

## FHA 30 Year Fixed (05/29/09)

30 Year Fixed  
15 Year Fixed  
2.0 Margin ARM  
FHA Temporary Buydown  
2.75 Margin ARM

*Several states and local municipalities have enacted legislation that define High Cost loans based on APR and fee thresholds which may or may not relate to the HOEPA thresholds. These types of loans typically have various restrictions. **It is the policy of First National Bank Mortgage Division not to Originate any loan defined as "high cost" under any federal or state law/regulation or local ordinances, and any subsequent amendments thereto.***

### **Description**

The borrower shall have paid in cash an amount equal to not less than 3.5% of the lesser of the appraised value or the sale price of the property. This is in effect for case numbers assigned after January 1, 2009 per [Mortgage Letter 2008-23](#).

Maximum base loan amount is the lower of \$417,000 or county loan limits established by FHA.

### **Purchase**

Owner Occupants

- Closing costs cannot be used to help meet the minimum 3.5% down payment. Closing costs are not considered in the mortgage amount/down payment calculations for purchase money mortgages.
- FHA determines Maximum Loan amounts per county of each state. This can be found on the FHA Connection or through the Homeownership Centers.
- See [ML 2008-23](#) for loan amount calculation examples.
- Premium pricing is permitted to pay closing costs & pre pids as described in HUD Handbook 4155.1 REV-5 paragraph 1-9J.

### **Rate/Term Refinance**

See HUD [4155.1 Rev-5 Chapter 1 Section 4 \(1-10 & 1-11a\)](#).

All instructions remain in effect for No Cash Out and Streamline refinances as per [4155.1 REV 5](#) except for the following modifications and additions: [Mortgage Letter 2008-40](#).)

## Conventional to FHA or FHA to FHA Rate and Term

Maximum LTV 97.75%. Current UFMIP is 1.75%.

Maximum mortgage is the lower of the LTV limitation or the existing Debt calculation and may never exceed the geographical statutory County limit except by the new UFMIP.

Multiply the appraised value by 97.75%

Add together existing first mortgage, any purchase money second Mortgage, any junior liens over 12 months old, closing costs, pre-paids Borrower paid repairs required by the appraisal, discount points, and

Then subtract any UFMIP refund.

NOTE: The amount of the existing first mortgage may include the interest charged by the servicing lender when the payoff will not likely be received on the first day of the month. The amount may also include any pre-payment penalties assessed on a conventional mortgage. Late charges and escrow shortages may be included as part of the existing debt.

If any portion of the funds of an equity line of credit in excess of \$1,000 was advanced within the past 12 months for purposes other than improvement of the subject property, then the line of credit is not eligible for inclusion in the new mortgage.

The mortgage being refinanced must be current for the month due.

At closing, the borrower may not receive cash back in excess of \$500.

New or existing subordinate liens may remain subordinate to the new FHA mortgage.

There is no CLTV cap.

If the property was acquired less than 12 months before the loan application and is not already an FHA-insured mortgage, then the original sales price must be considered in determining maximum mortgage. Lessor of sales price or appraised value to start calculations.

### **STREAMLINE REFINANCE (FHA to FHA) with APPRAISAL**

Maximum LTV 97.75%. Current UFMIP 1.50%

Maximum insurable mortgage is the lower of the 97.75% of the appraised value or the sum of the existing indebtedness, closing costs and pre-paids.

Add together the existing first lien, closing costs (including interest, accrued late charges, escrow shortages, discount points) and then subtract any refund of UFMIP.

Mortgage must be current for the month due.

No seasoning requirements.

No CLTV cap for subordinated second liens.

Borrower may not receive more than \$500 back at closing.

### **STREAMLINE REFINANCE FHA to FHA without an APPRAISAL**

Current UFMIP 1.50%. New mortgage can not exceed the original principal balance of the old loan except by new UFMIP.

The maximum insurable mortgage is the lower of the two calculations shown below:

Original principal balance on the mortgage (which includes UFMIP) plus the new UFMIP that will be charged on the refinance or add together the amount of the existing FHA insured lien, closing costs, prepaids, discount points, and then subtract any UFMIP refund.

Mortgage being refinanced must be current.

No seasoning requirements.

No CLTV cap for subordination of existing liens.

Cash back to borrower cannot exceed \$500.

Properties no longer owner occupied or otherwise owned by an investor can only be refinanced without an appraisal and only for the outstanding principal balance. See HUD [Handbook 4155.1 REV-5](#), Chapter 1, Section 12 for additional information on refinancing investor-owned properties.

Streamline refinances can be done on any FHA insured loan that meets the above guidelines.

### **Cash Out Refinance**

Owner Occupants

See HUD [Handbook 4155 - Section 1-11B](#)

All other terms and conditions for a cash out refinance apply per [4155.1 REV-5](#) with the exception of the following changes for a cash out refinance:

#### **Case number assignments on or after April 1, 2009:**

See [Mortgagee Letter 2009-08](#) that limits cash out refinances to 85% LTV

**Case number assignments prior to April 1, 2009:** follow [Mortgagee Letter 2008-40](#) for cash out requirements.

The following eligibility conditions that must be met include:

The subject property must have been owned by the borrower as his or her principal residence for at least 12 months preceding the date of the loan application.

If the subject property is encumbered by a mortgage, the borrower must have made all of his/her mortgage payments within the month due for the previous 12 months, i.e. no payment may have been more than 30 days late and is current for the month due.

The property that is the security for the refinanced mortgage must be a 1 or 2 unit dwelling.

Subordinate financing may remain in place, but subordinate to the FHA insured first mortgage, regardless of the total indebtedness or combined loan-to-value, provided the homeowner qualifies for making the scheduled payments on all items.

If new subordinate financing is offered the max CLTV is 85%.

Any co-borrower or co-signer being added to the note must be an occupant of the property. Non-occupant owners may not be added in order to meet FHA's credit underwriting guidelines for the mortgage.

Follow local FHA guidelines for maximum county limits.

Any repairs required on the first appraisal must be completed prior to closing.

### **Subordinate Financing**

Allowed. Must meet FHA guidelines.

### **Underwriting Submission**

If lender has been approved by HUD as Loan Correspondent whereby they have received HUD's approval to utilize U.S. Bank's Direct Endorsement Underwriting, lender must submit loans for underwriting to your FNBMD Underwriting Department – [Submission to Underwriting](#). The exception to this would be those correspondents that have been approved by HUD as a Direct Endorsement Lender.

## **General Underwriting**

- Standard FHA guidelines and regulations apply. All credit qualifying loans must be run through TOTAL scorecard.
- The debts of the non-purchasing spouse must be considered in the qualifying ratios if the borrower and the property to be insured are in a Community Property State.

## **Eligible Borrowers**

- US Citizens; non-resident alien with Social Security Card stating ok to work with INS Authorization and a copy of the valid work VISA or work authorization card.
- Resident Aliens holding a green card are acceptable.

## **Co-Mortgagors:**

- Must be on note and deed and
- Must consider all income and debt.

## **Non-Occupant Co-Mortgagors:**

- Must be on note (must be a blood relative) and
- No qualifying ratios required for occupant borrowers (i.e., Kiddie Condo) 1 unit only

## **Non-Borrowing Spouse:**

- Acceptable but must release dower rights. Purchase money mortgage also.
- Co-signers are not permitted
- See FHA Underwriting Guidelines – [Eligible Borrowers](#)

## **Eligible Properties**

- 1 unit primary residence <sup>1, 3</sup>
- 2-4 unit owner occupied <sup>3</sup>
- PUD unit <sup>2, 3</sup>
- Condo Unit <sup>2, 3</sup>

Manufactured Housing is eligible in certain states. See Eligible States section (below). This property must meet U.S. Bank guidelines.

<sup>1</sup> May be new construction **OR** existing. If new construction (end loan) must have FHA inspections during construction and 1 year warranty **OR** provide 10 yr. warranty from builder **OR** max LTV 90% with new construction exhibits **OR** building permit and Certificate of Occupancy (all other construction exhibits are still required). This does not apply to manufactured housing or condos.

If new construction end loan must have the following:

- FHA inspections during constructions and 1 year warranty.
- 10 year warranty from the builder. Max LTV 90% with new construction exhibits.
- Building permit and Certificate of Occupancy (all other construction exhibits are still required)

This does not apply to manufactured housing and condos.

<sup>2</sup> Condos and PUD's must have the Homeowners in control of the association. Condos must be 51% owner occupied. Must be FHA approved.

<sup>3</sup> Resale properties must be owned by current Seller for more than 91 days. New construction, HUD Repos and relocation sales are **EXEMPT**. See [Mortgagee Letter 2003-7](#)

### **Eligible States**

See applicable [State Table](#)

### **Credit / FICO**

- Minimum 620 FICO Score for all borrowers on the loan regardless of AUS decision (either LP Accept or DU Approve Eligible), manual underwritten loans or Streamline refinance loans.
- Minimum 640 FICO Score for loans secured by Manufactured Housing.

### **Qualifying Ratios**

31/43

33/45 Energy Efficient Homes

With Loan Prospector "Accept" or Desktop Underwriter Approve Eligible, ratios can be exceeded.

All credit qualifying loans are to be run through TOTAL scorecard.

### **Qualifying Rate**

- Fixed rate loans at Note rate
- 1 Year ARM loans at 1% above Note rate, 3/1 ARM loans at Note rate
- Buydown at Note Rate
- ARM caps 1 and 5
- 1 Year ARM loans with 5% down can qualify at Note rate.

## **Funds to Close/Reserves**

Acceptable sources of funds to close:

- Gift from a relative or closely defined friend - provide acceptable gift letter standard documentation to evidence withdrawal from donor and transfer to borrower or LP "Accept" documentation.
- Funds from 6% seller contribution can include prepaids.
- Loan from family member. See FHA Practical Guide on ALLREGS for requirements.
- Borrower's own funds. See FHA Practical Guide on ALLREGS for requirements.
- Standard documentation or LP "Accept" documentation.
- Buyers cannot receive any cash back.

## **Processing Options**

- Standard documentation.
- Alternative documentation.
- Loan Prospector or Desktop Underwriter defined documentation.

## **Appraisal Requirements**

- Appraiser must certify that property complies with HUD minimum property standards.
- Appraiser must complete inspection report for all existing properties and Notice to Homebuyer Summary. See [HUD Handbooks 4145.1](#) and [4150.2](#).
- Appraiser must provide 3 year sale history of subject property.

## **Mortgage Insurance**

**30 year** UpFront MIP: Purchase, Rate/Term Refi & Cashout Refi: 1.75% Streamline Refinances: 1.50% Monthly is .50% annually if LTV <= 95% Monthly is .55% annually if LTV > 95%

**15 year** UpFront MIP: Purchase, Rate/Term Refi & Cashout Refi: 1.75% Streamline Refinances: 1.50% Monthly is .25% annually if LTV > 90% If term is less than 15 years & LTV < 90% no monthly.

## **Cancellation of FHA's Annual Mortgage Insurance Premiums**

**30 year** Annual mortgage insurance premiums will be automatically cancelled when the LTV ratio reaches 78%, provided the mortgagor has paid the annual mortgage insurance premiums for at least five years. FHA will determine when a borrower has reached 78% LTV based on the lower of the sales price or appraised value at origination. New appraised values will not be considered.

**15 year** Mortgages with terms 15 years or less and with LTV ratios  $\geq$  90%, the annual mortgage insurance premiums will be cancelled when the LTV reaches 78%, irrespective of the length of time the mortgagor has paid the annual premiums. FHA will determine when a borrower has reached 78% LTV based on the lower of the sales price or appraised value at origination. New appraised values will not be considered.

### **Manufactured Housing Requirements**

Please refer to the [Manufactured Housing Section](#) of the **FHA Underwriting Guidelines Section** of the Correspondent Lending Manual for eligibility criteria.

### **Contributions by Interested Parties**

6% of the lesser of sales price or appraised value.

### **Temporary Buydowns**

See [HUD 4155.1 Rev-5 Chapter 2 Section 6 \(2-14\)](#) Only allowed on purchase transaction. Must qualify at Note rate.

### **Well and Septic Requirements**

See FHA Underwriting Guidelines – [Well & Septic Requirements](#)

### **Termite Inspection**

See FHA Underwriting Guidelines - Termite Inspection

### **Work Completion Escrows**

See FHA Underwriting Guidelines - Work Completion Escrows

### **Shared Roads, Wells and Septic Systems**

See FHA Underwriting Guidelines – [Shared Roads, Well & Septic Systems](#)

### **Assumability**

Yes, per FHA guidelines and borrower qualification. Refer to [HUD Handbook 4155, Chapter 4](#).

### **Escrow Waivers**

Not Allowed.

### **Amortization**

15 or 30 Year Amortization (Fixed Rate)

30 Year ARMs

### **Prepayment Penalty**

None

### **Late Charges**

4% or the highest amount allowed by state law

## **Extended Lock Options**

Extended locks are available on NEW CONSTRUCTION ONLY Refer to the **FNBMD Extended Lock Matrix** for further information.

## **Survey Requirements**

- Required for all property types except condominiums.
- In areas where surveys are not customary, the title insurance policy must insure over matters of survey.

## **Loan Disclosures**

ARM-FHA-001 (1003)

ARM-FHA-002 (1006)

## **Non-US Citizens**

Conforming and non-Conforming loan types:

USA Patriot Act documentation is required in addition to the following guidelines. A non-US Citizen who is lawfully residing in the US as a permanent or non-permanent resident alien is eligible for a mortgage loan on the same terms as the US Citizen. FHLMC does not differentiate between US Citizens, permanent resident aliens and non-permanent resident aliens for general guidelines.

FNBMD required sufficient documentation that the borrower is lawfully residing in the US as a permanent or non permanent resident alien.

To obtain a valid LP response a Social Security Number is required.

Non-US Citizens will not be acceptable under a manual underwrite.

## **Properties currently or Formerly in the name of an LLC**

If a property is currently in the name of the borrower's LLC or has been in the name of the borrower's LLC in the most recent 6 month period, as measured backward from the date of the initial application, it is not eligible for refinancing into the borrower's name. If there is an outstanding lien against the property, it also must be in the borrower's name for a minimum of 6 months in order to be refinanced.

This restriction applies to all conventional product codes: Conforming, LP Super Conforming, and BB&T Non-Conforming loans.

## **IRS FORM 4506-T**

Conforming, Super-Conforming, Non-Conforming, and Government loan types:

IRS 4506-T Requirement

- The requirement for a completed, signed, and dated IRS 4506-T form applies to every loan.
- The 4506-T form is to be dated as of the date of loan closing.
- The 4506-T form is required for ALL loans: Conventional Conforming, Super-Conforming, Non-Conforming, and Government.
- The 4506-T form is required whether or not the borrowers are employed.
- The 4506-T form is required whether or not the loan is income qualifying or not. Most recent tax transcript for each borrower requirement
- The most recent Official IRS Tax Return Transcript requirement applies to every loan.

- The Official Tax Return Transcript is required on each borrower.
- The Official Tax Return Transcript is required on ALL loans: Conventional Conforming, Super-Conforming, Non-Conforming, and Government.
- The Official Tax Return Transcript is required even if tax returns are NOT required for loan qualification.
- IMPORTANT: If ANY income is from sources that must be documented by tax returns, Federal Tax Return EXTENSIONS will NOT be accepted. The most recent calendar year return is required. This applies to Conventional Conforming, Super-Conforming, Non-Conforming, and Government. IRS 4506-T and Official Tax Returns Transcripts are important tools for not only income qualification, but also fraud deterrence, documentation validation, and data integrity confirmation. By requiring this earlier in the process, we hope this will protect our valued clients, as well as BB&T's interest, by identifying issues prior to closing.

## **Second Mortgages included in Refinance**

Conforming loan types:

- A purchase money second lien being paid off in its entirety with proceeds of the new first mortgage can be considered a no cash-out refinance. Loans with proceeds to pay down any debt, including an existing second, would be considered as a cash-out refinance.

## **Closing Documents**

Use the most current version required for the following documents:

### **Note:**

- Fixed Rate Note - Multi-state or state specific (VMP IR Series)
- FHA Adjustable Rate Note - Multi-state or state specific

### **Riders:**

- FHA Multi-state or state specific Condominium Rider
- FHA Multi-state or state specific Planned Unit Development Rider
- FHA Multi-state Adjustable Rate Rider

## **Security Instrument**

- In all states, use the state specific FHA Mortgage or Deed of Trust

## **Required FHA Exhibits**

- HUD/VA Addendum to URLA
- Important Notice to Homebuyer ([92900B](#))
- ARM disclosure
- Assumption Notification
- FHA Purchase Contract Addendum & Certification

- MI Consumer Choices Notification
- For Your Protection: Get a Home Inspection ([92564-CN](#)) signed by borrowers prior to the execution of purchase contract or at the same time the purchase contract is executed.
- Real Estate Certification (of Sales Contract Authenticity)
- Amendatory Language (if not included in purchase contract)
- Clear CAIVRS
- LDP/GSA
- Buydown Agreement
- Consent Form (Notice & Consent for Release of Information, HUD form 9887)
- Notice to Homebuyer Summary from Appraisal
- All of the above documents are to be executed by borrower, seller, and loan officer (as applicable) and in the loan file prior to submission to underwriting.

### **Homeownership Web Sites**

- **ATLANTA REGIONAL HUD OFFICE:**  
  
**<http://www.hud.gov/local/atl/atlhoc.html>**
- **DENVER REGIONAL HUD OFFICE:**  
  
**[http://www.hud.gov/fha/sfh/hoc/den/den\\_hoc.html](http://www.hud.gov/fha/sfh/hoc/den/den_hoc.html)**
- **PHILADELPHIA REGIONAL HUD OFFICE:**  
  
**[http://www.hud.gov/fha/sfh/hoc/phi/phi\\_hoc.html](http://www.hud.gov/fha/sfh/hoc/phi/phi_hoc.html)**
- **SANTA ANA REGIONAL HUD OFFICE:**  
  
**<http://www.hud.gov/hoc/sna/snathome.html>**
- **HUD WASHINGTON:**  
  
**<http://www.hud.gov/index.html>**
- **HUD CLIPS:**  
  
**[http://www.hudclips.org/cgi/index\\_cliphome.cgi](http://www.hudclips.org/cgi/index_cliphome.cgi)**

**\*\*PLEASE NOTE:** From time to time HUD may change their web pages.

Additional references include: FHA MRI Guide, [FHA Credit Manual 4155.1](#); AllRegs, HUD memorandums can be found on the web page called HUD Clips as well as the Homeownership web sites.

### **Approved Condo List**

- Approved condo list can be obtained from HUD's website: **[www.Hud.gov](http://www.Hud.gov)**
- Make sure, that before ordering a case number, that you go to the FHA Connection/Echo + and go to the condo/pud section. After selecting appropriate state, city and project name you should receive a message that states "Condominiums successfully completed". On this screen is a box that states "Details"; go into this

screen and receive a detailed printout on the project. The project ID number will be needed to order the case numbers. This also shows if the project is approved and eligible for High Ratio insuring. Please read this screen carefully and print it out and include in underwriting package. If the project is not approved or not eligible for High Ratio and insuring then processing should be stopped until the situation can be rectified with HUD or another property found.

- 51% Owner Occupancy requirement is for both new and existing construction.