

FHA Standard Refinance (Rate Reduction)

Per Mortgagee Letter ML 2015-01 FHA is revising the annual MIP rates for FHA Title II forward mortgages. See the *FHA Mortgage Insurance Premium Matrix* near the end of these guidelines.

This matrix is intended as an aid to help determine whether a property/loan qualifies for certain financing. It is not intended as a replacement for FHA guidelines. Users are expected to know and comply with FHA requirements.

NOTE: *This matrix includes overlays, which may be **more restrictive** than FHA requirements. A thorough reading of this matrix is recommended.*

Program Qualifications

- Impac's FHA Standard Refinance (Rate Reduction) program is designed for the refinance of owner occupied single family residences using an FHA insured home loan. The existing loan is not required to be FHA insured.

Eligibility Matrix Loan Amount & LTV Limitations

FHA – Rate Reduction Refinance

FHA Maximum mortgage cannot exceed statutory limits for the area.

<https://entp.hud.gov/idapp/html/hicostlook.cfm> Maximum 97.75% CLTV

If the property was acquired less than one year prior to application and the loan is not an existing FHA loan, additional calculations will apply. FHA Maximum Mortgage Calculation Worksheet to be completed, reviewed, and signed by the DE Underwriting Consultant.

Minimum Credit Score	Units	Length of Ownership ¹	Max Base LTV	Total LTV including UFMP	Max CLTV (subordinated existing lien)	Max CLTV (new subordinate lien)
620	1-4	≥ 12 mos	97.75% of Appraised Value	Maximum Base LTV plus the amount of the UFMP	97.75% of Appraised Value	97.75% of Appraised Value
620	1-4 FHA to FHA	< 12 mos	97.75% of Appraised Value ²	Maximum Base LTV plus the amount of the UFMP	97.75% of Appraised Value	97.75% of Appraised Value
620	1-4 Non-FHA to FHA	< 12 mos	Lesser of: 97.75% of Appraised Value or Original Sales Price ²	Maximum Base LTV plus the amount of the UFMP	Lesser of: 97.75% AV or Original Sales Price	Lesser of: 97.75% AV or Original Sales Price

Number of months the borrower has owned the property as principal residence preceding the date of loan application.

² Maximum 85% LTV for primary occupancy of former investment/second home properties

FHA – Rate Reduction Refinance – Expanded Credit Score

Minimum Credit Score ⁵	Units	Length of Ownership ¹	Max Base LTV	Total LTV including UFMP	Max CLTV (subordinated existing lien)	Max CLTV (new subordinate lien)
580 - 619	1-2	≥ 12 mos	97.75% of Appraised Value	Maximum Base LTV plus the amount of the UFMP	97.75% of Appraised Value	97.75% of Appraised Value
580 - 619	1-2 FHA to FHA	< 12 mos	97.75% of Appraised Value ²	Maximum Base LTV plus the amount of the UFMP	97.75% of Appraised Value	97.75% of Appraised Value
580 - 619	1-2 Non-FHA to FHA	< 12 mos	Lesser of: 97.75% of Appraised Value or Original Sales Price ²	Maximum Base LTV plus the amount of the UFMP	Lesser of: 97.75% of Appraised Value or Original Sales Price	Lesser of: 97.75% AV or Original Sales Price

Footnotes for Expanded Credit Score

1. Number of months the borrower has owned the property as principal residence preceding the date of loan application.

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Correspondent Lending

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2. Maximum 85% LTV for primary occupancy of former investment/second home properties
3. 3-4 Unit properties ineligible
4. Maximum DTI Ratios = 31/43, no exceptions
5. High Balance loans (base loan amount > \$417,000) not allowed for credit score < 600

Maximum Loan Amount

Continental US Units	Conforming		High Balance	
	Lowest Maximum (floor)	Highest Maximum (ceiling)	Lowest Maximum (floor)	Highest Maximum (ceiling)
1	\$271,050	\$417,000	\$417,001	\$625,500
2	\$347,000	\$533,850	\$533,851	\$800,775
3	\$419,400	\$645,300	\$645,301	\$967,950
4	\$521,250	\$801,950	\$801,951	\$1,202,925

Maximum Base Loan Amount cannot exceed the [FHA Statutory Mortgage Limits](#) for each county and under no circumstances will a county's mortgage limit be less than the floor or greater than the ceiling as outlined in the matrix above. The lowest minimum "floor" loan amounts for the FHA High Balance products will be based on the Base Loan amount and not the Total Loan Amount that includes financed Up-Front Mortgage Insurance (UFMIP).

Product Description

- Fixed Rate 15 and 30 year term; fully amortized, including High Balance
- 3/1 and 5/1 ARM, 30 year fully amortized, including High Balance

Product Codes

Fixed	Product Code	
15 Years	FF15	FHA FRM 15 year
15 Years	FF15HB	FHA FRM 15 year High Balance
30 Years	FF30	FHA FRM 30 year
30 Years	FF30HB	FHA FRM 30 year High Balance
Hybrid ARM		
3/1 ARM	FA31	FHA 3/1 ARM
3/1 ARM	FA31HB	FHA 3/1 ARM High Balance
5/1 ARM	FA51	FHA 5/1 ARM
5/1 ARM	FA51HB	FHA 5/1 ARM High Balance

Eligibility Requirements

Adjustable Rate Details										
Interest rate adjustment caps	3/1 and 5/1 ARM = 1/1/5	Initial – 1% up/down; Subsequent – 1% up/down; Lifetime – 5% up								
Margin*	2.00%									
Index	1-Year Constant Maturity Treasury (CMT), defined as the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year									
Interest rate Floor	Same as Margin									
Change dates	3/1 - Initial interest rate change date will occur within 36 to 42 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. 5/1 - Initial interest rate change date will occur within 60 to 66 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. Must meet GNMA requirements. FHA initial change dates are the first day of January, April, July, or October, depending on disbursement date.									
Conversion Option	None									
Assumption	Allowed for qualified borrowers									
Temporary Buydowns	Temporary Buydowns may <u>not</u> be used with an ARM product									
Qualification	Borrowers qualify at the Note Rate									
*see rate sheet to confirm current information, subject to change										
<table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">ARM Suffix Codes</th> </tr> <tr> <th>Loan Type</th> <th>ADP Code</th> </tr> </thead> <tbody> <tr> <td>203(b) ARM</td> <td>729</td> </tr> <tr> <td>234(c) Condo ARM</td> <td>731</td> </tr> </tbody> </table>			ARM Suffix Codes		Loan Type	ADP Code	203(b) ARM	729	234(c) Condo ARM	731
ARM Suffix Codes										
Loan Type	ADP Code									
203(b) ARM	729									
234(c) Condo ARM	731									
Appraisal	A new FHA appraisal is always required									

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Requirements	<p>All property conditions must be satisfied prior to closing No termite certification is required unless appraiser notes a problem Termite related repairs are considered health and safety issues</p> <p>Refer to the National HOC Reference guide and Appraisal Requirements, Documentation, and Evaluation Chapters Appendix D of Handbook 4150.2, CHG-1, Valuation Analysis for Home Mortgage Insurance for Single Family One- to Four- Unit Dwellings, has been updated and becomes effective for all appraisals performed on or after January 1, 2006. Revised Appendix D will be available online at: http://www.hudclips.org/cgi/index.cgi</p> <p>All valuation conditions, including repairs, alterations and/or required inspections, will be reported within the appropriate section of the applicable Fannie Mae appraisal reporting form.</p> <p>For 2-4 unit properties - appraiser to use FNMA 1025 Small Residential Income Property Appraisal Report Form</p> <p>Appraisal must comply with the FHA Appraisal Independence Policy</p>
Appraiser Requirements	<p>Appraisers must be on FHA's approved list on the FHA Connection with State Certification designation of Certified General or Certified Residential</p> <p>The assigned appraiser must perform the physical inspection of the property. He/she may not sign the appraisal performed by another appraiser</p> <p>Appraiser must comply with the FHA Appraisal Independence Policy</p>
Assets	<p>If assets are needed to close, verification of the assets is required regardless of the amount needed to close. The following documents are required:</p> <ul style="list-style-type: none"> • Verification of Deposit and • Most recent bank statement <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • Two months bank statements <p>Reduced documentation eligible if an Approve recommendation is issued by Total Scorecard</p> <p>Reserves</p> <ul style="list-style-type: none"> • 1 - 2 units – None • 3 - 4 units – 3 months PITI • If using "significant reserves" as a compensating factor, a minimum 3 months PITI must be documented. • Only retirement accounts accessible for liquidation may be counted as reserves. • Accounts not accessed for liquidation by the borrower until retirement age may not be counted as part of the borrower reserves • See ML2014-02 for new <u>reserve requirements</u> and <u>compensating factors</u> on <u>manually underwritten</u> loans effective with case numbers assigned on or after April 21, 2014. • Effective with case numbers assigned on or after April 21, 2014, excess gift funds may not be counted as reserves for manually underwritten loans • For TOTAL Scorecard approvals the portion of a gift not used to meet closing requirements may be counted as reserves except on loans involving 3-4 unit properties.
Assumptions	Permitted – Creditworthy borrowers only
Borrower Eligibility	<p>All borrowers, including permanent resident aliens must have a valid social security number. Validate the social security number using any one of the following:</p> <ul style="list-style-type: none"> • Social Security Card • Pay stub • W-2 • Tax Transcripts • Validation from SSA <p>Permanent Resident Aliens</p> <ul style="list-style-type: none"> • Same eligibility requirements as US Citizens • Evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS) formerly the INS. • Copy of the Alien Registration Receipt Card (Resident Alien card), I-551 <p>Inter Vivos Revocable Trust</p> <ul style="list-style-type: none"> • Note: A Power of Attorney is not allowed on properties held in a trust <p>Ineligible</p> <ul style="list-style-type: none"> • Non-Permanent Resident Aliens • Foreign Nationals • Land Trusts

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<p>Calculating the New Mortgage Amount with an Appraisal</p>	<p>The maximum base mortgage calculation is the lower of the loan to value limitation or the existing debt calculation described below and may never exceed the statutory limit except by the amount of any new Up-Front MIP.</p> <p>Refer to <i>Geographic Locations</i> ... for additional state specific restrictions and requirements.</p> <p>Review FHA Maximum Mortgage Calculation Worksheets at the end of this matrix.</p> <p>The new FHA base mortgage amount is the lesser of Calculation 1 (1A, 1B, or 1C when applicable) or Calculation 2 or Calculation 3.</p> <p>Calculation 1 – LTV Limitation</p> <p>A - Properties owned one year or more</p> <ul style="list-style-type: none"> • Appraised Value (excluding any closing costs) times 97.75% <p>B - Properties Owned Less Than One Year Prior to Application Date and Already FHA Insured (FHA loan being refinanced to FHA loan)</p> <ul style="list-style-type: none"> • Appraised Value (excluding any closing costs) times 97.75% <p>C - Properties Owned Less Than One Year Prior to Application Date and Not Already FHA Insured (Conventional or VA loan being refinanced to FHA loan).</p> <ul style="list-style-type: none"> • Lesser of Original Sales Price Plus repairs (if applicable) paid after the purchase and documented in the file or Appraised Value times 97.75% <p>OR</p> <p>Calculation 2 - Base Mortgage Using Existing Loan Balance</p> <ul style="list-style-type: none"> • Unpaid Principal Balance (includes up to 1 month's interest from payoff statement) • Minus lesser of UFMIP Refund or new UFMIP • Plus the interest charged by the servicing lender when the payoff will not be received on the first day of the month, but may not include delinquent interest • Plus pro rata MIP (if paying off an FHA mortgage, up to 2 months) • Plus allowable borrower paid closing costs • Plus reasonable discount points • Plus prepayment penalties • Plus satisfaction of junior liens seasoned at least 1 year from funding, or used for the initial purchase or repair of the subject property <ul style="list-style-type: none"> • Regardless of the age of a HELOC, if draws in excess of \$1000 were advanced within the last 12 months for purposes other than repairs and rehabilitation of the subject property, the line of credit is not eligible for inclusion in the new mortgage. • Plus repairs required by the appraiser, if any • Plus accrued late charges • Plus non-delinquent escrow shortages • Plus prepaid expenses: <ul style="list-style-type: none"> • Per diem interest on the new loan to the end of the month • Hazard insurance premium deposits needed to establish escrow account • Real Estate Tax deposits needed to establish escrow account <p>OR</p> <p>Calculation 3 Statutory Limit for County *</p> <ul style="list-style-type: none"> • Subordinate liens, including credit lines may remain outstanding but subordinate to the new FHA first mortgage • No cash back to borrower permitted except for minor adjustment at closing not exceeding \$500.00 cash back • The mortgage being refinanced must be current for the month due • FHA to FHA refinances - Refinance Authorization Information must be obtained at Case Number Assignment directly from FHA Connection • Delinquent interest may not be included in loan amount • Refer to Section <i>Financing Types</i> for special restrictions on owner occupied properties located in Texas
<p>Co-Borrowers</p>	<p><u>Co-Borrower</u></p> <ul style="list-style-type: none"> • Co-borrower must take title to the property • Co-borrower must sign all documents including the Loan Application, Note and the Mortgage/Deed of Trust • Income, assets and debts from all borrowers (including co-borrowers) are used in qualifying

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	<ul style="list-style-type: none"> • Co-borrower must have a principal residence in the U.S. • Co-borrower does not have to occupy the subject property. • If the LTV exceeds 75% and the co-borrower(s) will not occupy, the following additional requirements must be met: <ul style="list-style-type: none"> • Subject must be a 1-unit property • The Co-borrower(s) must be a close family member (child, parent, grandparent, spouse, adopted son or daughter, stepson, stepdaughter) or have a long-standing relationship (must be able to document) with the borrower <ul style="list-style-type: none"> • If the co-borrower is unrelated or does not have a long standing relationship with the borrower, the maximum LTV is 75% <p>Co-signers - ineligible</p> <p>Non-occupant co-borrowers must always have a qualifying credit score.</p>
<p>Credit</p>	<p>Mortgage Payment History Requirements</p> <ul style="list-style-type: none"> • Loan must be current for the month due (payment due in the month of closing may be paid either in cash or financed) • Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types. • Obtain up to a 12-month or life of loan payment history on all real estate owned via Residential Mortgage Credit Report, Tri-merged in-file credit report, cancelled checks or VOM showing payments are current. • AUS Approve – Mortgage history evaluated by TOTAL Scorecard in accordance with FHA TOTAL Scorecard User Guide. Loans will be ineligible with one or more housing (mortgage/rental) delinquency of 60, 90, 120, 150 days or greater reported within 12 months of the date of the credit report. <p>AUS Refer requires Underwriter review</p> <p>Minimum Credit Score Requirements (see Loan Amount & LTV Limitations)</p> <ul style="list-style-type: none"> • 580 for both AUS TOTAL Scorecard approvals and manual underwrite • Non-traditional credit is ineligible <p>Expanded Credit Score Criteria (applies to credit scores 580 – 619)</p> <ul style="list-style-type: none"> • 1-2 unit properties only • Maximum DTI 31/43, no exceptions • High Balance loans (base loan amount > \$417,000) not allowed for credit score < 600 <p>Minimum Decision Credit Score A minimum decision credit score is determined for each borrower. Where the loan involves multiple borrowers, select the lowest minimum decision credit score for all borrowers. Where the loan involves multiple borrowers and one or more of the borrowers do not have a credit score (non-traditional or insufficient credit), use the lowest minimum decision credit score of the borrower(s) with credit score(s).</p> <p>Non-traditional Credit Borrowers with non-traditional credit (or insufficient credit) must qualify based on the guidance in HUD 4155.1 4.C.3 If TOTAL renders an “accept/approve” risk classification, it can be relied on (subject to correct data) EXCEPT when none of the owner-occupants has a credit score. In such cases, the loan must be underwritten using the insufficient credit underwriting guidelines.</p> <p>Borrower with one credit score eligible as follows:</p> <ul style="list-style-type: none"> • TOTAL Scorecard Approve/Eligible decision required • Credit data is available from one repository and credit score is obtained from that repository • A three in-file merged credit report was ordered <p>A loan that has either:</p> <ul style="list-style-type: none"> • A combination of borrower(s) with score(s) and borrower(s) with no score that receives a “Refer” or “Manual Downgrade” or • None of the occupant borrowers have a score <p>must be evaluated according to HUD Handbook 4155.1 1.C.5. FHA prefers that all non-traditional credit references be verified by a credit bureau and reported back to the lender as a non-traditional mortgage credit report (NTMCR) in the same manner as traditional credit references. Impac requires non-traditional credit reports from Impac-approved credit agencies.</p> <p>Waiting Periods after Significant Derogatory Credit Events The waiting period commences on the completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the credit report date of the credit report used to approve the new loan. Impac follows standard FHA Waiting Period Requirements. Reduced waiting periods “with Extenuating Circumstances” are allowed at underwriter discretion with appropriate documentation.</p>

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	<p><u>Collections, Judgments, Disputed Accounts</u> Collections, Judgments, and Disputed Accounts should be handled in accordance with HUD Manual 4155.1 and Mortgagee Letters 13-24 and 13-25, and updates if any. (See below for Impac additional requirement for charge offs)</p> <ul style="list-style-type: none"> • Additional requirement for charge offs – For non-medical charge off accounts the underwriter must calculate a monthly payment of 5% of the outstanding balance of each charge off, and include the monthly payment in the borrower’s debt-to-income ratio. • Collections are not required to be paid off however unpaid collections could affect borrower’s ability to repay the mortgage. If the total amount of non-medical collections is \geq \$2,000, the underwriter must perform a capacity analysis <ul style="list-style-type: none"> ○ Unless excluded by state law, collections of non-borrowing spouses in community property states are included in the balance • Capacity analysis includes any of the following actions: <ul style="list-style-type: none"> ○ At or prior to closing, account is paid in full (verification of acceptable source of funds used is required) ○ Borrower makes payment arrangements with creditor <ul style="list-style-type: none"> ▪ Must be verified through credit report or letter from creditor ▪ Monthly payment must be included in DTI ratio • Calculate monthly payment of 5% of each collection and include in DTI ratio <p><u>Liabilities</u></p> <ul style="list-style-type: none"> • True co-signed (guarantor) accounts do not have to be included in the debt if underwriter verifies both 12 month history and that the payments are being made by the primary obligor. • If the credit report does not reflect a monthly payment on any open account (e.g., Amex), then 5% of the balance or \$10, whichever is greater, is to be used. • Deferred student loans are not included in the debt-to-income (DTI) ratios if the deferment is verified for a minimum of 12 months from the closing date. • Lease payments (particularly auto leases) should typically be included in the DTI regardless of the remaining term • If there is a business debt in the borrower’s name, then the payment must be included in the total DTI ratio unless the borrower can provide documentation evidencing the obligation is paid from the company funds (except when a sole proprietor has filed a Schedule C with their personal income tax returns) <ul style="list-style-type: none"> ○ This can be done by obtaining a letter from the accountant and 12 months cancelled checks; in addition to having a satisfactory payment history <p>Note: All debts must be included in DTI for Schedule C borrowers</p>
Documentation	<p>Document as determined by AUS findings, FHA Manual and Impac guidelines.</p> <p>Impac does not allow electronic signatures on any closing documents. All documents provided at closing for signature must have original signatures.</p>
Employment / Income	<p>Verification of Employment</p> <ul style="list-style-type: none"> • Verbal Verification of Employment • Most recent pay stubs covering 30 consecutive days • Two years W2s • IRS form 4506T <p>Reduced documentation eligible if an Approve recommendation is issued by Total Scorecard Form 4506-T must be processed prior to underwriting regardless of TOTAL Scorecard recommendation. A new IRS Form 4506 T is required to be signed with the closing package as well as at application even when the form has been processed</p>
Escrow Holdback	Not allowed for refinance transactions
Escrow Waivers	Not Permitted
Financing Types	<p>A rate and term refinance allows individuals to refinance their current mortgage and obtain either a lower interest rate and/or change in the term. A rate and term refinance does not allow for removal of equity from the home. However, because closing and other transaction costs are estimated on the Good Faith Estimate, and are subject to change based on actual fees at loan closing, individuals may receive no more than \$500 cash back based on the re-estimation of transaction costs.</p> <ul style="list-style-type: none"> • Term of the new FHA loan can be up to 30 years • Housing payment may increase without restrictions • The new FHA loan may include the existing first lien (unpaid principal balance plus accrued interest), closing costs (with the exception of a tax service fee and all third party service fees must be charged using the actual cost of the service provided) , prepaid expenses, discount points, minus MIP refund (if originally financed in the mortgage) • One year seasoning from funding on all junior liens unless documentation is provided to verify lien was incurred

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	<p>as part of acquisition or for home improvements of the subject property.</p> <ul style="list-style-type: none"> • Regardless of the age of a HELOC, if draws in excess of \$1000 were advanced within the last 12 months for purposes other than repairs and rehabilitation of the subject property that portions above and beyond \$1000 the line of credit is not eligible for inclusion in the new mortgage. • New secondary financing is permitted subject to CLTV limits. • Combined total loan amounts of first and subordinate liens can exceed statutory county loan limit subject to CLTV limits • If the junior lien is a home equity line of credit, the maximum CLTV is based on the full credit line amount • Premium pricing permitted • Refer to "Geographic Locations/Restrictions" for additional state specific restrictions or requirements • The following guidelines pertain to owner-occupied rate/term refinances for properties in Texas <ul style="list-style-type: none"> • If the first mortgage is subject to Texas Section 50(a)(6), FHA insured financing is not permitted. • If an existing second lien is subject to Texas Section 50(a)(6), FHA insured financing is not permitted. Once a cash-out, always a cash-out. • The title policy will reference Texas Section 50(a)(6) or Article XVI of the Texas Constitution effective January 1, 1998. • When FHA insured financing is permitted, Underwriting conditions and closing instructions must indicate "No Cash back to borrower is permitted" (not even one dollar is permitted) <p><u>Equity Buy Out</u> If the purpose of the new loan is to refinance an existing mortgage to buy out an ex-spouse's or other co-borrower's equity, the specified equity to be paid is considered property-related indebtedness and is eligible for inclusion in calculating the new mortgage. The divorce decree, settlement agreement, or other bona fide equity agreement must be provided to document the equity awarded to the ex-spouse or co-borrower. (4155.1: 3.B.1.d)</p> <p><u>New York Consolidation, Extension & Modification Agreement (NY CEMA)</u> For all Impac refinance products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction. The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided:</p> <ul style="list-style-type: none"> • NY Consolidation, Extension and Modification Agreement (Form 3172) • Original Note(s) – Original documents signed by the borrower • Gap Note and Gap Mortgage, if applicable • Consolidated Note – Original documents signed by the borrower • Exhibit A – Listing of all Notes & Mortgages being consolidated, extended and modified • Exhibit B – Legal description of the subject property • Exhibit C – Copy of the consolidated Note • Exhibit D – Copy of the consolidated Mortgage <p>Lost Note Affidavits are not an acceptable substitute for any of the required documents. If original documentation cannot be provided per above, then a CEMA is not allowed.</p>
<p>Geographic Locations/Restrictions</p>	<p>Eligible states are as follows:</p> <ul style="list-style-type: none"> • Correspondent: All states except Missouri <p>See <u>New York Consolidation, Extension & Modification Agreement (NY CEMA)</u> in <i>Financing Types</i> section above.</p> <p>Additional restrictions as follows: Texas Cash-out 50(a)(6) is ineligible State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.</p>
<p>High-Cost Mortgage Loans</p>	<p>Impac does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)</p>
<p>Income</p>	<p>Documentation for Self-Employed Borrowers (ML 2012-3) A Profit & Loss Statement (P&L) and Balance Sheet are required if more than a calendar quarter has elapsed since the date of the most recent calendar or fiscal year end tax return filed by the borrower – with no exceptions. Income used to qualify the borrower may NOT exceed the two year average of tax returns. Impac does not accept audited P&L or signed quarterly tax returns used to increase qualifying income.</p> <p>Question: If a loan application is dated May 1st and the last tax filing was for the previous calendar year, do we need a year-to-date Profit and Loss statement for a self-employed borrower? Answer: Yes, no more than one calendar quarter may elapse without income documentation.</p> <p>To determine if the business can be expected to continue to generate sufficient income for the borrower's needs, lenders must analyze carefully the business's financial strength, the source of its income, and the general economic outlook for similar businesses in the area. Annual earnings that are stable or increasing are acceptable. Conversely, a borrower whose business shows a significant decline in income over the period analyzed is not acceptable, even if current income and debt ratios meet FHA guidelines.</p>

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	<p>Mortgage Credit Certificates (MCC) are not allowed for qualifying income.</p> <p><u>Social Security Income</u> All income from the Social Security Administration (SSA) including, but not limited to, Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), and Social Security Income, can be used to qualify the borrower if the income has been verified, and is likely to continue for at least a three year period from the date of mortgage application. (see ML2012-15)</p> <p><u>Employment Gaps</u> Any gaps in employment (AUS > 6 months; Manual u/w > 1 month) must be explained in writing by the borrower(s) and must make sense in regards to the borrower's work history.</p>										
Internet Links	To access Mortgagee Letters, National HOC Reference Guide, HOC Letters, Handbooks, go to: http://portal.hud.gov/hudportal/HUD?src=/groups/lenders										
Loan Amount	<u>Expanded Credit Score (580 – 619)</u> High Balance loans (base loan amount > \$417,000) not allowed for credit score < 600										
Manufactured Home Criteria	<p>The following table contains overlays, clarifications, and additions to existing guidelines regarding manufactured homes.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Appraisal</td> <td> <p>Full interior and exterior appraisal must be completed (Form 1004C) All comparables should be sales of manufactured homes on permanent foundation similar to subject (e.g., similar configuration and quality) Distance of the comparable sales must be reasonable The following are ineligible:</p> <ul style="list-style-type: none"> If the site or manufactured home is substantially non-conforming with the neighborhood it is ineligible Creating comparable sales by combining vacant land sales with the contract purchase price of the home is prohibited </td> </tr> <tr> <td>Construction Status</td> <td> <p>Construction status is determined at time of appraisal. <u>New Construction</u> refers to properties that are <u>proposed</u>, <u>under construction</u>, or were <u>completed within one year</u> as defined below:</p> <ul style="list-style-type: none"> <u>Proposed</u> – no concrete or permanent material placed. Digging of footing and placement of re-bar is not considered permanent <u>Under construction</u> – Refers to the period from first placement of permanent material to 100% completion (finalized and ready to occupy, with no certificate of occupancy (CO) issued) <u>Existing (completed) for less than one year</u> – Refers to properties which are 100% complete, legally occupiable (CO issued), but never occupied. The one year new construction period runs from the date the CO is issued for up to 12 months </td> </tr> <tr> <td>Credit</td> <td>Major Derogatories - Follow FHA and Impac guidelines herein</td> </tr> <tr> <td>Documentation</td> <td> <p>Evidence of surrender of certificate of title or that no certificate was issued, refer to individual state requirements.</p> <ul style="list-style-type: none"> Confirm property is legally classified and taxed as real property, on a permanent foundation, and owner owns both land and MFH ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required for manufactured homes to be treated as real property Deed of Trust (or other security instrument) must include a comprehensive description of the manufactured home and the land in the property description section or on a separate attached rider. The description must include the serial or VIN number for each unit/section; make, model, size, and any other information required by applicable law to definitively identify the manufactured home. Affidavit of Affixture/Affixation – Borrower and Lender must sign and notarize acknowledging their mutual intent that the manufactured home be a permanent part of the real property securing the mortgage. Limited Power of Attorney pertaining to title issues and foreclosure must be signed with closing documents </td> </tr> <tr> <td>Financing Types</td> <td> <p>Rate & Term Refinance or Limited Cash-Out Refinance Transaction:</p> <ul style="list-style-type: none"> The manufactured home must have been permanently attached to its foundation for a minimum of 12 months prior to the loan application date A limited cash-out transaction involves the payoff of an existing </td> </tr> </table>	Appraisal	<p>Full interior and exterior appraisal must be completed (Form 1004C) All comparables should be sales of manufactured homes on permanent foundation similar to subject (e.g., similar configuration and quality) Distance of the comparable sales must be reasonable The following are ineligible:</p> <ul style="list-style-type: none"> If the site or manufactured home is substantially non-conforming with the neighborhood it is ineligible Creating comparable sales by combining vacant land sales with the contract purchase price of the home is prohibited 	Construction Status	<p>Construction status is determined at time of appraisal. <u>New Construction</u> refers to properties that are <u>proposed</u>, <u>under construction</u>, or were <u>completed within one year</u> as defined below:</p> <ul style="list-style-type: none"> <u>Proposed</u> – no concrete or permanent material placed. Digging of footing and placement of re-bar is not considered permanent <u>Under construction</u> – Refers to the period from first placement of permanent material to 100% completion (finalized and ready to occupy, with no certificate of occupancy (CO) issued) <u>Existing (completed) for less than one year</u> – Refers to properties which are 100% complete, legally occupiable (CO issued), but never occupied. The one year new construction period runs from the date the CO is issued for up to 12 months 	Credit	Major Derogatories - Follow FHA and Impac guidelines herein	Documentation	<p>Evidence of surrender of certificate of title or that no certificate was issued, refer to individual state requirements.</p> <ul style="list-style-type: none"> Confirm property is legally classified and taxed as real property, on a permanent foundation, and owner owns both land and MFH ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required for manufactured homes to be treated as real property Deed of Trust (or other security instrument) must include a comprehensive description of the manufactured home and the land in the property description section or on a separate attached rider. The description must include the serial or VIN number for each unit/section; make, model, size, and any other information required by applicable law to definitively identify the manufactured home. 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FHA Standard Refinance (Rate Reduction)

		<p>mortgage secured by the manufactured home and land (or existing liens if the home and land were encumbered as separate liens). The maximum LTV ratio will be based on the lower of:</p> <ul style="list-style-type: none"> • The current appraised value of the manufactured home and land; or • If the manufactured home was owned by the borrower for less than 12 months on the loan application date and: <ul style="list-style-type: none"> ○ If the home and land are secured by separate liens, the lowest price at which the home was previously sold during that 12-month period plus the lower of the current appraised value of the land, or the lowest sales price at which the land was sold during that 12-month period (if there was such a sale), or ○ If the home and land are secured by a single lien, the lowest price at which the home and land were previously sold during that 12-month period. • See <i>Construction Status</i> above for New Construction definition • An existing (<u>not new construction</u>) manufactured home must have been permanently attached to its foundation for a minimum of 12 months prior to the loan application date.
	<p>MFH Property Requirements</p>	<p>Minimum 400 square feet of gross living area Multi-width only, no single wide The land where the manufactured home rests must be fee simple The MFH must be a one-unit dwelling legally classified as real property The towing hitch, wheels, and axles must be removed The MFH must assume the same characteristics of a site-built housing The MFH must have sufficient square footage and room dimensions to be acceptable to purchasers in the subject market area The MFH must be located on an all-weather accessible road</p> <p>The MFH must have been built in compliance with Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976 as amended and in force at the time the home is manufactured, and additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280 as evidenced by:</p> <ul style="list-style-type: none"> • HUD Data Plate/Compliance Certificate – A paper document located on the interior of the subject property that contains, among other things, the manufacturer’s name and trade/model number. In addition the data plate includes pertinent information about the unit including a list of factory-installed equipment; and • HUD Certification Label (sometimes referred to as a HUD “seal” or “tag”) – A metal plate located on the exterior of each section of the home <p>The appraisal form 1004C must indicate evidence of both the HUD Data Plate/Compliance Certificate and the HUD Certification Label The MFH must be attached to a permanent foundation system The MFH must be permanently connected to the septic or sewage system The MFH must be permanently connected to all necessary utilities (water, electricity, gas service, etc.) The MFH must not have been installed or occupied previously at any other location or site (re-siting) The MFH must not have any additions or structural modifications to the original structure</p> <ul style="list-style-type: none"> • This includes additional room count or additional living area square footage or penetrations through the shell of the property <p>Typical porches and decks installed at time of siting, as well as adjacent carports and garages are allowed.</p> <p>Foundation Certification File must contain an Engineer’s Certification on Foundation Compliance attesting to compliance with the current PFGMH (4930.3), that must be:</p> <ul style="list-style-type: none"> • Completed by a licensed professional engineer or registered architect licensed/registered in the state where the manufactured home is located • Site-specific, and • Included in both the lender’s loan file and the insuring binder submitted to FHA <p>Note: The certification must contain the engineer’s or registered architect’s</p>

FHA Standard Refinance (Rate Reduction)

	<p>signature, seal, and/or state license/certification number. In states where seals are issued, the seal must be on the certification.</p> <p>A copy of the foundation certification, showing that the foundation met the PFGMH guidelines that were in effect at the time of certification, is acceptable for future FHA loans, provided there are no alterations and/or observable damage to the foundation.</p> <p>A copy of the foundation certification is <u>not required</u> in the loan file or insuring binder for any FHA-to-FHA transaction, provided that</p> <ul style="list-style-type: none"> no modifications have been made to the foundation or structure from the date of the effective certification, or FHA/HUD Real Estate Owned (REO) Division sales
FHA References	4145.1 3-4; 4150.2 8, & Appendix D-2; 4155.1 3, 4; 4155.2 4.10; 4930.3 – <i>Permanent Foundations Guide for HUD Manufactured Housing</i> FHA FAQ site: http://portal.hud.gov/hudportal/HUD?src=/FHAFaq
Other Information	<p>Properties that are under construction or existing for less than one year are limited to 90% LTV unless:</p> <ul style="list-style-type: none"> The mortgagee issued an Early Start Letter; A building permit and CO were issued by the local jurisdiction; or The property has a 10-year warranty <p>Proposed construction may not exceed 90% LTV</p>
Restrictions	<ul style="list-style-type: none"> The following are ineligible: <ul style="list-style-type: none"> Non-traditional credit ARMs High Balance loans Re-siting of manufactured home Single Width manufactured home Manufactured home in condominium project Manufactured home on leasehold MFH properties within SFHA (Special Flood Hazard Area) or any property that requires flood insurance
Termite Control	<p>The steel chassis under a newly-constructed manufactured home unit is not an effective termite barrier. Any one, or a combination of the following methods is required for maximum protection against termites, including</p> <ul style="list-style-type: none"> Chemical soil treatment EPA-registered bait treatments Pressure preservative-treated wood, or Naturally termite-resistant wood. <p>Termite protection policies for existing manufactured homes are handled in the same manner as stick-built homes. State or local requirements are to be followed.</p>
Mortgage Insurance	<p>Mortgage Insurance is required on all loans.</p> <ul style="list-style-type: none"> Refer to the attached chart for details on UFMIP and monthly MIP The section of the Act under which the loan will be insured determines the mortgage insurance to be used. <p>Sections 203b, and 234c (Condos)</p> <ul style="list-style-type: none"> Up Front MIP (UFMIP) is required Monthly MIP is required Refer to the attached chart for details on UFMIP and monthly MIP
Occupancy	Primary Residence
Prepayment Penalty	Not permitted. However, if refinancing and the payoff check for the existing loan is not received by the servicing lender by the first day of the month, the lender may collect interest on the existing loan through the end of the month.
Program Exclusions	<p>HUD Section 184 Indian Home Loan Guarantee Program</p> <p>HUD Section 247 Hawaiian Home Lands</p>
Property Types	<p>Eligible</p> <ul style="list-style-type: none"> 1-2 units 3-4 units <ul style="list-style-type: none"> Net rents from all units, including primary unit, must be equal to or exceed mortgage payment. Net rent is calculated using the allowable vacancy factor for the applicable FHA HOC.

FHA Standard Refinance (Rate Reduction)

	<ul style="list-style-type: none"> ○ Ineligible with Expanded Credit Score (580-619) ● PUDs ● Modular Pre-Cut/Panelized housing ● Condos <ul style="list-style-type: none"> ○ Must be on FHA approved list and meet the guidelines as determined by the Loan-level certification for Individual Unit Financing process ○ Subject project must be reviewed for project approval. See HUD Review and Approval Process (HRAP) and Direct Endorsement Lender Review and Approval Process (DELRAP), ○ If not approved, loan is only eligible for streamline refinance transactions per FHA ○ Site Condos do not require condominium project approval ● Manufactured Housing (see separate <i>Manufactured Home Criteria</i> section) <p>Ineligible</p> <ul style="list-style-type: none"> ● Condo Hotels ● Co-ops ● Properties located within designated Coastal Barrier Resource System (CBRS) areas. ● Properties with greater than 25 acres ● Uniquely designed properties such as dome homes, log cabins, earth berms, and underground homes
<p>Qualifying Rate and Ratios</p>	<p>Qualify at the note rate (fixed rate loans and hybrid ARMs, including 3/1 and 5/1)</p> <p>Ratios AUS approved – ratios evaluated by AUS (except expanded credit score, see below) AUS Refer may be manually underwritten so long as loan is “eligible” (e.g., Refer/Eligible)</p> <p>Manual Underwrite and AUS Refer loans - Ratios 31% / 43% The DTI ratio of 43% may be exceeded with significant compensating factors provided the DTI does not exceed 50% Ratios >43% <=50% require significant documented compensating factors which may include:</p> <ul style="list-style-type: none"> ● Established history for the past 12-24 months of housing expense greater than or equal to the proposed housing payment ● Demonstrated ability to accumulate savings and a conservative attitude toward the use of credit ● Previous credit history showing that the ability to devote a greater portion of income to housing expenses ● The borrower receives documented compensation or income not reflected in effective income, but directly affecting the ability to pay the mortgage ● There is only a minimal increase in housing expense ● Substantial non-taxable income (if no adjustment was made previously in the ratio computations) ● Potential for increased earnings, as indicated by job training or education in the borrower’s profession <p>See ML2014-02 for new reserve and Debt-to-Income (DTI) ratio requirements on <u>manually underwritten</u> loans effective with case numbers assigned on or after April 21, 2014.</p> <p>Expanded Credit Score (580-619) - Maximum DTI Ratios = 31/43, no exceptions</p>
<p>Special Requirements/ Restrictions</p>	<ul style="list-style-type: none"> ● Standard MIP guidelines apply ● Evidence of a valid Social Security Number is required on all loans ● A copy of the social security card or other documentation such as recent pay stub, W2, or tax transcript can be used to validate the social security number. ● Evidence of FHA Refinance Authorization data (for FHA to FHA only) and New Case Number obtained from FHA Connection (Print screens and place in loan file) ● Check current deed or title to verify all current borrowers are listed as owners (one year ownership guideline may apply). ● Evidence no change in name of street, zip code or re-zoning occurred since the last FHA transaction. (Copy of NOTE or letter from municipality notifying borrower of address re-naming, etc) ● Good Faith Estimate ● URLA and signed HUD Addendum ● FHA Loan Underwriting and Transmittal Summary, HUD Form 92900-LT signed by DE Underwriter ● FHA Maximum Mortgage Calculation Worksheet ● CAIVRS, GSA, LDP, Procurement/Non-procurement information must be checked. ● Important Notice to Homebuyer Informed Consumer Choice Disclosure Notice ● Flood Certificate <p>Copy of the HUD-1 is always required.</p> <p>Adding Co-borrowers</p> <ul style="list-style-type: none"> ● May add a co-borrower or non-occupant co-borrower <p>Refinance Restrictions for borrowers who re-occupy former investment property</p> <ul style="list-style-type: none"> ● The maximum mortgage loan amount available for borrowers who re-occupy their former investment

FHA Standard Refinance (Rate Reduction)

	<p>property (the subject property securing the mortgage) is determined according to the length of time the borrower has re-occupied the property as a principal residence.</p> <ul style="list-style-type: none"> • Maximum financing is available only if the borrower occupied the property for 12 months or more prior to the loan application date. • If the property has been occupied by the borrower for less than 12 months, only rate/term (No Cash Out) refinancing is permitted with a LTV not to exceed 85%. Cash Out financing is not allowed. <p>Refinance of Inherited Property A property the borrower has inherited can be refinanced with an FHA mortgage as long as the borrower has legal title to the property and is occupying the property as his/her principal residence. An inherited property is eligible for either a cash out or a no cash out refinance, subject to applicable FHA requirements. Because the property was inherited, FHA's requirement that the original sales price be used in the maximum mortgage calculation if acquired less than one year prior to the date of the borrower's loan application will not apply.</p>
Underwriting	<p>Loans must be underwritten by a DE Underwriter May follow AUS Approve decision and documentation requirements and these guidelines</p> <ul style="list-style-type: none"> • Refer to <i>Credit</i> for additional restrictions <p>Underwriting HUD Employee Loans</p> <ul style="list-style-type: none"> • If the applicant is an employee of HUD or a member of a HUD-employee's household (spouse, parent or child), the application must be submitted to the Homeownership Center for prior approval processing Contact the respective HOC (Homeownership Center) for procedures <p>AUS (TOTAL Scorecard)</p> <ul style="list-style-type: none"> • All loans must be submitted thru FHA TOTAL Scorecard • AUS Approve – All loan data submitted to AUS for Approved/Accept Finding must be accurate and validated • Manual Downgrades – A manual downgrade from an Approved TOTAL decision to a REFER/Manual Underwrite decision is required if additional information, not considered by TOTAL Scorecard affects the overall insurability or eligibility of the mortgage. The list below includes but is not limited to the events that will require the DE underwriter to manually downgrade a recommendation from an Approved to a Refer/Manual underwrite; <ul style="list-style-type: none"> • Delinquent Federal Debt (revealed by CAIVRS, Public Records, GSA/LDP lists) • Previous mortgage foreclosure, deed-in-lieu, short sale on delinquent mortgage within previous 3 years • Both Chapter 7 and Chapter 13 bankruptcy discharged within two years of loan application • Mortgage lates of 90 days total or greater including 3x30X12, 1X60 plus 1X30, etc) • If Credit report reveals or indicates that Borrower is disputing any credit accounts or public records • AUS REFER – Loan must meet manual underwriting guidelines. Refer to Comprehensive Risk Assessment Worksheet at the end of this document for assistance with risk determination. <ul style="list-style-type: none"> • Comprehensive Risk Assessment Worksheet not required for Streamline Refinance transactions. <p><u>Manual Underwriting for Loans with Decision Credit Score Below 620 and DTI Exceeding 43% (ML2013-05)</u> Per ML2013-05, all loans with a decision credit score below 620 <u>and</u> DTI exceeding 43% must be manually underwritten. If the loan receives a scoring recommendation of Accept from HUD's TOTAL scorecard, the loan must be manually downgraded to a Refer scoring recommendation and manually underwritten.</p> <p><u>Manual Underwriting – Revised Guidelines effective April 21, 2014 (ML2014-02)</u> ML2014-02 is effective for case numbers assigned on or after April 21, 2014. The new guidance affects: <ul style="list-style-type: none"> • Maximum qualifying ratios for all manually underwritten loans based on credit score • Revised compensating factors that must be used in order to exceed FHA's standard qualifying ratios; and • Requirement for cash reserves equal to one or more total monthly mortgage payments for manually underwritten loans involving one and two unit properties </p> <p style="text-align: right;">The table below describes the compensating factors and documentation that may be used to justify approval of</p>

FHA Standard Refinance (Rate Reduction)

manually underwritten loans with ratios that exceed FHA standard qualifying ratios (excerpt from ML 2014-02) with **Impac overlay***.

Manual Underwriting Matrix For Case Numbers Issued on or After April 21, 2014		
Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 (not allowed by Impac*) or Non-traditional/Insufficient Credit	31/43	Not applicable. Borrowers with minimum decision credit scores below 580, or with Non-traditional or Insufficient Credit may not exceed 31/43 ratios.
580 and above	31/43	No compensating factors required
620* and above	37/47	One of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total monthly mortgage payments (3-4 units). • New total monthly mortgage payment is not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less; and there is a documented twelve month housing payment history with no more than one 30 day late payment.** • Residual Income
620* and above	40/40	Borrower has established credit lines in his/her own name open for at least six months but carries no discretionary debt (i.e., monthly total housing payment is only open installment account and borrower can document that revolving credit has been paid off in full monthly for at least the previous six months).
620* and above	40/50	Two of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total monthly mortgage payments (3-4 units). • New total monthly mortgage payment is not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less; and there is a documented twelve month housing payment history with no more than one 30 day late payment.** • Verified and documented significant additional income that is not considered effective income (i.e., part-time or seasonal income verified for more than one year but less than two years). • Residual Income

**** In cash-out transactions all payments on the mortgage being refinanced must have been made within the month due for the previous 12 months.**

Compensating factors cited to support the underwriting decision must be recorded in the *Underwriter Comments* section of Form HUD-92900-LT, *FHA Loan Underwriting and Transmittal Summary*.

Documentation supporting the compensating factors cited must be included in the endorsement case binder including, if applicable, a worksheet attached to Form HUD-92900-LT reflecting the calculation of residual income.

See ML2014-02 for documentation requirements, calculating residual income, VA Residual Income Table.

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FHA Mortgage Insurance Premium Matrix

Mortgagee Letter 2015-01 announced changes to the Annual (Monthly) Mortgage Insurance Premium (MIP) factors per the effective date below.

For Case Numbers Assigned on or after 1-26-2015 per ML2015-01					
Term > 15 Years					
Loan Amount	Base LTV (excludes financed UFMIP)	Purchases & Full Credit Qualifying Refinances (Rate/Term and Cash-Out)		Streamline Refinances	
		UFMIP	Monthly	UFMIP	Monthly
≤ \$625,500	> 95% LTV	1.75%	.85%	1.75%/0.01%*	.85%/0.55%*
≤ \$625,500	≤ 95% LTV	1.75%	.80%	1.75%/0.01%*	.80%/0.55%*
> \$625,500	> 95% LTV	1.75%	1.05%	1.75%/0.01%*	1.05%/0.55%*
> \$625,500	≤ 95% LTV	1.75%	1.00%	1.75%/0.01%*	1.00%/0.55%*
Term ≤ 15 Years					
≤ \$625,500	> 90% LTV	1.75%	.70%	1.75%/0.01%*	.70%/0.55%*
≤ \$625,500	≤ 90% LTV	1.75%	.45%	1.75%/0.01%*	.45%/0.55%*
> \$625,500	> 90% LTV	1.75%	.95%	1.75%/0.01%*	.95%/0.55%*
> \$625,500	78.01% - 90% LTV	1.75%	.70%	1.75%/0.01%*	.70%/0.55%*
> \$625,500	≤ 78.00% LTV	1.75%	.45%	1.75%/0.01%*	.45%/0.55%*

*For all Streamline Refinance transactions that are refinancing FHA loans **endorsed** on or before May 31, 2009, the following factors apply:

- The UFMIP will decrease to .01% of the base loan amount
- The Annual (Monthly) MIP will be .55%, regardless of the base loan amount

The endorsement date is on the Case Query screen in FHA Connection.

For loans with FHA case numbers assigned on or after June 3, 2013, FHA will collect the annual MIP for the maximum duration permitted under statute. See 12 U.S.C. Section 1709(c)(2)(B)

- For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP)) **less than or equal to 90% LTV**, the annual MIP will be assessed until the **end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first.**
- For any mortgage involving an original principal obligation (excluding financed UFMIP) **with an LTV greater than 90 percent**, FHA will assess the annual MIP until **the end of the mortgage term or for the first 30 years of the term, whichever occurs first.**

The table below shows the previous and the new duration of annual MIP by amortization term and LTV ratio at origination.

Term	LTV (%)	Previous	New
≤ 15 yrs	≤ 78	No annual MIP	11 years
≤ 15 yrs	> 78 – 90.00	Cancelled at 78% LTV	11 years
≤ 15 yrs	> 90.00	Cancelled at 78% LTV	Loan term
> 15 yrs	≤ 78	5 years	11 years
> 15 yrs	> 78 – 90.00	Cancelled at 78% LTV & 5 yrs	11 years
> 15 yrs	> 90.00	Cancelled at 78% LTV & 5 yrs	Loan term

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FHA MAXIMUM MORTGAGE CALCULATION WORKSHEET

Rate & Term Refinance Transactions

Borrower Name(s): _____ **IMPAC Loan #:** _____ **FHA Case #:** _____

1st CALCULATION - LTV Limitation

1. Appraised Value* x 0.9775 \$ _____

* Use Lesser of Sales Price or Appraised Value if property is owned less than 1 year prior to loan application **AND** loan is not FHA insured.

2. **1st Calculation Maximum Base Mortgage:** 1. \$ _____

2nd CALCULATION - Existing Debt Calculation

1. Unpaid Principal Balance \$ _____

2. Plus Purchase Money Seconds \$ _____

3. Plus Any subordinate liens (seasoned for at least 1 year. Any equity line with a total draw exceeding \$1,000 within the past 12 months is not eligible.) \$ _____

4. Plus Allowable Closing Costs \$ _____

5. Plus Reasonable Discount Points \$ _____

6. Plus Prepaid Expenses (per diem interest to end of month on new loan + hazard insurance deposits+ real estate tax deposits needed to establish the escrow account) (no delinquent taxes permitted in calculation) \$ _____

7. Plus 30 days interest on current FHA loan \$ _____

8. Plus 30 days interest from current monthly payment (if due)** \$ _____

9. Plus Cost of repairs if required by appraiser \$ _____

10. Plus Accrued Late Charges \$ _____

11. Plus Escrow Shortage (non-delinquent amounts only) \$ _____

12. Plus Pro Rata MIP (if paying off an FHA mortgage, up to two [2] months) \$ _____

13. Plus Any pre-payment penalty \$ _____

14. **Minus** MIP Refund (The amount of the refund may not exceed the new UFMIP being charged on the new loan transaction.) \$ _____

15. Equals Base Loan Amount \$ _____

16. **2nd Calculation Maximum Base Mortgage:** 2. \$ _____

3rd CALCULATION (Using Statutory County Limit)

1. Statutory Limit for County \$ _____

2. **3rd Calculation Maximum Base Mortgage:** 3. \$ _____

MAXIMUM BASE MORTGAGE \$ _____ Use the lesser of calculations 1, 2 or 3

Plus UFMIP \$ _____ (Maximum Base Mortgage x UFMIP factor based on when case # was ordered – refer to UFMIP chart)

TOTAL NEW MORTGAGE AMOUNT: \$ _____ (Must be <= 100% of the Appraised Value)

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FHA Comprehensive Risk Assessment Worksheet for Manual Underwriting

The FHA Comprehensive Risk Assessment Worksheet is a tool to assist in evaluating the various risk factors on loans that are manually underwritten. Using the comprehensive risk assessment approach, certain key elements called Primary Risk and Contributory Risk factors work together to form the overall level of default risk that is present in each mortgage application. Identifying the level of risk for each of these elements and examining how the elements relate will help determine the comprehensive risk associated with a mortgage application.

Completion of this form is not required on non-credit qualifying FHA Streamline Refinance Transactions.

Borrower: _____

Loan Number: _____

Credit Score: _____

LTV/CLTV: _____

Score Valid: Yes No (if No, not eligible)

STEP 1: Primary Risk Assessment

- 1) Circle the applicable LTV/CLTV and representative credit score
- 2) Mark the appropriate box below that represents the Primary Risk (Low, Moderate, High)

Purchase, Rate & Term Refinance & Streamline Refinances*				
LTV/CLTV	Credit Score			
	≥ 680	660 – 679	640 – 659	580 – 639
> 95%	Moderate	Moderate	High	High
> 90% and ≤ 95% ¹	Low	Low	Moderate	High
≤ 90% ¹	Low	Low	Moderate	High

¹ Down payment must be from borrower's own funds or a gift from a family member (excluding gift of equity). If not, use > 95% LTV for assessment
 * Worksheet required for credit qualifying Streamline Refinances with Ratios exceeding 31%/43%

Cash-Out Refinance				
LTV/CLTV ¹	Credit Score			
	≥ 680	660 – 679	640 – 659	580 – 639
> 75% and ≤ 85%	Moderate	Moderate	High	High
≤ 75%	Low	Low	Moderate	High

¹Maximum 85% LTV/CLTV

Primary Risk Assessment Low Moderate High

Step 2: Contributory Risk Assessment

Once the risk level is identified, the Contributory Risk Factors are evaluated to determine if they materially influence the Primary Risk determination.

For each row on the chart, circle the box that includes the loan characteristic. Shaded areas do not apply. If the specific mortgage loan being requested must meet a higher minimum eligibility requirement, that minimum eligibility requirement must be viewed as risk-neutral rather than a factor that decreases the risk of the loan.

	Significantly Decreases Risk Minus 2 for Each	Decreases Risk Minus 1 for Each	Risk Neutral Zero	Increases Risk Add 1 for Each	Significantly Increases Risk Add 2 for Each
Mortgage Term		≤ 15 years	> 15 years		
Debt-to-Income Ratios ¹	≤ 35%	> 35% and ≤ 41%	> 41% and ≤ 43%	> 43% and ≤ 45%	> 45% and ≤ 50% (Plus 2 for risk) > 50% (Plus 4 for risk)
Debt-to-Income Ratio Decrease Cash-Out Refi only	> 120%	Neutral or ≤ 120%			
Liquid Reserves Excluding cash proceeds from refinance	≥ 6 months	1 & 2 units; ≥ 3 and < 6 months	1 & 2 units: ≥ 1 and < 3 months 3 & 4 units: ≥ 3 and < 6 months	1 & 2 units: no reserves 3 & 4 units: < 3 months Gift funds from family	
Bankruptcy			None	Bankruptcy > 5 years	Chapter 7 BK > 2 years ≤ 5 years Chapter 13 BK > 1 year ≤ 5 years
Foreclosure			None	Foreclosure > 5 years	Foreclosure > 3 years ≤ 5 years
Occupant Co-Borrower Credit Score		≥ 660	620 to 659	600 to 619	580 to 599
Employment Classification		> 3 years on same job	Not self-employed or self-employed with no business debts and income is insignificant	≥ 3 years self-employed or ≥ 3 years and ≥ 25% commissioned income	> 3 years self-employed or < 3 years and > 25% commissioned income
Product Type			Fixed, 5/1, 7/1	3/1	
Housing Payment Increase		Lateral housing payment	< 120%	≥ 120%	No current rent or mortgage payment
Mortgage Payment History (all Borrower REO)		0 x 30 x 12		= 1 x 30 x 12	≥ 2 x 30 x 12
TOTAL POINTS	Subtract _____	Subtract _____	Neutral	Add _____	Add _____

¹If Ratios exceed 31/43, FHA compensating factors listed in the HUD Handbook 4155.1 4.F.3.a-3.b and ML2014-02, as updated

Total Points Assessed

STEP 3: Comprehensive Risk Assessment

Find the number of Contributory Risk points assessed in the left column. Follow that row to the Primary Risk assessment column. The result is the Comprehensive Risk Assessment

Primary Risk	Low	Moderate	High
Contributory Risk Points	Comprehensive Risk Assessment		
+8 or more	High	High	High
+4 to +7	Moderate	High	High
0 to +3	Low	Moderate	High
0 to -3	Low	Moderate	High
-4 to -7	Low	Low	Moderate
-8 or more	Low	Low	Low

The Comprehensive Risk Assessment should directly correlate with the loan decision. A Risk Assessment of High indicates a high probability of default. If an underwriter chooses to approve a loan with a comprehensive risk assessment of high, the rationale used in the analysis and compensating factors identified by the underwriter must be presented in a clear and detailed manner and support the decision that the loan is of investment quality. All loans submitted to Impac for purchase with a Comprehensive Risk Assessment of High will be subject to a prefund credit diligence. Include this worksheet in the file and record the Comprehensive Risk score on the FHA Loan Underwriting and Transmittal Summary.

Underwriter

Date