

FHA 203B Loan Highlights

Program Types:

Fixed Rates up to 30 year term

Adjustable Rates up to 30 year term:

- One year: Qualify at one percent over start rate for maximum financing
 - Caps are 1/5
- Three year
 - Caps are 1/5
- Five year, Seven year, Ten year
 - Caps are 2/6

Owner Occupied 1-4 Family (includes Condos & PUDs)

Refinances:

Streamline refinance – no appraisal, income or credit qualifying

Cash Out-up to 85% seasoned one year

No Cash Out--up to 97.75 plus financed UFMIP

- -includes junior liens over 1 year, equity disbursement

Statutory Lending Limits apply

FHA requires an UFMIP on all loans (may be financed)

Monthly amount based on term

All FHA mortgages are assumable and FHA does not allow any prepayment penalty

Interest Rate and Points (origination and discount) are set by the lender

Late charge maximum is 4%

No reserves on 1-2 unit properties, 3 month PITI reserves required on all 3-4 unit properties (must be the borrowers own funds)

Property flipping rules:

Not FHA eligible if transfer of title within 90 days

Exceptions: Financial Institution FC, inheritance, divorce

If transfer of title within 180 days, subject to second appraisal if new value exceeds previous by 100%

Product Highlights:

LTV requirements:

- Maximum base LTV is 96.5%
- Borrower must provide 3.5% downpayment into the transaction
- LTV is same for all 1-4 family owner occupied properties

LTV Considerations:

- Identity of Interest Transactions
- Non Occupying Co borrowers

Seller Contributions:

- Limited to 6% and can be applied to:
 - All closing costs (which now included prepaids)
 - Discount points
 - Buydown funds
 - UFMIP

Source of Funds:

- All funds to close may be in the form of a gift
 - Sources: relative, employer, close friend, charitable organization, gov't agency
- Cash at home
- Loan from close relative

Ratios:

- 31/43 is the base guideline, it may be exceeded by:
 - Compensating factors
 - Approval through automated underwriting system

Underwriting:

- Credit:
 - Review each individual borrower on their financial merits
 - No Credit Score requirement
 - Non Traditional credit acceptable (Use Decision Score Model)
 - Include debts with more than 10 months left to pay
 - Deferred installment debts beyond 12 months not included in ratios

Income:

- Gross income calculations
- Can gross up non-taxable income 25%
- Continuance for minimum of 3 years
- Non traditional sources to document history
- Income stability takes precedence over job stability

Appraisals:

Must be FHA approved appraiser from list and be certified
Appraisal done on FNMA form

*Market Condition Addendum required

No need to require minimal repairs to be completed prior to closing, items not required to be repaired include:

Cracked/damaged doors

Cracked windows

Minor plumbing leaks

Defective floors (worn out)

Crawl space with debris or trash

Repairs are only required for major safety/soundness issues:

Inadequate access from bedrooms to exterior

Roofs under 2 year remaining life

Structural problems

Defective Paint Services:

Only an issue on pre 1978 homes and then must be covered

No water test, termite inspection unless local code requires

Must hook up to public utilities if available and not a hardship

Second Appraisal Requirements:

The base loan amount exceeds \$417,000.00 and

The base LTV exceeds 95% and

The property is in a declining market

***Downpayment Assistance Programs
Funded by Government and/or Non-Profit Agencies***

1. The entity providing the funds must be established by a governmental body or with governmental approval or have special laws to serve a particular public purpose
2. The government entity that established the non-profit must maintain control of the non-profit
 - organizational, operational, financial control at a minimum over the specific homebuyer assistance program utilized
3. A second lien up to 100% of the total acquisition cost may be obtained
 - calculated as purchase price plus closing costs and improvements
 - no cash back to the borrower
4. The second lien must be in the name of the agency –no agents or for profit entities may be named; however, they may service the loan on behalf of the agency
5. The second lien may not have any deed restrictions on transferability
 - occupancy requirements
 - resale restrictionsAny restrictions must cease upon foreclosure, deed-in-lieu or assignment
6. Forgivable seconds are not considered gifts and must meet these criteria
7. Affordable Housing Programs
 - A Non-profit without a governmental body may provide secondary financing
 - The borrower must make their investment requirement separately
8. A non-profit may not make a gift to the borrower to payoff borrower debt in order to qualify

Manufactured Homes (Check with your investor to be sure they will purchase these loans)

DEFINITION - A Manufactured Home is a structure that is transportable in one or more sections. A Manufactured Home must be designed and constructed to the Federal Manufactured Construction and Safety Standards and should be so labeled. When erected on site, the home is:

- * at least 400 square feet
- * built and remains on a permanent chassis
- * designed to be used as a dwelling with a permanent foundation built to FHA criteria
- * designed for occupancy as a principal residence by a single family
- * the manufactured home must not have been constructed before June 15, 1976

Property Standards

- * The site must be served by permanent water and sewer facilities approved by local authority, if available at the site.
- * An all-weather roadway must serve the site.
- * The entire property must be taxed as real estate.
- * The towing hitch or running gear must have been removed.
- * No part of the finished grade level under the home is below the 100-year flood level.
- * Structural integrity must have been maintained during transportation and sufficient anchoring, support and stability must be evident.

All manufactured homes must have an affixed HUD seal(s) located on the outside of the home. If the home is a multi-wide unit, each unit must have a seal. These seals should be numbered sequentially. If the tags are missing from the property, the appraiser must recommend rejection of the property. The appraiser should list the units tag no. on the appraisal report in the comment section - first page under "Additional Features."

- X The home must be erected on a permanent foundation in compliance with the Permanent Foundation Guide for Manufactured Housing. All proposed or newly constructed manufactured home must meet the standards set forth in the Permanent foundation Guide. A licensed professional engineer's seal and certification is required to indicate compliance. The lender should furnish the appraiser with a design engineer's inspection of the foundation prior to appraisal.
- X Existing manufactured homes in place over one year are to be inspected by the appraiser for evidence of permanent concrete footings with tie-downs anchored to footings.
- X New, never occupied homes that are transported directly from the manufacturer or directly from the dealership to the site are eligible for insurance. For an existing manufactured home, evidence must be provided to verify that the home was assembled in accordance with the above paragraphs and has not been moved from its initial installation location.
- X Additions or structural modifications may put the home at risk. If the appraiser observes changes to the original home, an inspection by the State Administrative agency, which inspects manufactured homes for compliance may be required. If there is no agency willing or able to inspect existing homes for compliance to the MHCSS, the manufactured home is unacceptable and should be rejected.