charges may not exceed the actual costs.</p> <p>The Mortgagee must comply with HUD's Qualified Mortgage Rule at 24 CFR § 203.19.</p>	4000.1 II.A.5.c.i.(B)(2)(a)
287.	6/17/15	Is the Underwriter no longer to have contact with the Builder/Seller regarding the appraisal? What if the builder is the seller?	Yes. The Mortgagee's communication with third parties regarding an appraisal is limited to the borrower.	4000.1 II.A.1.iv.(C)(2)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
288.	6/17/15	4000.1 II.A.4.b.ii.(A) says the credit report must include inquiries for past 90 days, but if a credit report has 120 days do we have to review all or just last 90 days? Section II.A.4.b.iv Evaluating Debts and Liabilities seems to conflict	<p>The credit report requirement is for the inclusion of all credit report inquiries within the last 90 days. If an inquiry results in a debt, regardless of the amount of time passed since the inquiry was made, the payment must be included in the debt-to-income ratio.</p> <p>The Evaluating Debts and Liabilities section requires the Mortgagee to use due diligence in reviewing all credit report inquiries to ensure that all debts, including any new debt payments resulting from material inquiries listed on the credit report, are used to calculate the debt ratios. The Mortgagee must also determine that any recent debts were not incurred to obtain any part of the Borrower's required funds to close on the Property being purchased.</p>	4000.1 II.A.4.b.ii.(A) II.A.4.b.iv
289.	6/17/15	For Business debt in the Borrower's name, can you clarify how many months need to be documented that the business has paid the debt? 6 months, 12 months?	<p>When business debt is reported on the Borrower's personal credit report, the debt must be included in the DTI calculation, unless the Mortgagee can document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business.</p> <p>The debt is considered in the cash flow analysis where the Borrower's business tax returns reflect a business expense related to the obligation, equal to or greater than the amount of payments documented as paid out of company funds. Where the Borrower's business tax returns show an interest expense related to the obligation, only the interest portion of the debt is considered in the cash flow analysis.</p>	4000.1 II.A.4.b.iv.(O)(2) (TOTAL) II.A.5.a.j.(2) (Manual)
290.	6/17/15	Sometimes borrowers will show up on CAIVRS due to FHA claims being paid out on a previous foreclosure. If a borrower with a foreclosure 3 or more years prior to case assignment shows up on CAIVRS due to an FHA claim being paid less than 3 years from case assignment, is that borrower really ineligible for a new FHA loan?	<p>It depends. If a delinquent Federal Debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, the Mortgagee must verify the validity and delinquency status of the debt by contacting the creditor agency to whom the debt is owed. If the debt was identified through CAIVRS, the Mortgagee must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report.</p> <p>If the creditor agency confirms that the debt is valid and in delinquent status as defined by the Debt Collection Improvement Act, then the Borrower is ineligible for an FHA-insured Mortgage until the Borrower resolves the debt with the creditor agency.</p> <p>The Mortgagee may not deny a Mortgage solely on the basis of CAIVRS information that has not been verified by the Mortgagee. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the Mortgagee may continue to process the mortgage application.</p> <p>For more information regarding Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt, including CAIVRS and related documentation requirements and CAIVRS, refer to 4000.1 II A 1 ii A 10 a-d.</p> <p>For more information about underwriting borrowers with a history of Foreclosure and Deed-in-lieu. Refer to 4000.1 II A 4 b iii H-I (TOTAL), and 4000.1 II A 5 a iii I (Manual).</p>	4000.1 II.A.1.ii.A(10)(a-d) 4000.1 II.A.4.b.iii.(H-I) (TOTAL), and 4000.1 II.A.5.a.iii.(I) (Manual).

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
291.	6/17/15	Does the requirement for an appraisal when the borrower has limited or no history of rental income apply to any rental income derived from any investment property, or just on the subject property for the transaction?	<p>Investment Properties are not eligible for FHA insurance except if the borrower is a HUD-approved Nonprofit Borrower, or a state and local government agency, or an Instrumentality of Government; or an individual purchasing a HUD REO property using the 203(b) program.</p> <p>The requirement for an appraisal showing the borrower has at least 25% equity in a rental property applies to any investment property the borrower owns when they have little or no history or receiving rental income from that property. This includes rental properties acquired since the previous tax filing and Property being vacated by the Borrower and converted to an investment property. In such circumstance, the Mortgagee must obtain an appraisal evidencing market rent and that the Borrower has at least 25 percent equity in the Property. The appraisal is not required to be completed by an FHA Roster Appraiser.</p>	<p>4000.1 II.A.1.b.iii.(C )</p> <p>4000.1 II.A.4.c.xii.(l)(c)(i) (TOTAL)</p> <p>4000.1 II.A.5.b.xii.(l)(3)(b)(i) (Manual)</p>
292.	6/17/15	When calculating rental income for a borrower who has owned a property for less than two years, do you annualize the rent over the last 12 months or some other period?	If the property has been owned for less than two years, the mortgagee must annualize the Rental Income for the length of time the property has been owned.	4000.1 II.A.4.c.xii.(l)(3)(c)(ii)
293.	6/17/15	When calculating residual income as a compensating factor is there any exception to using federal and state income tax returns to document state and local taxes, retirement, SS and Medicare? Can lenders continue to use	<p>Exceptions or alternative program requirements are explicitly stated or hyperlinked to the appropriate guidance.</p> <p>The handbook specifies that "if available, Mortgagees must use federal and state tax returns from the most recent tax year to document state and local taxes, retirement, Social Security and Medicare. If tax returns are not available, Mortgagees may rely upon current pay stubs."</p>	4000.1 II.A.5.d.ix.(F)(1)

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Credit Underwriting

Row #	Added	FAQ	Answer	References
		other methods of calculating tax withholdings like “paycheckcity.com” instead of requesting the pay stubs and tax returns?		
294.	6/17/15	Does the requirement to authenticate documents received electronically by examining the source identifiers or contacting the source of the document by telephone to verify the document’s validity apply to all documents or just when the fax header or email address conflicts with information in the file?	The Mortgagee must authenticate all documents received electronically by examining the source identifiers (e.g., the fax banner header or the sender’s email address) or contacting the source of the document by telephone to verify the document’s validity. The Mortgagee must document the name and telephone number of the individual with whom the Mortgagee verified the validity of the document.	4000.1 II.A.1.a.i.(A)(2)(a)
295.	6/17/15	Does the requirement to authenticate documents obtained from the Internet apply just to borrower documents like bank statements, or does it apply to any documents in the case file, including third party	The Mortgagee must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The Mortgagee must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the Mortgagee’s visit to the URL and website.  Documentation obtained through the Internet must contain the same information as would be found in an original hard copy of the document.	4000.1 II.A.1.a.i.(A)(2)(b)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		sites the mortgagee uses like theworknumber.com?		
296.	6/17/15	The current 15 days of per diem interest requirement related to the GFE is not found referenced in the new 4000.1 version. Has this changed?	<p>FHA does not regulate the requirements for completion of the GFE or Loan Estimate. The Mortgagee is required to comply with all federal, state and local laws, rules, and requirements applicable to the mortgage transaction, including all applicable disclosure requirements and the requirements of the Consumer Financial Protection Bureau (CFPB), including those related to:</p> <ul style="list-style-type: none"> <li>•Truth in Lending Act (TILA); and</li> <li>•Real Estate Settlement Procedure Act (RESPA).</li> </ul> <p>The Mortgagee may collect per diem interest from the Disbursement Date to the date amortization begins. Alternatively, the Mortgagee may begin amortization up to 7 Days prior to the Disbursement Date and provide a per diem interest credit. Any per diem interest credit may not be used to meet the Borrower's MRI. Per diem interest must be computed using a factor of 1/365th of the annual rate.</p>	4000.1 II.A.1.a.ii.B, II.A.6.a.xii.
297.	6/17/15	FHA policy is silent on how to handle situations when a borrower is on title but not presently listed on a mortgage which is secured by the subject property. What type of refinance would the borrower qualify for?	FHA policy requires that at least one Borrower on the refinancing Mortgage must hold title to the Property being refinanced prior to case number assignment. The borrower must meet the eligibility and occupancy requirements, and the property must meet the property eligibility requirements, and all other program specific requirements for the refinance type requested. Program specific refinance requirements can be located in 4000.1 II.A.8.d.	4000.1 II.A.8.d II.A.8.d.ii.(B)
298.	6/17/15	Does the requirement to obtain payoff statements on all mortgages for Simple Refinances apply to all mortgages the borrower has or all mortgages on the subject property?	The documentation requirements for Simple Refinance require payoff statements for all existing liens on the subject property.	II.A.8.d.vi.(B)(3)(d)
299.	6/17/15	Are properties that are	A Refinance Transaction is used to pay off the existing debt or to withdraw equity from the Property with the	4000.1

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Credit Underwriting				
Row #	Added	FAQ	Answer	References
		free and clear not eligible for refinancing? The definition at 4000.1 II.A.1.b.i.(C) could be interpreted to mean that a lien must be paid off.	proceeds of a new Mortgage for a Borrower with legal title to the subject Property.	II.A.8.d.i.(A)
300.	6/17/15	Does the borrower need to be on the loan being refinanced?	No. At least one Borrower on the refinancing Mortgage must hold title to the Property being refinanced prior to case number assignment.	4000.1 II.A.8.d.ii.(B)
301.	6/17/15	The handbook does not address if a non-occupant co-borrower can be added to a cash-out refinance - is this an intended change?	The change is intentional. A non-occupant co-borrower may be added to a cash-out refinance; however Income from a non-occupant co-Borrower may not be used to qualify for a cash-out refinance.	4000.1 II.A.8.d.v.(A)
302.	6/17/15	Previous guidance on cash out CLTV was dependent upon if the subordinate lien was new or existing - is this an intended change?	Yes, this change was intentional. Maximum CLTV for a cash-out refinance is 85%.	4000.1 II.A.8.d.v.(B)
303.	6/17/15	Is a net tangible benefit test required for a Simple Refinance?	No. Program-specific standards or procedures are explicitly stated on the programs and products section. The net tangible benefit test is not a requirement on a Simple Refinance.	4000.1 II.A.8.d.vi.(B)
304.	6/17/15	Is a streamline refinance allowed on a condominium that has been withdrawn from the approved condominium list?	Yes Program-specific standards or procedures are explicitly stated on the product sheet. The Property Eligibility and Acceptability Criteria section, including the requirements for Condominium Units in this section are exempt for streamline refinances.	4000.1 II.A.8.d.vi.(C)(1)(a) II.A.8.d.vi.(C)(1)(b)
305.	6/17/15	Are no cost streamline refinances still allowed?	Yes. Premium Pricing may be used to pay a Borrower's actual closing costs and/or prepaid items.	4000.1 II.A.4.d.i.(B)(2)(h)
306.	6/17/15	There are payment history requirements	Origination through Post-Closing/Endorsement section in the 4000.1 provides the origination, underwriting, closing, post-closing, and endorsement standards and procedures applicable to all Single Family (one- to four-	4000.1 II.A.4.b,iii.(K)(1) II.A.4.b.iii.(K)(2)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		for manually underwritten Simple Refinance loans; but what are the payment history requirements for Simple Refinance loans scored through TOTAL?	units) FHA-Insured Title II forward Mortgages. Program-specific standards or procedures are explicitly stated on the product sheet.	
307.	6/17/15	Can you delete a borrower on an existing mortgage using a credit qualifying streamline?	Yes. A credit qualifying streamline refinance can be used to delete a borrower on an existing FHA mortgage.	4000.1 II.A.8.d.ii.(B)
308.	6/30/15	Does completion of the URLA occupancy declaration (item I.) and/or standard occupancy affidavit satisfy the requirement to obtain the borrower's intent to occupy the property upon discharge from the military, for active duty military personnel who cannot physically reside in the property?	<p>For Active Duty Military Personnel who cannot physically reside in the property, the Mortgagee must obtain a copy of the Borrower's military orders evidencing the Borrower's Active Duty status and that the duty station is more than 100 miles from the subject property.</p> <p>The Mortgagee must obtain a statement from the Borrower that they intend to "occupy the subject property as their primary residence upon discharge from military service". FHA does not proscribe a the use of a standard occupancy affidavit form for this purpose, however the occupancy declaration contained in the URLA does not indicate the borrowers intent to occupy upon discharge from the military, and alone would not satisfy this requirement.</p> <p>If a Family Member will be occupying the subject property as their principal residence, a statement from the Borrower, stating their intent to occupy to the subject as their principal residence upon discharge, is not required.</p>	4000.1 II.A.1.b.ii.(A)(7)
309.	6/30/15	If an Active Duty Service Member's Family Member will occupy the subject property as their Principal Residence, is it still required that the Active Duty Service Member provide a statement that they intend to	If a Family Member will be occupying the subject property as their principal residence, a statement from the Borrower, stating their intent to occupy to the subject as their principal residence upon discharge, is not required.	4000.1 II.A.1.b.ii.(A)(7)

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Credit Underwriting				
Row #	Added	FAQ	Answer	References
		occupy the subject property as their principal residence upon their discharge?		
310.	6/30/15	Does FHA require the final Uniform Residential Loan Application (URLA) (Fannie Mae Form 1003/Freddie Mac Form 65) be signed by the Interviewer?	If the final URLA is not signed by the Mortgagee, the initial application signed by the Mortgagee is acceptable.	4000.1 II.A.7.b.vi
311.	6/30/15	Is a credit report required for the non-credit qualifying Streamline Refinance program?	FHA does not require a credit report on the non-credit qualifying Streamline Refinance program.	4000.1 II.A.8.d.vi.(C)(4)(g)
312.	6/30/15	What is the maximum amount of Interested Party contributions permitted?	FHA permits an Interested Party to contribute up to 6% of the sales price towards a borrower's origination fees, other closing costs, and discount points. Interested Party contributions that exceed 6% of the sales price or that exceed the actual origination fees, other closing costs or discount points are considered an inducement to purchase.  The mortgagee must subtract the inducements to purchase from the sales price when computing the Adjusted Value used to determine the Maximum Mortgage amount.	4000.1 II.A.2.a II.A.4.d.iii.(G) II.A.5.c.iii.(G)
313.	6/30/15	Can Expected Income from a new job or pay raise be used as effective income to qualify a borrower?	Yes, except when the income comes from a family business.  Otherwise, the Mortgagee may consider Expected Income as effective income when they can document with the employer that the income will be received within 60days of closing.  The Mortgagee must also verify that the borrower will have sufficient income or cash reserves to support the mortgage payment and any other obligations between mortgage closing and the receipt of the income.	4000.1 II.A.4.c.xii(L) II.A.5.b.xii.(L)

Closing and Insuring				
Row #	Added	FAQ	Answer	References

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Closing and Insuring				
Row #		FAQ	Answer	References
314.	6/17/15	Can I originate a mortgage loan for a HUD employee?	<p>If the borrower is a FHA/HUD employee,, the lender must score the transaction through TOTAL Scorecard. If the file receives an Accept, the lender must underwrite the transaction in accordance with the guidance in Handbook 4000.1. II.A.4, Underwriting the Borrower Using the TOTAL Mortgage Scorecard.</p> <p>For manually underwritten loans, the lender must underwrite the transaction in accordance with the guidance in Handbook 4000.1 II.A.5, Manual Underwriting of the Borrower.</p> <p>The lender must condition the loan on the approval of the mortgage by HUD and submit the case binder to the Processing and Underwriting Division Director at the Jurisdictional Homeownership Center (HOC) for final underwriting approval.</p> <p>For non-credit qualifying streamline refinances only, any HUD employee may have their mortgage underwritten and approved/denied by the lender.</p> <p>For additional information see Handbook 4000.1. II.A.4.a.i; II.A.4.e.iii; II.A.5; II.A.5.d.x.(B); II.A.5.d.x.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	<p>4000.1 II.A.4.a.i; II.A.4.e.iii; II.A.5; II.A.5.d.x.(B); II.A.5.d.x.(D)</p>
315.	6/17/15	Where can I find the instructions to submit cases for FHA mortgage insurance?	<p>Instructions for submitting case binders for FHA mortgage insurance can be found in Handbook 4000.1. II.A.7.d and 4000.1. II.A.7.e.iii.</p> <p>The lender must ensure that all case binders are complete, meet FHA specifications, and contain all required documents arranged in the correct stacking order.</p> <p>The uniform case binder must be:</p> <ul style="list-style-type: none"> <li>• yellow for lenders with Lender Insurance authority;</li> <li>• manila for lenders without Lender Insurance authority; and</li> <li>• green for Test Cases.</li> </ul> <p>The lender must complete the front of the binder, and write the case number on the side and bottom tabs of the binder and ensure that all required documents, as applicable, are arranged in the stacking order found in Handbook 4000.1 II.A.7.d.ii.(C)</p> <p>The case binder must be received by the Jurisdictional Homeownership Center (HOC) no later than 60 days after the disbursement date.</p> <p>Lenders with Lender Insurance (LI) authority must submit the case binder to the Jurisdictional HOC (or other HUD office as identified in the notice) when requested by FHA.</p> <p>FHA will request the case binder through a daily email notification to the lender’s contact person. If requested, the LI lender must submit the case binder within 10 business days of request. If approved to submit electronic Case Binders (eCBs) to FHA, the LI lender must submit the eCB through FHA Connection (FHAC).</p> <p>For additional information see Handbook 4000.1 II.A.7.d; II.A.7.e.iii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	<p>4000.1 II.A.7.d; II.A.7.e.iii.</p>

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Closing and Insuring				
Row #		FAQ	Answer	References
316.	6/17/15	How do I submit a test case closing package for endorsement?	<p>A lender who has not yet received unconditional Direct Endorsement (DE) approval must ensure that the required certifications are executed, assemble the closing package, and return the package to the Jurisdictional Homeownership Center (HOC) that underwrote the mortgage.</p> <p>The lender must:</p> <ul style="list-style-type: none"> <li>• submit a complete closing package in the order specified in the Closing Documents Requirements Checklist that is provided to the lender during the Entrance Conference;</li> <li>• include credit and property approval conditions (placed at the bottom of the closing package); and</li> <li>• place a cover sheet identifying the mortgage as a pre-closing Test Case, along with the FHA case number, as the top sheet inside the package and write "TEST CASE" in large letters on the front of a plain manila folder.</li> </ul> <p>The lender is not required to resubmit documents previously submitted for approval.</p> <p>For additional information see Handbook 4000.1 II.A.7.d.vii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.d.vii
317.	6/17/15	Where do I submit my files for insurance endorsement?	<p>The lender must prepare and submit a uniform case binder to the Jurisdictional Homeownership Center (HOC).</p> <p>The appropriate Jurisdictional HOC refers to the Homeownership Center determined by the location of the property securing the FHA-insured mortgage.</p> <p>The jurisdictional HOC can be determined on the FHA Homeownership Centers web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhocs">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhocs</a></p> <p>Lenders participating in the Lender Insurance Program should refer to the Lender Insurance Guide. For additional information see Handbook 4000.1 II.A.7.d.ii and 4000.1.II.A.7.d.iii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.d.ii.  Glossary
318.	6/17/15	How do I process a case number cancellation?	<p>The lender may request cancellation of a case number by submitting a request to HUD. A case number will be cancelled only if:</p> <ul style="list-style-type: none"> <li>• an appraisal has not been completed and the Borrower will not close the mortgage as an FHA-insured mortgage;</li> <li>• FHA mortgage insurance will not be sought; or</li> <li>• the appraisal has already expired.</li> </ul> <p>Please note that you cannot request a case number cancellation for an endorsed (insured) loan or for a case number that your company does not hold. If MIP funds have been paid, the lender must request a refund of all monies paid once the cancellation has been processed. Generally speaking, case numbers will remain with the property. Should a sale fail to close, the lender should update the borrower information if originating a new loan for subsequent purchasers or transfer the case number to a new lender if requested. Case numbers will not be canceled to facilitate obtaining a new appraisal prior to its expiration.</p>	4000.1 II.A.1.iii.(B)(3)(c); Case Processing Requirements web page: <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req</a>

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Closing and Insuring				
Row #		FAQ	Answer	References
			<p>The lender must submit a request for cancellation to the FHA Resource Center at answers@hud.gov and include</p> <ul style="list-style-type: none"> <li>• “Case Cancellation” and the FHA Case Number in the Subject Line</li> <li>• lender name, email address, telephone number and contact information</li> <li>• a Request on company letter head showing the name of the company, contact information and the reason for case cancellation</li> <li>• the completed Case Cancellation Request Form</li> </ul> <p>Only one case cancellation request may be sent per email. Please do not send a request multiple times.</p> <p>The Case Cancellation Request Form is available on the Case Processing Requirements web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req</a></p> <p>Handbook 4000.1 II.A.1.iii.(B)(3)(c) is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
319.	6/17/15	How do lenders transfer a case number to a new lender or sponsored originator?	<p>Where a case number is being transferred to a new FHA approved lender or sponsored third party originator (TPO), the original lender, its authorized agent, or sponsored TPO that is also an FHA-approved lender must complete the appropriate sections in FHA Connection (FHAC).</p> <p><b>TRANSFER CASE TO SPONSORED ORIGINATOR</b></p> <ul style="list-style-type: none"> <li>• click on the Sponsored Originator EIN selection from the drop down window if the loan origination company is acting in the capacity of a sponsored TPO</li> <li>• enter the EIN in the entry field provided</li> </ul> <p><b>TRANSFER CASE TO FHA APPROVED LENDER</b></p> <ul style="list-style-type: none"> <li>• click on the Originator ID selection from the drop down window, and then enter the FHA approved lender ID in the entry field.</li> <li>• enter Date of Assignment Letter (date lender transfer occurred)</li> </ul> <p>More information is available in the FHA Connection Guide available at <a href="https://entp.hud.gov/idapp/html/mrtg-pkg.cfm">https://entp.hud.gov/idapp/html/mrtg-pkg.cfm</a></p> <p>Handbook 4000.1 II.A.1.a.iii.(B)(4)(c) is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.iii.(B)(4)(c)  FHAC Guide
320.	6/17/15	What interest rate and closing costs can be charged to a borrower for an FHA loan?	<p>The lender must ensure that all fees charged to the borrower comply with all applicable federal, state and local laws and disclosure requirements.</p> <p>The lender or sponsored third party originator (TPO) may charge the borrower reasonable and customary fees, necessary to close the mortgage, that do not exceed the actual cost of the service provided.</p> <p>The lender or TPO may charge the borrower discount points, and lock-in and rate lock fees consistent with FHA and Consumer Financial Protection Bureau (CFPB) requirements.</p>	4000.1 II.A.6.a.x; II.A.4.d.i.(B)(2)(a)

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Closing and Insuring				
Row #		FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• Origination Fees - may charge an origination fee in accordance with RESPA.</li> <li>• Discount Points - may charge the borrower discount points.</li> <li>• Lock-in and Rate Lock Fees - may charge the borrower lock-in and rate lock fees only if the lender provides a lock-in or commitment agreement guaranteeing the interest rate and/or discount points for a period of not less than 15 days prior to the anticipated closing.</li> </ul> <p>The lender must ensure the points and fees charged are in compliance with FHA's Qualified Mortgage Rule.</p> <p>The lender must ensure that the aggregate fees and charges do not violate FHA's Tiered Pricing rule which states the lender may not make a mortgage with a mortgage charge rate that varies more than two percentage points from the lender's reasonable and customary rate for insured mortgages for dwellings located within the area.</p> <p>For additional information see Handbook 4000.1 II.A.6.a.x; II.A.4.d.i.(B)(2)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
321.	6/17/15	What costs can be paid through premium pricing?	<p>Premium pricing refers to a credit from a lender for the interest rate chosen. Premium pricing may be used to pay a borrower's actual closing costs and/or prepaid items. Closing costs paid in this manner do not need to be included as part of the Interested Party limitation.</p> <p>The funds derived from a premium priced mortgage:</p> <ul style="list-style-type: none"> <li>• must be disclosed in accordance with RESPA;</li> <li>• must be used to reduce the principal balance if the credit amount exceeds the actual dollar amount for closing costs and prepaid expenses; and</li> <li>• may not be used for payment of debts, collection accounts, escrow shortages or missed mortgage payments, or judgments.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(B)(2)(h); II.A.5.c.i.(B)(2)(h) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.i.(B)(2)(h); II.A.5.c.i. (B)(2)(h)
322.	6/17/15	Can I include costs for taxes and insurance in the new loan?	<p>Prepaid items may include flood and hazard insurance premiums, mortgage insurance premiums (MIP), real estate taxes, and per diem interest. They must comply with the requirements of the Consumer Financial Protection Bureau (CFPB). Prepaid items may be included in the mortgage for Simple refinance, Rate and Term refinance and Cash-Out refinance transactions. Closing costs, prepaid items and other fees may not be applied towards the borrower's Minimum Required Investment (MRI).</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i.; II.A.4.d.i.(B)(2)(c); II.A.5.c.i.; II.A.5.c.i. (B)(2)(c) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.i.; II.A.4.d.i.(B)(2)(c); II.A.5.c.i.; II.A.5.c.i. (B)(2)(c)
323.	6/17/15	What are the allowable fees a lender can charge to transfer a case number to another lender?	<p>The original lender must assign the case number to the new lender using the Case Transfer function in FHA Connection (FHAC) immediately upon the borrower's request.</p> <p>The original lender may provide processing documents but is not required to do so.</p>	4000.1 II.A.1.a.iii.(B)(4)(a)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Closing and Insuring				
Row #		FAQ	Answer	References
			<p>The original lender may not charge the borrower for the transfer of any documents, but the original lender may negotiate a fee with the new lender for providing the processing documents. The original lender is never entitled to a fee for the transfer of processing documents for a Streamline Refinance.</p> <p>For additional information see Handbook 4000.1 II.A. 1.a.iii.(B)(4)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	
324.	6/17/15	Can a borrower pay his own real estate agent a buyer/broker fee?	<p>If a borrower is represented by a real estate agent and must pay any fee directly to the agent, that expense must be included in the total of the borrower's settlement requirements.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(B)(2)(f); II.A.5.c.i.(B)(2)(f) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.4.d.i.(B)(2)(f); II.A.5.c.i.(B)(2)(f)
325.	6/17/15	What is the maximum origination fee that may be charged on a forward mortgage?	<p>The lender or sponsored third party originator (TPO) may charge a reasonable origination fee and collect from Borrowers those customary and reasonable closing costs necessary to close the mortgage. Charges may not exceed the actual costs.</p> <p>The lender must comply with HUD's Qualified Mortgage Rule at 24 CFR 203.19.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(B)(2)(a); II.A.5.c.i.(B)(2)(a); II.A.6.a.x.(B)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.4.d.i.(B)(2)(a); II.A.5.c.i.(B)(2)(a); II.6.a.x.(B)(1)
326.	6/17/15	Can a borrower be charged an Administrative Fee by the real estate broker on an FHA loan?	<p>The lender must ensure that all fees charged to the borrower comply with all applicable federal, state and local laws and disclosure requirements.</p> <p>If a borrower is represented by a real estate agent and must pay any fee directly to the agent, that expense must be included in the total of the borrower's settlement requirements.</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(B)(2)(f); II.A.5.c.i.(B)(2)(f); II.A.6.a.x. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.6.a.x; II.A.4.d.i.(B)(2)(f); II.A.5.c.i.(B)(2)(f)
327.	6/17/15	Can a lender charge a Commitment or Rate Lock Fee?	<p>All fees charged to the borrower must comply with all applicable federal, state and local laws and disclosure requirements.</p> <p>The lender may charge the borrower lock-in and rate lock fees only if the lender provides a lock-in or commitment agreement guaranteeing the interest rate and/or discount points for a period of not less than 15 days prior to the anticipated closing.</p> <p>For additional information see Handbook 4000.1 II.A.6.a.x.(B)(3) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.6.a.x.(B)(3)
328.	6/17/15	What are FHA's rules with respect to tiered pricing?	<p>The lender must ensure that the aggregate fees and charges do not violate FHA's Tiered Pricing rule.</p> <p>The lender may not make a mortgage with a mortgage charge rate that varies more than two percentage points from the lender's reasonable and customary rate for insured mortgages for dwellings located within the area.</p> <p>To determine whether a mortgage exceeds the two percentage point variation limit, the lender must compare mortgage charge</p>	4000.1 II.A.6.a.x.(D)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Closing and Insuring				
Row #		FAQ	Answer	References
			<p>rates for mortgages of the same type, from the same area, and made on the same day or during some other reasonably limited period.</p> <p>See Section 203(u) of the National Housing Act (12 U.S.C. §1709(u)), 24 CFR 200.12.</p> <p>The lender must document that any variation in the mortgage charge rate is based on actual variations in fees or costs to the mortgagee to make the mortgage.</p> <p>Additional information including definitions for Tiered Pricing can be found in Handbook 4000.1 II.A.6.a.x(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
329.	6/17/15	How do I determine the start date for interest collection?	<p>The lender may collect per diem interest from the disbursement date to the date amortization begins.</p> <p>Alternatively, the lender may begin amortization up to 7 days prior to the disbursement date and provide a per diem interest credit. Any per diem interest credit may not be used to meet the borrower's Minimum Required Investment (MRI).</p> <p>Per diem interest must be computed using a factor of 1/365th of the annual rate.</p> <p>For additional information see Handbook 4000.1 II.A.6.a.xii. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.6.a.xii.
330.	6/17/15	Can a mortgagee pass the cost for disaster re-inspections to the borrower?	<p>Yes. FHA does not prohibit the mortgagee from charging the borrower for re-inspection. However, they must ensure that all fees charged to the borrower comply with all applicable federal, state and local laws and disclosure requirements.</p> <p>For additional information see Handbook 4000.1 II.A.6.a.x. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.6.a.x.
331.	6/17/15	When would a lender with Lender Insurance authority be required to submit a case binder to the HOC?	<p>Lenders with Lender Insurance (LI) authority must submit the case binder to the Jurisdictional Homeownership Center (HOC) (or other HUD office as identified in the notice) when requested.</p> <p>FHA requests the case binder through a daily email notification to the lender's contact person. The LI lender must submit the case binder within 10 business days of request.</p> <p>If approved to submit electronic Case Binders (eCBs, the LI lender must submit the eCB through the FHA Connection (FHAC) Insuring, Underwriting Report and Lender Letter screens. If a case binder that is maintained electronically is requested, the lender must follow the requirements in the eCB Developer's Guide.</p> <p>Case warnings identify issues that must be addressed before the mortgage can be insured. There are two kinds of case warnings: severe and non-severe.</p> <p>Severe case warnings make the mortgage ineligible for LI.</p>	4000.1 II.A.7.d.vi; II.A.7.e.iii-iv

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Closing and Insuring				
Row #		FAQ	Answer	References
			<p>Once the severe case warning is corrected, the case binder, including documentation in support of clearing the warning, must be submitted to the HOC for review and endorsement processing.</p> <p>Severe Case Warnings:</p> <ul style="list-style-type: none"> <li>• borrower failed or is pending SSN validation;</li> <li>• borrower has a record in CAIVRS;</li> <li>• pre-endorsement delinquency status is delinquent; or</li> <li>• deficiency exists causing risks to HUD. The HOC will add text to the case warning message screen identifying the reasons requiring submission of the case binder to the HOC.</li> </ul> <p>Non-severe case warnings indicate that conditions have been detected and must be researched before the mortgage can be endorsed. If the lender determines that HUD requirements have not been violated, the lender may resubmit the mortgage for insurance. By resubmitting the information, the lender is representing that the warning has been reviewed and the mortgage is eligible for insurance endorsement. FHAC will then allow the mortgage to be insured by the lender.</p> <p>For additional information see Handbook 4000.1 II.A.7.d.vi; II.A.7.e.iii-iv available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
332.	6/17/15	If I am an Authorized Agent, can I insure loans for my Principal under the Lender Insurance program?	<p>1) If the Authorized Agent and the Principal both have Lender Insurance authority, either may review and insure the loan using this authority.</p> <p>2) If the Principal has Lender Insurance authority and the Authorized Agent does not have this authority, the Principal may review and insure the loans using this authority.</p> <p>(3) If the Authorized Agent has Lender Insurance authority and the Principal does not have this authority, the Authorized Agent may review and insure the loan using this authority.</p> <p>For more information on the Lender Insurance program, including the Lender Insurance Guide, go to the Lender Insurance Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a>.</p> <p>For additional information see Handbook 4000.1 I.A.5.b. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	<p>4000.1 I.A.5.b.</p> <p>Lender Insurance Guide</p>
333.	6/17/15	How do I verify my default/claim rate to see if I'm eligible to participate in the Lender Insurance program?	<p>You can determine if your company has an acceptable default and claim rate which is at or below 150 percent of the default and claim rate for the States where you have underwritten loans by accessing Neighborhood Watch at <a href="https://entp.hud.gov/sfnw/nw/">https://entp.hud.gov/sfnw/nw/</a>:</p> <ol style="list-style-type: none"> <li>1. Select Early Warnings.</li> <li>2. Select Single Lender.</li> <li>3. Type the first few letters of the lender's name or the five digit lender id.</li> <li>4. Select Loan Portfolio: 2 Year FHA - With Streamlines and Submit.</li> </ol>	<p>4000.1 I.A.5.b.</p> <p>Lender Insurance Guide</p> <p>Neighborhood</p>

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Closing and Insuring				
Row #		FAQ	Answer	References
			<p>5. Ensure the appropriate Lender Name is selected in the Institution Name field and Submit.</p> <p>6. Select Direct Endorsement Lender from the Mortgagee Selections window.</p> <p>7. Select Seriously Delinquent from the Delinquent Choices window.</p> <p>8. Select the most recent date from the 2 Year Performance Period window.</p> <p>9. Select States from the Show Data for window and Submit.</p> <p>View the “Total - All States” Compare Ratio (Compare ratio for all Direct Endorsement loans including both retail and sponsored) at the bottom of the report table to determine eligibility for LI (&lt; or = 150%).</p> <p>For more information on the Lender Insurance program, including the Lender Insurance Guide, go to the Lender Insurance Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a></p> <p>For additional information see Handbook 4000.1 I.A.5.b. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	Watch FAQs
334.	6/17/15	Can I choose to process only a portion of my loans through the Lender Insurance program?	<p>Once a lender begins participating in the Lender Insurance (LI) program it must process all loans it underwrites using LI, including any loans not endorsed as of the date of LI authority.</p> <p>Only those loans subject to a severe case warning can be submitted to the Homeownership Centers (HOC) for endorsement processing.</p> <p>For more information on the Lender Insurance program, including the Lender Insurance Guide, go to the Lender Insurance Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a></p> <p>For additional information see Handbook 4000.1 I.A.5.b. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	I.A.5.b.  Lender Insurance Guide
335.	6/17/15	What is the e-case binder indexing order for forward mortgages insured under the LI Program?	<p>The mortgagee must maintain their mortgage file, including the case binder, in either hard copy or electronic format for a period of two years from the date of endorsement.</p> <p>Mortgagees retaining eCBs are not required to maintain a separate version of the eCB indexed for electronic submission to HUD.</p> <p>Documents provided in paper binders must be clear, legible and stacked in accordance with the requirements of HUD Handbook 4000.1 II.A.7.d.ii.(C).</p> <p>Documents provided in electronic case binders must be clear, legible and indexed in the order specified in the Electronic Case Binder Developers Guide at <a href="http://www.hud.gov/pub/chums/electronicCaseBinder.pdf">http://www.hud.gov/pub/chums/electronicCaseBinder.pdf</a></p> <p>For more information on the Lender Insurance program, including the Lender Insurance Guide, go to the Lender Insurance</p>	I.A.5.b.  Lender Insurance Guide

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Closing and Insuring				
Row #		FAQ	Answer	References
			<p>Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/lendins</a></p> <p>For additional information see Handbook 4000.1 I.A.5.b. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
336.	6/17/15	Who is entitled to a refund of the UFMIP paid at closing?	<p>For borrowers who closed on their FHA-insured loan on or after January 1, 2001 the Upfront Mortgage Insurance Premium (UFMIP) is not refundable except in connection with a refinance to another FHA-insured mortgage within 3 years.</p> <p>For additional information see Handbook 4000.1 II.A.2.e.i.(B); II.A.8.d.iv. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p> <p>To check if a borrower who closed on their FHA-insured loan prior to January 1, 2001 is eligible for a refund go to the following HUD website: <a href="http://www.hud.gov/offices/hsg/comp/refunds/index.cfm">http://www.hud.gov/offices/hsg/comp/refunds/index.cfm</a></p>	4000.1 II.A.2.e.i.(B) II.A.8.d.iv.
337.	6/17/15	Can a borrower receive their UFMIP refund in cash if they are refinancing to a new FHA loan?	<p>If the borrower is refinancing their current FHA-insured mortgage to another FHA-insured mortgage within 3 years, a refund credit is applied to reduce the amount of the Upfront Mortgage Insurance Premium (UFMIP) paid on the refinanced mortgage, according to the refund schedule shown in the Upfront Mortgage Insurance Refund table in Handbook 4000.1 II.A.8.d.iv.</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.d.iv.
338.	6/17/15	Do I have to finance the entire Upfront mortgage insurance premium?	<p>The Upfront Mortgage Insurance Premium (UFMIP) must be entirely financed into the mortgage or paid entirely in cash. Any UFMIP amounts paid in cash are added to the total cash settlement requirements. However, if the UFMIP is financed into the mortgage, the entire amount is to be financed except for any amount less than \$1.00. The mortgage amount must be rounded down to the nearest whole dollar amount, regardless of whether the UFMIP is financed or paid in cash.</p> <p>For additional information see Handbook 4000.1 II.A.2.e.i.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.2.e.i.(A)
339.	6/17/15	Will FHA insure a loan if it became delinquent prior to being able to submit it for endorsement?	<p>The mortgage must be current to be eligible for endorsement.</p> <p>If the case binder is submitted more than 60 Days after the disbursement date, the lender must submit a late endorsement request, certifying that:</p> <ul style="list-style-type: none"> <li>• no mortgage payment is currently unpaid;</li> <li>• all escrow accounts for taxes, hazard insurance and MIPs are current and intact, except for disbursements that may have been made to cover payments for which the accounts were specifically established; and</li> <li>• neither the lender nor its agents provided the funds to bring and/or keep the mortgage current or to bring about the appearance of an acceptable payment history.</li> </ul> <p>Each late endorsement request must:</p> <ul style="list-style-type: none"> <li>• list the FHA case number;</li> </ul>	4000.1 II.A.7.d; II.A.7.d.iii.(A); II.A.7.d.v

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Closing and Insuring			
Row #	FAQ	Answer	References
		<ul style="list-style-type: none"> <li>list the Borrower's name;</li> <li>be dated and signed by the lender's representative; and</li> <li>be printed on company letterhead with the lender's address and telephone number.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.7.d; II.A.7.d.iii.(A); II.A.7.d.v available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
340.	6/17/15	<p>How do I obtain a copy of a mortgage insurance certificate?</p> <p>Upon successful completion of a pre-endorsement review either by FHA or the LI lender, an electronic Mortgage Insurance Certificate (MIC) will be issued. The mortgage becomes insured on the date the MIC is issued.</p> <p>When requesting the MIC, the lender must specify whether it is to be prepared in the name of the originator (principal), or authorized agent, as it appears in HUD Systems.</p> <p>The MIC will be issued electronically. The lender can download and print copies of the MIC as needed.</p> <p>For additional information see Handbook 4000.1 II.A.7.e.i-ii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.e.i-ii
341.	6/17/15	<p>What happens if a lender purchases a loan that was not insured?</p> <p>The assignee mortgagee of a mortgage may submit the mortgage for endorsement in its name or the name of the originating mortgagee. The assignee must also notify the Jurisdictional Homeownership Center (HOC) of the assignment, and verify that the originating mortgagee completed all certifications.</p> <p>The purchasing mortgagee may pay any required Mortgage Insurance Premiums (MIP), late charges, and interest.</p> <p>For additional information see Handbook 4000.1 II.A.7.d.iii. (B) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.d.iii. (B)
342.	6/17/15	<p>What happens if a lender receives a file back with a Notice of Return?</p> <p>If the Jurisdictional Homeownership Center (HOC) issues a Notice of Return (NOR), the lender may request reconsideration for insurance endorsement. All requests for reconsideration must be received by the Jurisdictional HOC within the 60-day endorsement submission period or within 30 days of the issuance of the NOR, whichever is longer. If the request for reconsideration is submitted after this time period, the lender must follow the guidelines for late submission.</p> <p>Lenders submitting paper case binders must submit the original case binder with any request for reconsideration.</p> <p>If the mortgage is ineligible for insurance endorsement, FHA Connection (FHAC) issues an electronic NOR, which states the reasons for non-endorsement and any corrective actions that the lender must take.</p> <p>If the mortgage is permanently rejected for insurance endorsement, the lender must notify the borrower that they do not have an FHA-insured mortgage and of the circumstances that made the mortgage ineligible for FHA insurance.</p>	4000.1 II.A.7.d.iii.C.; II.A.7.d.iv

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343.	6/17/15	Are there late fees associated with late payment of the Upfront Mortgage Insurance Premium (UFMIP)?	<p>A one-time late charge of 4 percent is assessed on an Upfront Mortgage Insurance Premium (UFMIP) payment received more than 10 calendar days after the mortgage closing or disbursement date, whichever is later. The lender must pay the late fee before FHA will endorse the mortgage for insurance.</p> <p>If the UFMIP is paid more than 30 calendar days after mortgage closing or disbursement date, whichever is later, the lender will be assessed the late fee plus interest. The interest rate is the U.S. Department of the Treasury's Current Value of Funds Rate in effect when the UFMIP payment is received. The lender must pay both charges before FHA will endorse the mortgage for insurance.</p> <p>For additional information see Handbook 4000.1 II.A.7.d.i. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.d.i.
344.	6/17/15	How do I correct a mortgage insurance certificate?	<p>To obtain a correction to the Mortgage Insurance Certificate (MIC), the mortgagee must submit the MIC Correction Request form with supporting documentation to the FHA Resource Center. This form may be used to correct the property address, Borrower name, ADP Code, maturity and first payments dates, Principal and Interest (P&amp;I), interest rate, SSN, FHA case number, mortgage amount or other information contained in the MIC, or to add a co-Borrower. The MIC Correction Request form can be found at: <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req</a></p> <p>Email the MIC Correction Request form and any necessary supporting documentation to <a href="mailto:answers@hud.gov">answers@hud.gov</a>:</p> <ul style="list-style-type: none"> <li>• Put MIC CORRECTION and the FHA Case Number in the subject line;</li> <li>• Include the FHA case number;</li> <li>• Attach supporting documents in a PDF file;</li> <li>• Send only one request per email.</li> </ul>	4000.1 II.A.7.e.ii.(C)  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/lender/origination/case_processing_req</a>
345.	6/17/15	What is the definition of an electronic signature?	<p>An electronic signature refers to any electronic sound, symbol, or process attached to or logically associated with a contract or record and executed or adopted by a person with the intent to sign the record. FHA does not accept an electronic signature that is solely voice or audio. Digital signatures are a subset of electronic signatures.</p> <p>A lender's electronic signature technology must comply with all requirements of the E-Sign Act, including those relating to disclosures, consent, signature, presentation, delivery, retention and any state law applicable to the transaction.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.i.(A)(4) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.i.(A)(4)
346.	6/17/15	How do I determine which ADP code to use?	<p>FHA Automated Data Processing (ADP) Codes are derived from the section of the National Housing Act under which the mortgage is to be insured. The lender must select the correct ADP code for each mortgage in FHA Connection.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.iii.(B)(1)(a) available at</p>	4000.1 II.A.1.a.iii.(B)(1)(a)

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347.	6/17/15	Does HUD require verification of earnest money?	<p>The lender must verify and document the deposit amount and source of funds if the amount of the earnest money deposit exceeds 1 percent of the sales price or is excessive based on the borrower's history of accumulating savings, by obtaining:</p> <ul style="list-style-type: none"> <li>• a copy of the borrower's cancelled check;</li> <li>• certification from the deposit-holder acknowledging receipt of funds; or</li> <li>• a Verification of Deposit (VOD) or bank statement showing that the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit.</li> </ul> <p>If the source of the earnest money deposit was a gift, the lender must verify that the gift is in compliance with Gifts (Personal and Equity) guidance in Handbook 4000.1 II.A.4.d.iii.(F) or II.A.5.c.iii.(F).</p> <p>For additional information see Handbook 4000.1 II.A.4.d.i.(A); II.A.5.c.i.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.4.d.i.(A); II.A.5.c.i.(A)
348.	6/17/15	Are copies of tax returns required for borrowers with self-employment or commission income?	<p>For self-employed borrowers, the lender must obtain complete individual federal income tax returns for the most recent 2 years, including all schedules.</p> <p>The borrower's business tax returns for the most recent 2 years must also be obtained unless the following criteria are met:</p> <ul style="list-style-type: none"> <li>• individual federal income tax returns show increasing self-employment Income over the past 2 years;</li> <li>• funds to close are not coming from business accounts; and</li> <li>• the mortgage to be insured is not a cash-out refinance.</li> </ul> <p>A year-to-date Profit and Loss (P&amp;L) statement and balance sheet must be obtained if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed by the borrower. A balance sheet is not required for self-employed borrowers filing Schedule C income.</p> <p>If income used to qualify the borrower exceeds the 2 year average of tax returns, an audited P&amp;L or signed quarterly tax return must be obtained from the IRS.</p> <p>For commission income less than or equal to 25 percent of the borrower's total earnings, the lender must use traditional or alternative employment documentation.</p> <p>For commission income greater than 25 percent of the borrower's total earnings, the lender must obtain signed tax returns, including all applicable schedules, for the last two years.</p> <p>For both self-employment and commission income, in lieu of signed individual or business tax returns from the borrower, the lender may obtain a signed IRS Form 4506, Request for Copy of Tax Return, IRS Form 4506-T, Request for Transcript of Tax Return, or IRS Form 8821, Tax Information Authorization, and tax transcripts directly from the IRS.</p> <p>For additional information see Handbook 4000.1 II.A.4.c.ix.-x.; II.A.5.b.ix.-x. available at</p>	4000.1 II.A.4.c.ix.-x; II.A.5.b.ix.-x.

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### Closing and Insuring

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349.	6/17/15	Can a non-purchasing spouse or non-borrowing party with ownership sign the security instruments?	<p>To be eligible, all occupying and non-occupying borrowers and co-borrowers must take title to the property in their own name or a living trust at settlement, be obligated on the Note or credit instrument, and sign all security instruments.</p> <p>In community property states, the borrower's spouse is not required to be a borrower or a cosigner. However, the mortgage must be executed by all parties necessary to make the lien valid and enforceable under State law.</p> <p>If necessary to perfect a valid first lien under state law, the lender must require a non-borrowing spouse to execute either the security instrument or documentation indicating that they are relinquishing all rights to the property.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(4); II.A.1.b.ii.(A)(13)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(4); II.A.1.b.ii.(A)(13)(a)
350.	6/17/15	Who signs the Real Estate Certification?	<p>The borrower, seller, and the real estate agent or broker involved in the sales transaction must certify, to the best of their knowledge and belief, that:</p> <p>(1) the terms and conditions of the sales contract are true, and</p> <p>(2) any other agreement entered into by any parties in connection with the real estate transaction is part of, or attached to, the sales agreement.</p> <p>A separate certification is not needed if the sales contract contains a statement that:</p> <p>(1) there are no other agreements between parties and the terms constitute the entire agreement between the parties, and</p> <p>(2) all parties are signatories to the sales contract submitted at the time of underwriting.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.i.(E)(1)(a)(ii); II.A.7.b.xxiii available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.b.xxiii; II.A.1.a.i.(E)(1)(a)(ii)
351.	6/17/15	When is a Builder's Certification needed?	<p>Form HUD-92541, Builder's Certification of Plans, Specifications, and Site, must be obtained and included in the case binder for all new construction.</p> <p>The lender must provide the appraiser with a fully executed form HUD-92541, signed and dated no more than 30 days prior to the date the appraisal was ordered.</p> <p>For additional information see Handbook 4000.1 II.A.8.i.iii-v available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.i.iii-v
352.	6/17/15	What documents is the co-signer required to sign?	<p>Cosigners are liable for the debt and therefore, must sign the Note. Cosigners do not hold an ownership interest in the subject property and therefore, do not sign the security instrument.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(5) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(5)

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Closing and Insuring				
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353.	6/17/15	When do I need the Hotel/Transient Use form?	<p>The lender must obtain the borrower's agreement that investment properties using FHA-insured financing will not be used for hotel or transient purposes, or otherwise rented for periods of less than 30 days.</p> <p>The lender must obtain a completed form HUD-92561, Borrower's Contract with Respect to Hotel and Transient Use of Property, for each mortgage where the borrower owns:</p> <ul style="list-style-type: none"> <li>• more than one dwelling unit (two to four); or</li> <li>• a single family dwelling that is one of a group of five or more dwellings within a two block radius.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(4); II.A.1.b.iv.B.(2)-(3) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iv.(A)(4); II.A.1.b.iv.B.(2)-(3)
354.	6/17/15	Why would a lender be required to make a principal reduction for an excessive mortgage amount?	<p>An excessive mortgage amount occurs when the mortgagee closes a mortgage in an amount higher than what is permitted by FHA requirements. The mortgage is not eligible for insurance until the amount is reduced to within permissible limits. The lender may choose to either pay down the principal balance, or re-close the mortgage to an insurable amount.</p> <p>The lender must provide a copy of the payment ledger showing that the principal balance has been paid down to an insurable amount.</p> <p>For additional information see Handbook 4000.1 II.A.7.d.iv.(C) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.7.d.iv.(C)
355.	6/17/15	Is a property held in a trust eligible for FHA mortgage insurance?	<p>The lender may originate a mortgage for a living trust for a property held by the living trust, provided the beneficiary of the living trust is a cosigner and will occupy the property as their principal residence, and the trust provides reasonable means to assure that the lender will be notified of any changes to the trust, including transfer of beneficial interest and any changes in occupancy status of the property.</p> <p>The name of the living trust must appear on the security instrument, such as the mortgage, deed of trust, or security deed.</p> <p>The name of the individual borrower must appear on the security instrument when required to create a valid lien under state law. The names of the owner-occupant and other borrowers, if any, must also appear on the Note with the trust. The name of the individual borrower is not required to appear on the property deed or title.</p> <p>The lender must obtain a copy of the trust documentation.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.ii.(A)(15) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.ii.(A)(15)
356.	6/17/15	Are there special documentation requirements for Construction to	<p>In addition to standard FHA documents, the following documents are required:</p> <ul style="list-style-type: none"> <li>• A Construction Rider to the Note, and Construction Loan Agreement. These documents may be in any form acceptable to the mortgagee, but they must provide that all special construction terms end when the construction loan converts to a permanent mortgage. After conversion, only the permanent mortgage terms (based on standard documents) continue to be effective,</li> </ul>	4000.1 II.A.8.j.

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Closing and Insuring				
Row #		FAQ	Answer	References
		Permanent Mortgages?	<p>making the permanent mortgage eligible for FHA mortgage insurance.</p> <ul style="list-style-type: none"> <li>• A disclosure issued to the borrower explaining that the mortgage is not eligible for FHA mortgage insurance until after a final inspection, or the issuance of a certificate of occupancy by the local governmental jurisdiction, whichever is later.</li> <li>• Either, a fully executed contract agreement between the builder and the borrower, which includes the contractor's price to build; or documentation of the actual costs of construction where the borrower is acting as the general contractor.</li> <li>• Documentation of land acquisition or land ownership.</li> <li>• A payoff statement and evidence of the actual payoff if mortgage proceeds are used to purchase or pay off debt on the land.</li> </ul> <p>If the LTV exceeds 90%, the lender must comply with Inspections or Warranties for Maximum Financing and Required Documentation for Maximum Financing guidance in Handbook 4000.1 II.8.i.- iii.</p> <p>If the LTV is 90% or less, the lender must comply with the documentation requirements found in the New Construction Financing LTV Limit guidance in Handbook 4000.1 II.A.8.i.iv.</p> <p>For endorsement, the lender must:</p> <ul style="list-style-type: none"> <li>• obtain a title update after conversion to the permanent mortgage to show that the mortgaged property is free and clear of all liens other than the mortgage; and</li> <li>• verify and document that the construction was fully drawn down and that any remaining funds were used to pay down the principal balance on the permanent mortgage.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.8.j available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
357.	6/17/15	What happens if I discover something unexpected on the title report?	<p>The lender must ensure that all objections to title have been cleared and any discrepancies have been resolved to ensure that the FHA-insured mortgage is in first lien position.</p> <p>The lender must determine if there are any exceptions to good and marketable title not covered by the General Waiver (see 24 CFR 203.389). The lender must review any exceptions discovered during the title search and decide whether such title exceptions affect the property's value and/or marketability. If the lender determines that any exception affects the property's value and/or marketability, they must request a waiver.</p> <p>When the title exception is not covered by the General Waiver the lender must submit a request for a waiver to the attention of the Processing and Underwriting Division Director at the Jurisdictional Homeownership Center (HOC) prior to endorsement. The request must include the case number, the specific guideline and the reason the lender is asking for the waiver. If the Jurisdictional HOC grants the requested waiver, the HOC will notify the lender in writing. The notice of approval must be placed in the mortgage file.</p>	<p>4000.1 II.A.6.a.ii.</p> <p>24 CFR § 203.389</p>

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Closing and Insuring				
Row #		FAQ	Answer	References
			<p>If the waiver request is denied and good and marketable title is not obtained, the mortgage is not eligible for FHA insurance.</p> <p>To locate the jurisdictional HOC go to: <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhhoc">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/sfhhoc</a></p> <p>For additional information see Handbook 4000.1 II.A.6.a.ii. available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
358.	6/17/15	What are FHA's Flood Insurance Requirements for existing construction?	<p>The lender must determine if a property is located in a Special Flood Hazard Area (SFHA) as designated by the Federal Emergency Management Agency (FEMA). The lender must obtain flood zone determination services, independent of any assessment made by the appraiser to cover the Life of the Loan Flood Certification. The Life of Loan Flood Certification must be obtained for all properties.</p> <p>A property is not eligible for FHA insurance if:</p> <ul style="list-style-type: none"> <li>• a residential building and related improvements to the property are located within SFHA Zone A, a Special Flood Zone Area , or Zone V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or</li> <li>• the improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).</li> </ul> <p>When any portion of the residential improvements is determined to be located within an SFHA, flood insurance must be maintained for the life of the mortgage in an amount at least equal to the lesser of:</p> <ul style="list-style-type: none"> <li>• the appraiser's estimated replacement cost, less the appraiser's estimated site value;</li> <li>• the outstanding balance of the mortgage; or</li> <li>• the maximum amount of the NFIP insurance available with respect to the property improvements.</li> </ul> <p>For new construction requirements, see Handbook 4000.1 II.A.8.i.vii.(A)(5). For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iv.(A)(1); II.A.8.i.vii.(A)(5)
359.	6/17/15	What is the amount of coverage required for flood insurance?	<p>For properties located within an Special Flood Hazard Area (SFHA), flood insurance must be maintained for the life of the mortgage in an amount at least equal to the lesser of either:</p> <ul style="list-style-type: none"> <li>• the appraiser's estimated replacement cost, less the appraiser's estimated site value;</li> <li>• the outstanding balance of the mortgage; or</li> <li>• the maximum amount of the National Flood Insurance Program (NFIP) insurance available with respect to the property improvements.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(1)(e) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iv.(A)(1)(e)
360.	6/17/15	What are the flood insurance requirements for new/proposed construction located in	<p>The lender must determine if a property is located in a Special Flood Hazard Area (SFHA) as designated by the Federal Emergency Management Agency (FEMA). The lender must obtain flood zone determination services, independent of any assessment made by the appraiser to cover the Life of the Loan Flood Certification. The Life of Loan Flood Certification must be obtained for all properties.</p>	4000.1 II.A.8.i.vii.(A)(5); II.A.1.b.iv.(A)(1)

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Closing and Insuring				
Row #		FAQ	Answer	References
		an SFHA?	<p>If any portion of the property improvements (the dwelling and related structures/equipment essential to the value of the property and subject to flood damage) is located within a SFHA, the lender must reject the property, unless:</p> <ul style="list-style-type: none"> <li>• a final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the property from the SFHA is obtained from FEMA; or</li> <li>• the lender obtains a FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA Form 81-31), that documents that the lowest floor (including the basement) of the residential building and all related improvements/equipment essential to the value of the property, is built at or above the 100-year flood elevation in compliance with the NFIP criteria. The lender must ensure that the flood elevation certificate is prepared by a licensed engineer or surveyor and completed based on finished construction.</li> </ul> <p>The LOMA, LOMR, or flood elevation certificate must be included with the case when it is submitted for endorsement. The lender must ensure that insurance under the NFIP is obtained when a flood elevation certificate documents that the property remains located within an SFHA.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(1); II.A.8.i.vii.(5) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
361.	6/17/15	What are the flood insurance requirements for a manufactured home located in an SFHA?	<p>The lender must determine if a property is located in a Special Flood Hazard Area (SFHA) as designated by the Federal Emergency Management Agency (FEMA). The lender must obtain flood zone determination services, independent of any assessment made by the appraiser to cover the Life of the Loan Flood Certification. The Life of Loan Flood Certification must be obtained for all properties.</p> <p>A property is not eligible for FHA insurance if:</p> <ul style="list-style-type: none"> <li>• a residential building and related improvements to the property are located within SFHA Zone A, a Special Flood Zone Area, or Zone V, a Coastal Area, and insurance under the National Flood Insurance Program (NFIP) is not available in the community; or</li> <li>• the improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).</li> </ul> <p>The finished grade level beneath the Manufactured House must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling, related structures or equipment essential to the property value and subject to flood damage for both new and existing manufactured houses are located within an SFHA, the property is not eligible for FHA mortgage insurance unless the lender obtains:</p> <ul style="list-style-type: none"> <li>• a FEMA issued Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) that removes the property from the SFHA; or</li> <li>• a FEMA NFIP Elevation Certificate (FEMA Form 81-31) prepared by a licensed engineer or surveyor stating that the finished grade beneath the Manufactured House is at or above the 100-year return frequency flood elevation, and insurance under the NFIP is obtained.</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(1) available at</p>	4000.1 II.A.1.b.iv.(A)(1)(d)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Closing and Insuring			
Row #	FAQ	Answer	References
		<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
362.	6/17/15 What flood zone documentation is required in the FHA Case Binder?	<p>The lender must obtain a Life of Loan Flood Certification for all properties. If applicable, the mortgagee must also obtain a:</p> <ul style="list-style-type: none"> <li>• FEMA Letter of Map Amendment (LOMA);</li> <li>• FEMA Letter of Map Revision (LOMR); or</li> <li>• FEMA National Flood Insurance Program (NFIP) Elevation Certificate (FEMA 81-31).</li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(1)(f) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iv.(A)(1)(f)
363.	6/17/15 Is the lender responsible for determining if a property is located in a flood zone?	<p>The lender must determine if a property is located in a Special Flood Hazard Area (SFHA) as designated by the Federal Emergency Management Agency (FEMA). The lender must obtain flood zone determination services, independent of any assessment made by the appraiser to cover the Life of the Loan Flood Certification.</p> <p>For additional information see Handbook 4000.1 II.A.1.b.iv.(A)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.b.iv.(A)(1)
364.	6/17/15 What is the Important Notice to Homebuyers (form HUD-92900-B) and when is it required?	<p>The lender must provide the borrower with a copy of form HUD-92900-B, Important Notice to Homebuyers, signed by the borrower and provide the borrower with a copy to keep for the borrower's records when the borrower applies for the mortgage. The lender must retain the original form HUD-92900-B signed by the borrower.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.ii.(A)(2) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.ii.(A)(2)
365.	6/17/15 Who signs the loan application?	<p>All borrowers must sign and date the initial and final Fannie Mae Form 1003/Freddie Mac Form 65, Uniform Residential Loan Application (URLA). All borrowers must sign and date page two of the initial form HUD-92900-A, HUD/VA Addendum to Uniform Residential Loan Application, and sign and date the complete final form HUD-92900-A. The application may not be signed by any party who will not be on the Note.</p> <p>For borrowers that are entities, the signatory must be a representative who is duly authorized to bind the entity.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.i.(A)(3) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.i.(A)(3)
366.	6/17/15 What documentation should the application package contain?	<p>The documentation required for an FHA loan application is contained in Handbook 4000.1.</p> <p>The lender must maintain all information and documentation that is relevant to its approval decision in the mortgage file. All information and documentation that is required in the SF Handbook 4000.1, and any incidental information or documentation related to those requirements, is relevant to the lender's approval decision.</p> <p>If after obtaining all documentation required by Handbook 4000.1, the lender has reason to believe it needs additional support of the approval decision, they must obtain additional explanation and documentation, consistent with information in the mortgage file to clarify or supplement the information and documentation submitted by the borrower.</p>	4000.1 II.A.1.a

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

Closing and Insuring				
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			For additional information see Handbook 4000.1 II.A.1.a available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a>	
367.	6/17/15	Are housing counseling disclosures required for Back to Work borrowers?	<p>The lender must obtain a copy of the borrower’s letter from the housing counseling agency evidencing completion of the required pre-purchase counseling. The letter must be on the housing counseling agency’s letterhead, must display the agency’s Tax Identification Number (TIN), must state that counseling was delivered in accordance with Back to Work requirements, verify the date counseling was completed, and signed by the borrower and authorized official of the agency.</p> <p>The lender must also obtain copies of all required housing counseling disclosures as follows:</p> <ul style="list-style-type: none"> <li>• an explicit description of any financial relationships between the agency and the lender;</li> <li>• a statement that the borrower is not obligated to pursue a mortgage with a lender; and</li> <li>• a statement that “Completion of this housing counseling program and receipt of a letter of completion of counseling do not qualify you (the Borrower) for an FHA-insured mortgage. A mortgagee will have to determine if you (the Borrower) qualify for a mortgage. You understand that you may not be approved for a mortgage.”</li> </ul> <p>The lender must place the documentation of the pre-purchase housing counseling and housing counseling agency disclosures in the FHA case binder immediately after the borrower’s credit report.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi.(D)(3) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.5.d.xi.(D)(3)
368.	6/17/15	Can I make corrections to the security instruments prior to endorsement?	<p>The mortgagee must follow applicable local law when making corrections to the original instruments. If new instruments are executed as required by local law, the mortgagee must submit the new instruments prior to insurance endorsement.</p> <p>For additional information see Handbook 4000.1 II.A.7.e.ii.(D) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.7.e.ii.(D)
369.	6/17/15	What is the stacking order of the case binder for an FHA forward mortgage?	<p>The lender must ensure that all case binders are complete, meet FHA specifications, and contain all required documents, as applicable, arranged in the correct stacking order.</p> <p>The stacking order chart is located in Handbook 4000.1 II.A.7.d.ii</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.7.d.ii
370.	6/17/15	How long do I have to retain the original FHA case binder?	<p>The lender must maintain their mortgage file, including the case binder, in either hard copy or electronic format for a period of two years from the date of endorsement.</p> <p>Lenders retaining eCBs are not required to maintain a separate version of the eCB indexed for electronic submission to HUD. If HUD requests a case binder that is maintained electronically, the lender must follow the requirements in the eCB Developer’s Guide.</p> <p>For additional information see Handbook 4000.1 II.A.7.e.iv available at</p>	4000.1 II.A.7.e.iv

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371.	6/17/15	How should nonprofit secondary financing information be entered in FHAC?	<p>Secondary financing that will close in the name of the nonprofit and be held by a governmental entity must be made by a HUD-approved nonprofit. The lender must enter information on HUD-approved nonprofits into FHA Connection (FHAC) in accordance with the FHA Connection Guide. If there is more than one nonprofit, enter information on all nonprofits.</p> <p>Nonprofits assisting a governmental entity in the operation of its secondary financing programs must have HUD approval and placement on the nonprofit organization roster unless there is a documented agreement that:</p> <ul style="list-style-type: none"> <li>• the functions performed are limited to the governmental entity’s secondary financing program; and</li> <li>• the secondary financing legal documents (Note and Deed of Trust) name the governmental entity as the mortgagee.</li> </ul> <p>The Nonprofit Organization Roster is available at <a href="https://entp.hud.gov/idapp/html/f17npdata.cfm">https://entp.hud.gov/idapp/html/f17npdata.cfm</a></p> <p>The FHA Connection Guide is available at <a href="https://entp.hud.gov/clas/index.cfm">https://entp.hud.gov/clas/index.cfm</a></p>	4000.1 II.A.4.d.iii.(J)(1)-(2); II.A.5.c.iii.(J)(1)-(2)
372.	6/30/15	Why did HUD change name of the Addendum to the HUD-1 Settlement Statement to the Settlement Certification?	The form was renamed because the HUD-1 Settlement Statement is slated to be retired as part of the CFPB’s implementation of its Truth in Lending Act (TILA)-Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure (TRID) form. The FHA certification is collected at settlement and the use of this more generalize name will allow for use regardless of any future changes made by the CFPB.	
373.	6/30/15	What are the differences between the Settlement Certification and the Addendum to the HUD-1 Settlement Statement?	The only difference in the two forms is the new title “Settlement Certification”. The model language remains unchanged.	
374.	6/30/15	The Model Settlement Certification requires the Settlement Agent certifying that he or she has prepared the Closing Disclosure but the CFPB’s	FHA does not wish for anyone to make a false certification. Because this is a model document, FHA will accept the tailoring of this phrase to the actual circumstances. Thus, if the Settlement agent does not prepare the closing disclosure, he or she should remove or strike through the statement “which I have prepared” before executing the Settlement Certification.	

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Closing and Insuring				
Row #		FAQ	Answer	References
		requirements for issuing the new TRID Closing Disclosure will make this unlikely to be the case. Should the Settlement Agent sign the form anyway?		
FHA System Support				
Row #		FAQ	Answer	References
375.	6/17/15	Do FHA Case Numbers Expire?	<p>Case numbers are automatically cancelled after six months if one of the following actions is not performed as a last action:</p> <ul style="list-style-type: none"> <li>· appraisal information entered;</li> <li>· Firm Commitment issued by FHA;</li> <li>· insurance application received and subsequent updates; or</li> <li>· Notices of Return (NOR) or resubmissions.</li> </ul> <p>Updates to the borrower's name and/or property address, an appraisal update, or a transmission of the Upfront Mortgage Insurance Premium (UFMIP) do not constitute Last Action Taken.</p> <p>To prevent automatic cancellation of case numbers for which mortgage insurance will be sought, lenders must enter appraisal information; successfully transmit the insurance application, etc.</p> <p>Case numbers that were automatically cancelled will be reinstated only if the lender provides evidence that the subject mortgage closed prior to cancellation of the case number, such as a Settlement Statement or similar legal document.</p> <p>For reports on case numbers that will be automatically cancelled the following month, access FHA Connection/Single Family Origination/Origination Reports.</p> <p>For additional information see Handbook 4000.1 II.A. 1.a.iii.(B)(3)(b); II.A.1.a.iii.(B)(3)(c) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh</a></p>	4000.1 II.A.1.a.iii.(B)(3)(b); II.A.1.a.iii.(B)(3)(c)
376.	6/17/15	Can a streamline refi case number be assigned prior to the end of the 6 month seasoning period?	<p>FHA Connection will not assign a case number for a streamline refinance transaction until the full six month loan seasoning period has elapsed. On the date of the FHA case number assignment:</p> <ul style="list-style-type: none"> <li>• the borrower must have made at least six payments on the FHA-insured mortgage that is being refinanced;</li> <li>• at least six full months must have passed since the first payment due date of the mortgage that is being refinanced;</li> <li>• at least 210 days must have passed from the disbursement date of the mortgage that is being refinanced; and</li> <li>• if the borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of assumption.</li> </ul>	4000.1 II.A.8.d.vi.(C)(4)(a)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

### FHA System Support

Row #	FAQ	Answer	References
		For additional information see Handbook 4000.1 II.A.8.d.vi.(C)(4)(a) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
377.	6/17/15	<p>Can a lender request an FHA case number prior to taking a loan application?</p> <p>A case number can be obtained only when the lender has an active loan application for the subject borrower and property.</p> <p>In order to obtain a case number, the lender must:</p> <ul style="list-style-type: none"> <li>· provide the subject borrower’s name, SSN, and date of birth;</li> <li>· provide the property address; and</li> <li>· certify that the lender has an active loan application for the subject borrower and property.</li> </ul> <p>The lender is not required to input appraiser information at the time the case number is ordered.</p> <p>For additional information see Handbook 4000.1 II.A.1.a.iii.(B)(1) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.1.a.iii.(B)(1)
378.	6/17/15	<p>How does an FHA sponsoring lender order a sponsored origination (TPO) case number?</p> <p>The lender will not be able to order case numbers for sponsored originations unless the Sponsored Third Party Originator (TPO) has been registered in FHA Connection (FHAC).</p> <p>The following data entry is required in the Case Number Assignment screen for sponsored originations.</p> <ul style="list-style-type: none"> <li>• Sponsored Originator Question – “Is this a Sponsored Originator Case?” <ul style="list-style-type: none"> <li>- A “Yes” selection response indicates that the loan origination company is acting in the capacity of a sponsored originator. If “Yes” is selected, click on the “Sponsored Originator EIN” selection from the drop down window and then enter the EIN in the entry field.</li> <li>- A “No” selection response indicates that the loan origination company is acting in the capacity of an FHA-approved entity. If “No” is selected, click on the Originator ID selection from the drop down window, then enter the FHA-approved lender ID in the entry field.</li> </ul> </li> </ul> <p>For additional information see Handbook 4000.1 II.A.1.a.iii.(B)(1)(b) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p> <p>And the FHA Connection Guide available at <a href="https://entp.hud.gov/idapp/html/mrtg-pkg.cfm">https://entp.hud.gov/idapp/html/mrtg-pkg.cfm</a></p>	4000.1 II.A.1.a.iii.(B)(1)(b)  FHA Connection Guide
379.	6/17/15	<p>How will lenders identify Back to Work loans in FHA Connection?</p> <p>The lender must indicate the application has been underwritten in accordance with Back to Work – Extenuating Circumstances in the Insurance Application screen on FHA Connection (FHAC). The lender must also complete the housing counseling information in the insurance application screen on FHAC.</p> <p>The alternative guidance in ML 13-26 is effective for purchase applications with case numbers assigned on or after August 15, 2013 through September 30, 2016.</p> <p>For additional information see Handbook 4000.1 II.A.5.d.xi.(E) available at</p>	4000.1 II.A.5.d.xi. (E)  FHA Connection Guide

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380.	6/17/15	Can an FHA lender acting as a sponsored TPO access the case in the FHA Connection?	The mortgagee is responsible for dictating the specific application and processing tasks to be performed by the sponsored third party originator (TPO). Only HUD-approved mortgagees acting in the capacity of a TPO may have direct access to FHA Connection (FHAC).  For more information see Handbook 4000.1 II.A.1.iii.(A)(4) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.1.iii.(A)(4)
381.	6/17/15	Do I have to use FHA Connection to process cases?	The mortgagee must order the FHA case number and perform any associated tasks in FHA Connection (FHAC).  For more information see Handbook 4000.1.II.A.1.a.iii.(A) available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	4000.1 II.A.1.a.iii.(A)
382.	6/17/15	Simple Refinance appears to be a new product. How are the Lenders expected to identify these transactions? Is FHA Connection being updated to support this product?	Enhancements to FHA Connection are transpiring to support the policy guidance per Handbook 4000.1. These enhancements include identifying the Simple Refinance product.  For more information about these enhancements see FHA Info 15-40 at <a href="http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_FHA_INFO_15-40.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=SFH_FHA_INFO_15-40.pdf</a>	

Consumer Information				
Row #		FAQ	Answer	References
383.	6/17/15	How long is an area considered a disaster area for Section 203(h) mortgage insurance purposes?	Section 203(h) of the National Housing Act authorizes FHA to insure mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a Single Family property.  The FHA case number must be assigned within one year of the PDMDA, unless an additional period of eligibility is provided.  For additional information please visit the Mortgage Insurance for Disaster Victims Section 203(h) web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/203h-dft">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/203h-dft</a>	4000.1 II.A.8.b.

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			Handbook 4000.1 II.A.8.b is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
384.	6/17/15	Can I make energy related repairs without doing an EEM mortgage?	<p>The borrower can finance the cost of eligible energy-related weatherization improvements in conjunction with:</p> <ul style="list-style-type: none"> <li>• Section 203(b) - purchase or no cash-out refinance</li> <li>• Section 203(h) Mortgage Insurance for Disaster Victims</li> <li>• Energy Efficient Mortgages (EEM)</li> </ul> <p>Weatherization improvements may be used on:</p> <ul style="list-style-type: none"> <li>• existing properties (one- to four-units)</li> <li>• condominiums (one unit)</li> <li>• manufactured Housing (single unit)</li> </ul> <p>Eligible energy-related weatherization items include:</p> <ul style="list-style-type: none"> <li>• air sealing (including weather-stripping doors, caulking window and plumbing penetrations)</li> <li>• insulation (attic, floors, walls, basement)</li> <li>• duct sealing and insulation</li> <li>• smart thermostats and equipment controls</li> <li>• windows and doors</li> <li>• low flow water fixtures</li> <li>• carbon monoxide monitors and other combustion appliance safety measures</li> </ul> <p>The maximum allowable cost (not to exceed actual cost) that can be financed is:</p> <ul style="list-style-type: none"> <li>• \$2,000 without a separate value determination;</li> <li>• \$3,500 if supported by a value determination made by an approved FHA Roster appraiser or Direct Endorsement (DE) underwriter; or</li> <li>• no limit if:                             <ul style="list-style-type: none"> <li>- supported by a value determination made by an approved appraiser or underwriter; and</li> <li>- a separate on-site inspection is made by an FHA-approved fee inspector or DE staff appraiser.</li> </ul> </li> </ul> <p>Installation of weatherization improvements must be completed within</p> <ul style="list-style-type: none"> <li>• 30 Days of disbursement; or</li> <li>• 90 Days of disbursement if the improvements are part of an energy package for an EEM.</li> </ul> <p>For financing of weatherization under the 203(k) Rehabilitation Mortgage Insurance Program, refer to 203(k) Rehabilitation Mortgage Insurance Program guidance in Handbook 4000.1 .</p> <p>Handbook 4000.1:II.A.8.I.i.(A)-(J) is available at</p>	4000.1 II.A. 8.I.i.(A)-(J)

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385.	6/17/15	What is the maximum mortgage limit for the energy efficient mortgage program?	<p>The maximum FHA Nationwide Mortgage Limit for an area may be exceeded by the maximum financeable energy package.</p> <p>For additional information please visit the Energy Efficient Mortgage Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r</a></p> <p>Handbook 4000.1:II.A. 8.c.vi is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.c.vi
386.	6/17/15	How can FHA assist me in lowering my energy costs?	<p>The Energy Efficient Mortgage (EEM) program allows FHA approved lenders to offer financing for cost-effective energy efficient improvements to an existing property at the time of purchase or refinancing or for upgrades above the established residential building code for new construction.</p> <p>The EEM may be used with:</p> <ul style="list-style-type: none"> <li>• New Construction properties (one- to four-units);</li> <li>• Existing Construction properties (one- to four-units);</li> <li>• Condominiums (one unit); or</li> <li>• Manufactured Housing.</li> </ul> <p>The energy package is the set of improvements agreed to by the borrower based on recommendations and analysis performed by a qualified home energy rater. The improvements can include energy-saving equipment, and active and passive solar and wind technologies. The energy package can include materials, labor, inspections, and the home energy assessment by a qualified energy rater. If the borrower desires, labor may include the cost of an EEM Facilitator (general contractor).</p> <p>The financed portion of an energy package must be cost-effective. A cost-effective energy package is one where the cost of the improvements, including maintenance and repair, is less than the value of the energy saved over the estimated useful life of those improvements.</p> <p>The maximum amount of the energy package that can be added to the base loan amount is the lesser of:</p> <ul style="list-style-type: none"> <li>• the dollar amount of a cost-effective energy package as determined by the home energy audit; or</li> <li>• the lesser of 5 percent of:                             <ul style="list-style-type: none"> <li>- the adjusted value;</li> <li>- 115 percent of the median area price of a single family dwelling; or</li> <li>- 150 percent of the national conforming mortgage limit.</li> </ul> </li> </ul> <p>For additional information please visit the Energy Efficient Mortgage Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r</a></p>	4000.1 II.A.8.c.

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			Handbook 4000.1:II.A. 8.c is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
387.	6/17/15	What is involved in a home energy report on an Energy Efficient Mortgage (EEM)?	<p>The purpose of the energy assessment is to identify opportunities for improving energy efficiency and cost-effectiveness. The assessment must be conducted by a qualified energy rater, assessor, or auditor using whole-home assessment standards, protocols and procedure.</p> <p>Qualified home energy raters/assessors must be trained and certified as one of the following:</p> <ul style="list-style-type: none"> <li>• Building Performance Institute Building Analyst Professional</li> <li>• Building Performance Institute Home Energy Professional Energy Auditor</li> <li>• Residential Energy Services Network Home Energy Rater</li> </ul> <p>The report must reflect one of the above credentials by the rater/assessor.</p> <p>Where applicable, raters, assessors, or auditors must also meet local or state jurisdictional requirements for conducting residential energy audits or assessments, including training, certification, licensure, and insurance requirements.</p> <p>The home energy report reflects recommendations of energy-saving improvements for the borrower’s consideration including estimates of energy savings and cost-effective analysis for each of the suggested improvements. The lender must use the information from the home energy report to determine that the cost-effective test is met for the financed energy package.</p> <p>On newly constructed housing, the home energy report must identify improvements that are over and above the greater of:</p> <ul style="list-style-type: none"> <li>• the requirements of the 2006 IECC, or a successor energy code standard that has been adopted by HUD for its Minimum Property Standards (MPS), pursuant to 42 U.S.C. 12709; or</li> <li>• the applicable IECC year used by the state or local building code for New Construction</li> </ul> <p>The lender must obtain a copy of the home energy report not greater than 120 days old.</p> <p>For additional information please visit the Energy Efficient Mortgage Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r</a></p> <p>Handbook 4000.1:II.A. 8.c.iv is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A.8.c.iii.
388.	6/17/15	Can I combine the EEM program with Section 203(k)?	<p>Yes. The Energy Efficient Mortgage (EEM) program can be used in conjunction with any mortgage insurance under Title II, including:</p> <ul style="list-style-type: none"> <li>• 203(b)</li> <li>• Purchase</li> </ul>	4000.1 II.A.8.c.

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			<ul style="list-style-type: none"> <li>• No cash-out refinance</li> <li>• 203(h) Mortgage Insurance for Disaster Victims</li> <li>• 203(k) (Standard and Streamlined)</li> <li>• Weatherization Policy (Existing Construction only)</li> </ul> <p>The property types that the EEM may be used with include:</p> <ul style="list-style-type: none"> <li>• New Construction properties (one- to four-units);</li> <li>• Existing Construction properties (one- to four-units);</li> <li>• condominiums (one unit); or</li> <li>• Manufactured Housing.</li> </ul> <p>When utilizing an EEM in conjunction with a 203(k), the items included in the maximum financeable energy package must be excluded from the items included when calculating the initial maximum base loan amount.</p> <p>For additional information please visit the Energy Efficient Mortgage Program web page at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/eem/energy-r</a></p> <p>Handbook 4000.1 II.A.8.c. is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
389.	6/17/15	What FHA program allows for purchases on Native American Reservations?	<p>A Section 248 Mortgage on Indian Land refers to a purchase or refinance mortgage covering one- to four-family dwellings on Indian Lands.</p> <p>Only an Indian Tribe or a member of the Indian Tribe may be a borrower. Where there is a co-borrower, at least one borrower must be an Indian Tribe or a member of the Indian Tribe. The borrower must occupy the property as their principal residence. The property must be located on land held by the Indian Tribe or held by the United States government for the benefit of the Indian Tribe. Units in cooperatives are not eligible. The borrower must hold a residential lease for the property.</p> <p>The lender must obtain a certification from the Indian Tribe confirming the Indian Land/reservations compliance with HUD’s requirements and take the following measures:</p> <ul style="list-style-type: none"> <li>• certify to HUD that it has adopted eviction procedures and will enforce them;</li> <li>• permit HUD access to tribal lands for the purpose of servicing properties;</li> <li>• agree to the lease form that HUD prescribes; and</li> <li>• enact a law that grants the tribal government’s court the jurisdiction to hear evictions and foreclosures so that FHA-insured and FHA-held mortgages can be assured a first lien or provides that the law of the state in which the property is located shall determine the priority of liens against the property. If the reservation spans two or more states, the state in which the property is located is the applicable state law.</li> </ul> <p>For additional information please visit the Mortgage Insurance Programs Indian Reservations and Other Restricted Lands web</p>	4000.1 II.A.8.g.

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390.	6/17/15	What is the interest rate on FHA construction-permanent mortgages?	<p>The permanent mortgage loan interest rate is negotiated between the borrower and lender.</p> <p>During the construction period, the interest rate may be variable. The lender and the borrower must enter into an agreement that:</p> <ul style="list-style-type: none"> <li>• documents the range in which the interest rate may float during construction;</li> <li>• documents the point of interest rate lock-in;</li> <li>• specifies that the permanent mortgage will not exceed a specific maximum interest rate; and</li> <li>• permits the borrower to lock in at a lower rate, if available and they have not already locked in a rate.</li> </ul> <p>The borrower must qualify for the mortgage at the maximum rate at which the permanent mortgage may be set.</p> <p>For additional information see Handbook 4000.1 II.A. 8. j.vi available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 II.A. 8. j.vi
391.	6/17/15	Is there a quick and inexpensive option to refinance my FHA mortgage?	<p>FHA allows borrowers to streamline refinance an FHA insured loan. The 'streamline' refers to the amount of documentation and underwriting that needs to be performed by the lender, and does not mean that there are no costs involved in the transaction.</p> <p>Some lenders offer 'no cost' refinances by charging a higher rate of interest on the new loan than if the borrower financed or paid closing costs in cash.</p> <p>The mortgage to be refinanced must already be FHA insured and current (not delinquent).</p> <p>There are two streamline options available:                      Credit Qualifying – The lender will perform a credit and capacity analysis, but no appraisal is required.                      Non-Credit Qualifying – The lender does not need to perform a credit or capacity analysis or obtain an appraisal. An abbreviated Uniform Residential Loan Application (URLA) may be used by the lender.</p> <p>On the date of the FHA case number assignment:</p> <ul style="list-style-type: none"> <li>• the Borrower must have made at least 6 payments;</li> <li>• at least 6 full months must have passed since the first payment due date;</li> <li>• at least 210 Days must have passed from the Disbursement Date; and</li> <li>• if the mortgage being refinanced was assumed, 6 payments must have been made since assumption.</li> </ul>	4000.1 II.A.8.d.i.(B).(2)(c); II.A.8.d.vi.(C).(2)(c) ; II.A.8.d.vi.(C).(4)-(6)  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/streamline">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/streamline</a>

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Consumer Information

Row #		FAQ	Answer	References
			<p>The streamline refinance must result in a Net Tangible Benefit to the borrower:</p> <ul style="list-style-type: none"> <li>• reduced Combined Rate (the interest rate on the mortgage plus the Mortgage Insurance Premium (MIP) rate), and/or</li> <li>• reduced term if the new interest rate does not exceed the current interest rate and the payment does not increase by more than \$50.00, and/or</li> <li>• change from an ARM to a fixed rate resulting in a financial benefit to the Borrower.</li> </ul> <p>A chart outlining the net tangible benefit standards is available in Handbook 4000.1 II.A.8.d.iv.(C)(4)(c)(ii).</p> <p>Find an FHA approved lender in your area by visiting <a href="http://www.hud.gov/ll/code/llslcrit.cfm">http://www.hud.gov/ll/code/llslcrit.cfm</a></p> <p>Handbook 4000.1:II.A.8.d is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	
392.	6/17/15	Am I eligible for an FHA Short Refinance if my existing conventional loan was modified?	<p>A borrower who is delinquent on their current mortgage must successfully make three on-time payments on a trial payment plan before closing.</p> <p>At the time of underwriting the new FHA-insured mortgage, the new total monthly mortgage payment amount cannot increase by more than 6 percent over the trial payment amount on the existing mortgage.</p> <p>The lender must document in the case binder the borrower’s successful completion of the most recent trial payment plan.</p> <p>New or re-subordinated secondary financing that permits the borrower to comply with the eligibility requirements of the program is permitted, subject to the following limitations:</p> <ul style="list-style-type: none"> <li>• the terms of the subordinate lien(s) must not provide for a balloon payment before 10 years, unless the property is sold or refinanced;</li> <li>• the terms must permit prepayment by the borrower, without penalty, after giving 30 days advance notice;</li> <li>• periodic payments, if any, must be collected monthly; and</li> <li>• if payments on subordinate financing are required, they must be included in the qualifying ratios unless payments are deferred until at least 36 months after disbursement.</li> </ul> <p>To locate an FHA lender in your area please visit: <a href="http://www.hud.gov/ll/code/llslcrit.cfm">http://www.hud.gov/ll/code/llslcrit.cfm</a></p> <p>The Consumer Fact Sheet for FHA Short Refinance is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/sfh_short_refinance">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/ins/sfh_short_refinance</a></p> <p>Handbook 4000.1 II.A.8.e.ii.(B) is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb</a></p>	4000.1 II.A.8.e.ii.(B)
393.	6/17/15	Does FHA allow a refund of the UFMIP if I refinance to a	<p>No. The Upfront Mortgage Insurance Premium (UFMIP) is not refundable, except in connection with the refinancing to a new FHA-insured mortgage.</p>	4000.1 II.A.2.e.i.(B)

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## FHA Single Family Housing Policy Handbook (HUD Handbook 4000.1) Frequently Asked Questions Preview

### Consumer Information

Row #	Added	FAQ	Answer	References
		conventional loan?	To find out if you are due a refund search HUD's database at <a href="http://www.hud.gov/offices/hsg/comp/refunds/index.cfm">http://www.hud.gov/offices/hsg/comp/refunds/index.cfm</a> or call (800) 697-6967.	
394.	6/17/15	Is an Upfront Mortgage Insurance Premium collected on a loan having a very low loan to value ratio?	<p>Most FHA mortgage insurance programs require the payment of UFMIP, which may be financed into the mortgage. Indian Lands (Section 248) do not require a UFMIP.</p> <p>The UFMIP is not considered when calculating the area-based Nationwide Mortgage Limits and LTV limits.</p> <p>For more information see Handbook 4000.1 II.A. 2.e.i and Appendix 1.0 - Mortgage Insurance Premiums available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	<p>4000.1 II.A.2.e.i</p> <p>Appendix 1.0 Mortgage Insurance Premiums</p>
395.	6/17/15	What is the FHA mortgage limit in my area?	<p>Anyone can view the loan limits for a particular area by visiting the FHA Mortgage Limits website at <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></p> <p>A mortgage that is to be insured by FHA cannot exceed the Nationwide Mortgage Limits, the nationwide area mortgage limit, or the maximum Loan-to-Value (LTV) ratio. The maximum LTV ratios vary depending upon the type of Borrower, type of transaction (purchase or refinance), program type, and stage of construction.</p> <p>For additional information see Handbook 4000.1 II.A. 2.a available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	<p>4000.1 II.A. 2.a</p>
396.	6/17/15	What does LTV mean?	<p>LTV is an acronym for "loan to value". The loan to value or LTV ratio of a property is the percentage of the property's adjusted value that is being mortgaged. The LTV is computed as the base loan amount divided by the adjusted value.</p> <p>The maximum LTV ratios vary depending upon the type of borrower, type of transaction (purchase or refinance), program type, and stage of construction.</p>	<p>4000.1 Glossary Acronyms</p>

### Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
397.	6/30/15	Does termination of Lender Insurance authority affect the lender's Direct Endorsement status?	<p>A lender's Direct Endorsement (DE) authority is not affected by the suspension or termination of its Lender Insurance (LI) authority. Lenders who have had their LI authority suspended or terminated may continue to underwrite and close FHA mortgages without prior review by HUD.</p> <p>However, lenders are required to maintain Unconditional DE authority in order to participate in the LI program. Termination of Unconditional DE authority will result in automatic termination of LI Authority.</p> <p>For additional information see Handbook 4000.1 V.E.3.a.iv. at</p>	<p>HQ Policy</p> <p>4000.1 V.E.3.a.iv.</p>

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Quality Control, Oversight and Compliance – Mortgagees				
Row #	Added	FAQ	Answer	References
			<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
398.	6/30/15	How do I check to see if a Mortgagee or any of its staff has been suspended or debarred?	<p>The System for Award Management (SAM) Excluded Parties List is at <a href="https://www.sam.gov/portal/SAM/">https://www.sam.gov/portal/SAM/</a></p> <p>The Limited Denial of Participation (LDP) list is at <a href="http://portal.hud.gov/hudportal/HUD?src=/topics/limited_denials_of_participation">http://portal.hud.gov/hudportal/HUD?src=/topics/limited_denials_of_participation</a> For additional information see Handbook 4000.1 V.A.2.b.i.(B) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.A.2.b.i.(B)
399.	6/30/15	How does an FHA Mortgagee respond to a Mortgage Review Board Notice of Violation?	<p>The Mortgagee Review Board (MRB) will send the mortgagee a Notice of Violation (NOV) detailing the mortgagee’s alleged violations.</p> <p>The mortgagee may provide the MRB with a written response within 30 days of receiving the NOV. The MRB will consider the mortgagee’s response, as well as other relevant material, when deciding which administrative action to take, if any, and whether to seek civil money penalties against the mortgagee.</p> <p>If the mortgagee fails to respond to the NOV within 30 days, the MRB will make a final determination based upon the information available to it.</p> <p>For additional information see Handbook 4000.1 V.E.4.b.i at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.E.4.b.i.
400.	6/30/15	What happens if the Mortgage Review Board withdraws a Mortgagee’s FHA approval?	<p>Only FHA’s Mortgagee Review Board (MRB) may withdraw a mortgagee’s FHA approval. Withdrawal of FHA approval applies to all offices of the mortgagee.</p> <p>The mortgagee has the right to appeal a withdrawal of its FHA approval by the MRB in accordance with the provisions of 24 CFR Parts 25 and 26.</p> <p>If the MRB determines there is adequate evidence that immediate action is required to protect the financial interests of HUD or the public, the MRB is authorized to withdraw a mortgagee’s FHA approval immediately; in this case, the withdrawal is effective upon the mortgagee’s receipt of the notice of withdrawal.</p> <p>Any other withdrawal is effective upon either:</p> <ul style="list-style-type: none"> <li>• the expiration of the 30-day appeal period, if the mortgagee does not request a hearing; or</li> <li>• the receipt of the Administrative Law Judge’s final decision, if the mortgagee does request a hearing within the 30-day appeal period.</li> </ul> <p>HUD will not endorse any mortgage originated by the withdrawn mortgagee unless it was an approved mortgage prior to the date of withdrawal.</p> <p>The withdrawn mortgagee must transfer its servicing portfolio to another FHA-approved mortgagee.</p> <p>Withdrawn FHA approval means that the mortgagee may not originate, underwrite, service, or purchase any FHA-insured mortgages.</p>	4000.1 V.E.4.b.vii.

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>The MRB’s withdrawal of a mortgagee’s FHA approval will be for a reasonable, specified period of time, but not less than one year. The MRB may permanently withdraw a mortgagee’s FHA approval if it finds the mortgagee’s violations to be egregious or willful. A withdrawn mortgagee’s approval is not reinstated at the end of the period of withdrawal. The mortgagee may reapply for FHA approval after the period of withdrawal has expired.</p> <p>For additional information see Handbook 4000.1 V.E.4.b.vii.at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
401.	6/30/15	What geographic areas are affected by termination of Direct Endorsement underwriting authority?	<p>FHA may terminate a Mortgagee’s approval to participate in the Direct Endorsement (DE) Program in a particular jurisdiction or on a nationwide basis.</p> <p>For additional information see Handbook 4000.1 V.E.3.a.ii at  <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.E.3.a.ii
402.	6/30/15	How do I check to see if a Mortgagee has been subject to an FHA Mortgagee Review Board action?	<p>Pursuant to the National Housing Act (12 U.S.C. § 1708(c)(5)), HUD publishes a description of and the cause for each administrative action against an FHA-approved Mortgagee in the Federal Register. The Federal Register notices include details on all Mortgagee Review Board (MRB) actions, including letters of reprimand, probations, suspensions, withdrawals of FHA approval, settlement agreements, and civil money penalties.</p> <p>The Mortgagee Review Board web page has links to administration actions it has taken against FHA Mortgagees as published in notices in the Federal Register and is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/mrb">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/mrb</a></p>	4000.1 V.E.4; V.E.5.b.iv.
403.	6/30/15	Can HUD impose Civil Money Penalties against Mortgagees, individuals or other program participants?	<p>FHA’s Mortgagee Review Board (MRB) is authorized to impose civil money penalties against any FHA-approved mortgagee that does not comply with HUD and FHA statutory, regulatory, and any Handbook requirements, the Real Estate Settlement Procedures Act (RESPA), or the non-discrimination requirements of the Equal Credit Opportunity Act (ECOA), the Fair Housing Act, or Executive Order 11063 on Equal Opportunity in Housing. The MRB may impose civil money penalties against any FHA-approved mortgagee who knowingly and materially violates FHA requirements as set forth in 24 CFR 30.35.</p> <p>HUD may also impose civil money penalties against individuals and other program participants for violations of FHA mortgage insurance program requirements.</p> <p>The Assistant Secretary for Housing - Federal Housing Commissioner or his or her designee is authorized to pursue civil money penalties against any principal, officer, or employee of a mortgagee, or other participants in a mortgage insured by FHA, including, but not limited to:</p> <ul style="list-style-type: none"> <li>• sellers</li> <li>• borrowers</li> <li>• closing agents</li> <li>• title companies</li> <li>• real estate agents</li> <li>• mortgage brokers</li> </ul>	4000.1 V.E.4.a.viii.

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			<ul style="list-style-type: none"> <li>• appraisers</li> <li>• sponsored TPOs</li> <li>• dealers</li> <li>• consultants</li> <li>• contractors</li> <li>• subcontractors</li> <li>• inspectors</li> </ul> <p>The Assistant Secretary for Housing - Federal Housing Commissioner or his or her designee is authorized to pursue civil money penalties against program participants who knowingly and materially violate FHA requirements as set forth in 24 CFR 30.36.</p> <p>For additional information see Handbook 4000.1 V.E.4.a.viii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a></p>	
404.	6/30/15	How will a Mortgagee be notified of a proposed Credit Watch termination?	<p>FHA will issue a Proposed Credit Watch Termination Notice to the mortgagee prior to terminating their approval. The mortgagee may appeal the proposed termination by submitting a written request for an informal conference with the Deputy Assistant Secretary (DAS) for Single Family Housing or his or her designee within 30 days of receipt of the Notice. If a mortgagee does not request an informal conference within 30 days of receiving the Notice, the mortgagee has waived its appeal and its authority will be terminated 60 days from the date of the Proposed Credit Watch Termination Notice without further notice from HUD.</p> <p>As part of the informal conference, the mortgagee or its representative may make an oral and/or written presentation to oppose the proposed termination. FHA will only consider presentations that specifically address relevant mitigating factors and present facts and circumstances to explain the mortgagee’s poor performance.</p> <p>After the informal conference, FHA will make a determination whether to sustain or withdraw the proposed termination. FHA will notify the mortgagee of its decision in writing via a Final Notice of Determination. If sustained, the termination will not take effect until the mortgagee receives the Final Notice.</p> <p>A mortgagee whose authority has been terminated under Credit Watch is prohibited from originating or underwriting FHA-insured Single Family Mortgages within the area of the HUD field office(s) listed in the Notice. The mortgagee’s general FHA approval and supplemental authorities remain unaffected.</p> <p>For additional information see Handbook 4000.1 V.E.3.a.iii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgf</a></p>	4000.1 V.E.3.a.iii.
405.	6/30/15	How can a Mortgagee be reinstated once terminated through the Credit Watch initiative?	<p>A mortgagee with a Credit Watch termination may request to have its authority reinstated no earlier than six months after the effective date of the termination.</p> <p>The mortgagee must obtain an independent review of the terminated area’s operation and mortgage origination or</p>	4000.1 V.E.3.a.iii.(D)

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>underwriting, specifically including the FHA-insured mortgages cited in the termination notice. The analysis must identify the underlying cause for the mortgagee’s high default and claim rate. The review must be conducted and issued by an independent Certified Public Accountant (CPA) qualified to perform audits under Government Auditing Standards as set forth by the General Accounting Office.</p> <p>The mortgagee must submit a corrective action plan to address each of the issues identified in the CPA’s report, along with evidence that the plan has been implemented. FHA reserves the right to impose additional requirements for reinstatement.</p> <p>The application for reinstatement must be submitted through the Lender Electronic Assessment Portal (LEAP). The application must be accompanied by the CPA’s report and the corrective action plan.</p> <p>The LEAP User Manual is available at: <a href="http://www.hud.gov/lenders">www.hud.gov/lenders</a> under the LEAP Information link in the Approvals &amp; Renewals section.</p> <p>For additional information see Handbook 4000.1 V.E.3.a.iii.(D) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
406.	6/30/15	What are the guidelines for HUD-imposed administrative sanctions and penalties?	<p>See Handbook 4000.1 V.D.1.E for information about HUD sanctions and penalties.</p> <p>Handbook 4000.1 is available at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.D.1.E.
407.	6/30/15	What are the criteria for Credit Watch Termination of a DE Lender's Origination or Underwriting authority?	<p>FHA may terminate the origination or underwriting authority of any lender whose default and claim rate exceeds both the national default and claim rate and 200 percent of the default and claim rate within the geographic area served by a HUD field office.</p> <p>A lender whose authority has been terminated under Credit Watch is prohibited from originating or underwriting FHA-insured Single Family Mortgages within the area of the HUD field office(s) listed in the Credit Watch Termination Notice. Termination of origination authority under Credit Watch is at the branch office level within the HUD field office jurisdiction(s) cited in the final termination notice. Termination of Direct Endorsement underwriting authority under Credit Watch is at the institution level within the HUD field office jurisdiction(s) cited in the final termination notice. The lender’s general FHA approval and supplemental authorities remain unaffected.</p> <p>Mortgages that closed or were approved before the termination of origination or underwriting authority became effective may be endorsed. Cases at earlier stages of processing cannot be submitted for insurance by the terminated lender. However, the cases may be transferred for completion of processing and underwriting to another lender authorized to originate or underwrite FHA-insured mortgages in that area.</p> <p>A terminated lender may request to have its origination or underwriting authority reinstated no earlier than six months after the</p>	4000.1 V.E.3.a.iii.

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>effective date of the termination.</p> <p>For additional information see Handbook 4000.1 V.E.3.a.iii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
408.	6/30/15	How will a lender be notified if its Direct Endorsement status is withdrawn?	<p>FHA may withdraw the Direct Endorsement (DE) authority of any lender that demonstrates a pattern or practice of failing to comply with FHA underwriting guidelines or program requirements. This action is separate and apart from a Credit Watch Termination action.</p> <p>FHA may terminate a lender’s approval to participate in the DE Program in a particular jurisdiction or on a nationwide basis.</p> <p>FHA will provide the lender with written notice of the proposed withdrawal that identifies the grounds for the action and advises the lender of its right to an informal conference.</p> <p>FHA will expeditiously arrange for a conference where the lender may present information and argument in opposition to the proposed withdrawal. The lender may be represented by counsel.</p> <p>After consideration of the material presented, FHA will issue a decision in writing stating whether the proposed termination is rescinded, modified, or affirmed.</p> <p>The lender may appeal the decision to the Deputy Assistant Secretary (DAS) for Single Family Housing or his or her designee. A decision by the DAS for Single Family Housing or his or her designee constitutes final agency action.</p> <p>For additional information see Handbook 4000.1 V.E.3.a.ii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.E.3.a.ii.
409.	6/30/15	What should a lender do to determine that it is in full compliance with FHA requirements?	<p>The lender must adopt and implement a Quality Control (QC) Program that fully complies with the requirements of Handbook 4000.1 and, where applicable, the additional Multifamily QC requirements outlined in the Multifamily Accelerated Processing (MAP) Guide, 4430.G. A QC Program is the process and written procedures through which the lender seeks to ensure that its operations and loan quality are in compliance with all applicable FHA program requirements.</p> <p>The lender must maintain and update its QC Program as needed to ensure it is fully compliant with all applicable FHA program requirements at all times.</p> <p>The QC Program must contain a written QC plan with quality control review provisions that:</p> <ul style="list-style-type: none"> <li>cover the lifecycle of an FHA-insured mortgage, including origination, underwriting, closing, endorsement, and servicing functions that are conducted by the lender.</li> <li>cover all policies and procedures, whether performed by the lender or outsourced to a contractor, to ensure full compliance with FHA requirements for loan administration.</li> <li>provide the lender’s management with information sufficient to adequately monitor and oversee the lender’s compliance,</li> </ul>	4000.1 V.A.1.

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			and measure performance as it relates to the lender’s FHA mortgage activity.  For additional information see Handbook 4000.1 V.A.1. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a>	
410.	6/30/15	What are the consequences when an FHA lender does not comply with FHA policies and procedures?	<p>FHA’s Office of Single Family Housing is authorized to take the following enforcement actions against lenders that do not comply with FHA requirements:</p> <ul style="list-style-type: none"> <li>• Probation of Direct Endorsement Authority</li> <li>• Withdrawal of Direct Endorsement Authority</li> <li>• Credit Watch Termination</li> <li>• Suspension or Termination of Lender Insurance Authority</li> </ul> <p>FHA also has the authority to pursue loan level remedies such as indemnification or principal reductions for material violations of FHA’s origination, underwriting and servicing requirements.</p> <p>The Mortgagee Review Board (MRB) is authorized to impose civil money penalties and take administrative action against any FHA-approved lender that does not comply with HUD or FHA’s statutory, regulatory, or Handbook requirements, the Real Estate Settlement Procedures Act (RESPA), or the non-discrimination requirements of the Equal Credit Opportunity Act (ECOA), the Fair Housing Act, or Executive Order 11063 on Equal Opportunity in Housing. The following actions and sanctions may be imposed by the MRB:</p> <ul style="list-style-type: none"> <li>• A letter of reprimand;</li> <li>• Probation;</li> <li>• Suspension;</li> <li>• Withdrawal of FHA approval; and</li> <li>• Civil money penalties.</li> </ul> <p>The MRB may also enter into settlement agreements with non-complying lenders.</p> <p>For additional information see Handbook 4000.1 V.E. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.E.
411.	6/30/15	Does HUD/FHA review and approve the advertising and marketing materials of FHA-approved lenders?	<p>No. The lender must retain copies of any advertising device it produces that is related to FHA programs for a period of two years from the date that the advertising device is circulated or used for advertisement, educational, or promotional purposes. Copies of advertising devices related to FHA programs may be kept in either electronic or print format and are to be provided to HUD upon request.</p> <p>For additional information see Handbook 4000.1 I.A.6.n.iii &amp; V.A.2.b.vii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 I.A.6.n.iii; V.A.2.b.vii.
412.	6/30/15	What are the FHA Quality Control	The lender must review a random statistical sample of rejected applications within 90 days from the end of the month in which the decision was made. Reviews must be conducted on a monthly basis and ensure that:	4000.1 V.A.2.b.iii.(A)

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
		requirements for reviewing a rejected mortgage application?	<ul style="list-style-type: none"> <li>the reasons given for rejection were valid;</li> <li>each rejection has the concurrence of an officer, senior staff person, or underwriter with sufficient approval authority, or a committee chaired by an officer, senior staff person, or underwriter with sufficient approval authority;</li> <li>the requirements of the Equal Credit Opportunity Act (ECOA) are met and documented in each file; and</li> <li>no civil rights violations were committed in the rejection of the application.</li> </ul> <p>Where possible discrimination is noted, the lender must take immediate corrective action to ensure its operations comply with applicable state and federal fair lending laws.</p> <p>For additional information see Handbook 4000.1 V.A.2.b.iii.(A) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
413.	6/30/15	What is a Quality Control "finding" and when is it considered material?	<p>A finding is a final determination of defect by the lender.</p> <p>In the context of mortgage origination and underwriting, a finding is material if disclosure of the finding would have altered the lender's decision to approve the mortgage or to endorse or seek endorsement from FHA for insurance of the mortgage.</p> <p>In the context of mortgage servicing, a finding is material if it has an adverse impact on the property and/or FHA.</p> <p>The lender must monitor all FHA-insured mortgages it originates, underwrites, services, or purchases, including those mortgages originated by sponsored Third-Party Originators (TPO), for potential fraud, material misrepresentations, or other material findings.</p> <p>Suspected instances of fraud, material misrepresentations, and other material findings must be investigated and documented by the lender's Quality Control (QC) team, who must determine whether or not fraud or material misrepresentation actually occurred, or whether material findings exist.</p> <p>For additional information see Handbook 4000.1 V.A. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.A.2.d.
414.	6/30/15	Can a lender use the HUD or FHA seal, logo or acronym in its advertising?	<p>The use of the words "federal," "government," "national," "U.S. Department of Housing and Urban Development," "Federal Housing Administration," and/or the letters "HUD" or "FHA," either alone or with other words or letters, by an FHA-approved lender, non-approved lender, or sponsored third party originator (TPO) in a manner that falsely represents that the lender's business services or products originate from HUD, FHA, the government of the United States, or any federal, state or local government agency is strictly prohibited.</p> <p>Other than permissible use of the official FHA-Approved Lending Institution logo and the Equal Housing Opportunity logo, a lender must not use FHA or HUD logos or seals, any other official seal or logo of the U.S. Department of Housing and Urban Development, or any other insignia that imitates an official federal seal. No person, party, company, or firm, including FHA-approved lenders, may use these logos or seals on any advertising device.</p> <p>Only an FHA-approved lender may display the official FHA-Approved lending Institution logo on an advertising device for the purpose of illustrating to the public that the lender originates FHA-insured mortgage products.</p>	4000.1 I.A.6.n.ii.(B)

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>The lender must not permit its sponsored TPO to use the official FHA-Approved Lending Institution logo on any advertising device; unless the sponsored TPO is also an FHA-approved lender.</p> <p>The FHA-Approved Lending Institution logo must be displayed in a discreet manner. The advertising device, when taken as a whole, must emphasize the institution or DBA name of the lender, and not the federal government.</p> <p>When using the FHA-Approved Lending Institution logo on an advertising device, the lender must include a conspicuous disclaimer that clearly informs the public that the lender displaying the advertising device is not acting on behalf of or at the direction of HUD, FHA, or the federal government. The disclaimer must be prominently displayed in a location proximate to where the FHA-Approved Lending Institution logo is displayed on each advertising device. The lender may not alter or modify the FHA-Approved Lending Institution logo in any way.</p> <p>For additional information see Handbook 4000.1 I.A.6.n.ii.(B) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
415.	6/30/15	What Quality Control review findings must lenders report to FHA?	<p>Lenders must report to FHA:</p> <ul style="list-style-type: none"> <li>• all findings of fraud and material misrepresentation immediately</li> <li>• any material findings concerning the origination, underwriting, or servicing of a mortgage that the lender is unable to mitigate no later than 90 days after the completion of the initial findings report.</li> </ul> <p>Findings that do not involve fraud or material misrepresentation and were already mitigated by the lender do not have to be reported to FHA.</p> <p>For all findings that must be reported, the lender must identify what actions have been taken to attempt to mitigate each finding, and report any planned or pending follow-up activities.</p> <p>The lender must use the Lender Reporting feature in Neighborhood Watch to report findings to FHA. FHA may request supporting documentation, including the endorsement case binder, the QC report, and any other documentation necessary to fully evaluate the finding.</p> <p>The lender must retain all QC review results, including all selection criteria, review documentation, findings, and actions taken to mitigate findings, for a period of two years from the initial QC review, or from the last action taken to mitigate findings, whichever is later.</p> <p>If the lender suspects HUD employees or contractors were involved in fraud or material misrepresentation, the lender must refer the matter directly to HUD’s Office of Inspector General (OIG) through the HUD OIG website, by sending a written referral to the HUD OIG Hotline at:</p> <p style="text-align: center;">451 7th Street, SW, Room 8254</p>	4000.1 V.A.2.d.iv

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Quality Control, Oversight and Compliance – Mortgagees

Row #	Added	FAQ	Answer	References
			<p>Washington, DC 20410,</p> <p>or by fax at (202) 708-4829.</p> <p>For additional information see Handbook 4000.1 V.A.2.d.iv. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
416.	6/30/15	Are FHA approved lenders required to implement and to maintain an FHA Quality Control Plan?	<p>The lender must adopt and implement a Quality Control (QC) Program that fully complies with the requirements of Handbook 4000.1 and, where applicable, the additional Multifamily QC requirements outlined in the Multifamily Accelerated Processing (MAP) Guide, 4430.G. A QC Program is the process and written procedures through which the lender seeks to ensure that FHA operations and loan quality are in compliance with all applicable requirements.</p> <p>The lender must maintain and update its QC Program as needed to ensure it is fully compliant with all applicable FHA requirements at all times.</p> <p>The QC Program must:</p> <ul style="list-style-type: none"> <li>cover the lifecycle of an FHA-insured mortgage, including origination, underwriting, closing, endorsement, and servicing functions that are conducted by the lender.</li> <li>cover all policies and procedures, whether performed by the lender or outsourced to a contractor, to ensure full compliance with FHA requirements for loan administration.</li> <li>provide the lender’s management with information sufficient to adequately monitor and oversee the lender’s compliance, and measure performance as it relates to the lender’s FHA mortgage activity.</li> </ul> <p>For additional information see Handbook 4000.1 V.A.1. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.A.1
417.	6/30/15	Must a lender include the review of its FHA advertising materials in its Quality Control Plan?	<p>Yes. The lender must review all advertisements generated by the lender or on its behalf to verify compliance with HUD/FHA advertising requirements. The lender must take prompt corrective action upon discovering any violation of advertising requirements described in Handbook 4000.1 I.A.6.n.</p> <p>The lender must retain copies of any advertising device they produce, or that is produced on their behalf, that is related to FHA programs. The lender must retain samples of the advertising reviewed, the results of each review, and any corrective actions taken as a result of review findings.</p> <p>For additional information see Handbook 4000.1 V.A.2.b. vii at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.A.2.b. vii
418.	6/30/15	What are the timeframes for reporting QC findings to a lender’s senior	<p>The lender’s written Quality Control (QC) Plan must contain a process for QC staff to report findings identified through the QC process to senior management.</p> <p>Initial review findings must be reported to the lender’s senior management within 30 days of completion of the initial findings</p>	4000.1 V.A.2.d.iii.

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Quality Control, Oversight and Compliance – Mortgagees

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		management and to FHA?	<p>report. The lender’s final report must be issued within 60 days from the date the initial review findings were reported to senior management.</p> <p>The lender’s senior management must review and respond to each instance of fraud, material misrepresentation, or other material finding. The lender’s final report must identify the corrective and curative actions being taken, the timetable for completion, and any planned follow-up activities.</p> <p>The lender must discuss all findings with the responsible party(ies) in order to ensure corrective action and to prevent similar findings from occurring in the future.</p> <p>For additional information see Handbook 4000.1 V.A.2.d.iii. at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	
419.	6/30/15	How do Mortgagees confirm employees and affiliates aren’t restricted from FHA program participation?	<p>The mortgagee must verify employee eligibility for all officers, partners, directors, principals, managers, supervisors, loan processors, loan underwriters, loan originators, and all other employees and affiliates participating in U.S. Department of Housing and Urban Development (HUD) programs for or on behalf of the mortgagee, using the:</p> <ul style="list-style-type: none"> <li>• System for Award Management (SAM) Excluded Parties List at <a href="https://www.sam.gov/portal/SAM/">https://www.sam.gov/portal/SAM/</a></li> <li>• Limited Denial of Participation (LDP) list at <a href="http://portal.hud.gov/hudportal/HUD?src=/topics/limited_denials_of_participation">http://portal.hud.gov/hudportal/HUD?src=/topics/limited_denials_of_participation</a></li> </ul> <p>Unless excluded from the National Mortgage Licensing System and Registry (NMLS) requirements by law or regulation, the mortgagee must also verify that all employees and affiliates participating in HUD programs for or on behalf of the mortgagee are registered with the NMLS at <a href="http://nmlsconsumeraccess.org">http://nmlsconsumeraccess.org</a></p> <p>For additional information see Handbook 4000.1 V.A.2.b.i.(B)(1) at <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg">http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg</a></p>	4000.1 V.A.2.b.i.(B)(1)

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