

as of November 14, 2008

Maximum LTV					Refinance		Guidelines	
<b>For Case Number Assignments on or before 12/31/2008</b>					<b>No Cash Out Refinance:</b> Maximum loan amount is the lesser of the LTV in the Maximum LTV table or the existing debt calculation as described below: To calculate existing debt, add together the amount of the applicable items listed below, any refund of UFMIP must then be subtracted from the total: • Existing 1st lien, any purchase money 2nd lien, any junior liens over 12 mos. old, borrower paid closing costs, prepaid expenses, borrower paid repairs required by the appraisal, discount points • Other fees acceptable by the appropriate Homeownership Center (HOC) • The amount of the existing first mortgage may include up to 30 days interest maximum, but may not include delinquent interest. • Prepaid expenses may include the per diem interest, hazard insurance, mortgage insurance, and any real estate tax deposits needed to establish the escrow account.  If the property was acquired less than one year before the loan application and is not already FHA-insured, the original sales price of the property (rather than appraised value) must be used in determining the maximum mortgage. Expenditures for repairs and rehabilitation incurred after the purchase of the property may be added to the original sales price when calculating the mortgage amount. Subordinate financing may remain in place (regardless of the total indebtedness or CLTV) if the homeowner qualifies with scheduled payments on all liens. NOTE: \$500 cash back is allowed for minor adjustments in estimated versus final closing costs.		<b>Eligibility</b> • US Citizens, Inter vivos revocable trusts, Permanent and Non-Permanent Resident Aliens, Non-Occupant Co-Borrowers. • Owner Occupied Primary Residence Only. (except streamline refinance.) • 10- to 30-year fixed rate and 1/1, 3/1 and 5/1 ARMs with 30-year terms.	
<b>Purchase and No Cash Out Refinance</b>								
<b>Maximum LTV Factors</b>	<b>≤ \$50K</b>	<b>&gt; \$50K - \$125K</b>	<b>&gt; \$125K</b>					
Low Closing Cost States	98.75%	97.65%	97.15%					
High Closing Cost States	98.75%	97.75%	97.75%		<b>Documentation</b> • All borrowers must have valid social security number. • Borrowers using non-traditional credit are subject to Mortgagee Letter 2008-11			
Refer to HUD Handbook 4155.1 for a complete list of high and low closing cost states.								
<b>For Case Number Assignments on or after 1/1/2009</b>								
<b>Purchase</b>	<b>No Cash Out Refinance</b>		<b>Cash Out Refinance</b>					
96.50%	100%		85% or 95%		<b>DTI Ratios</b> • For manual underwriting: 31/43% Ratios may be exceeded only when significant compensating factors exist. • Loans using an AUS may exceed the ratios above.			
Loan-to-value including UFMIP may not exceed 100%								
<b>FHA Mortgage Limits</b>								
<b>Region</b>	<b>1 Unit</b>	<b>2 Units</b>	<b>3 Units</b>	<b>4 Units</b>				
Low Cost Areas	\$271,050	\$347,000	\$419,400	\$521,250	<b>Property Flipping</b> • If 90 days or less since property was last sold: The property is not eligible for FHA financing. • 91 to 180 days since property was last sold: If the resale price is > 100% over the seller's acquisition price, a second FHA appraisal (from a different appraiser) is required; second appraisal must be paid for by seller or broker. If the resale price is < 100% over the seller's acquisition price, then no additional appraisal documentation is needed. Time restrictions do not apply to: FHA REOs, relocation agency properties, property inherited by seller and sales by government agencies.			
High Cost Areas	\$625,500	\$800,775	\$967,950	\$1,202,925				
Alaska & Hawaii	\$938,250	\$1,201,150	\$1,451,925	\$1,804,375				
A complete schedule of FHA mortgage limits for all areas is available at: <a href="https://entp.hud.gov/idapp/html/hicooklook.cfm">https://entp.hud.gov/idapp/html/hicooklook.cfm</a>								
<b>Upfront and Annual MIP</b>					<b>Cash Out Refinance:</b> If owned less than 12 months: 85% LTV, determined by using the lesser of either the Appraised Value or the original sales price.  If owned 12 months or more: up to 95% LTV based on current appraised value, subject to all of the following: • Property is the borrower's principal residence for at least 12 mos. prior to loan application date. • No payment may be more than 30 days late within the last 12 mos. Payment must be current for the month due. • 1-2 unit only. (Max loan amount = \$417,000 for 2 units.) • Subordinate financing may remain in place (regardless of the total indebtedness or CLTV) if the homeowner qualifies with scheduled payments on all liens. • New secondary financing is limited to 95% CLTV.			
<b>Greater than 15 year terms</b>			<b>15 year or less terms</b>					
<b>LTV</b>	<b>UFMIP</b>	<b>Annual</b>	<b>LTV</b>	<b>UFMIP</b>			<b>Annual</b>	
> 95%	1.75%	0.55%	> 90%	1.75%			0.25%	
≤ 95%	1.75%	0.50%	≤ 90%	1.75%	0.00%	<b>Additional Restrictions for Loan Amounts &gt; \$417,000</b> • 1-4 Unit properties located in appraiser or DU designated soft markets, with loan amounts > \$417,000 (excluding UFMIP) and LTVs > 95% will require a second appraisal; appraisal must be ordered from a different, FHA approved appraiser and the appraisal must not be charged to the borrower. • Max. 85% LTV on Cash out refinance		
<b>Streamline Refinance:</b> UFMIP = 1.50%; Annual MIP follows the above grids.								
<b>MIP Notes:</b>								
<ul style="list-style-type: none"> <li>The number of years will be determined when the loan balance equals 78% LTV, provided that the borrower has paid the annual MIP for at least 5 years, (scheduled or actual.)</li> <li>Loan amount multiplied by Annual premium, divided by 12 months equals monthly MIP.</li> <li>All FHA loans will have upfront and monthly premiums, except as noted above.</li> <li>Pricing and loan program eligibility are determined using the base loan amount prior to financing UFMIP.</li> <li>UFMIP must be 100% financed into the mortgage or paid entirely by cash: partial financing not allowed.</li> </ul>								
<b>Loan Program Names and Terms</b>					<b>Streamline Refinance</b> • Must result in an immediate payment reduction to the borrower. • Generally, does not require documentation for verifying income, assets, credit rating, appraisal, or source of funds. In some cases, however, an appraisal or credit report may be necessary. • Are designed to lower the monthly principal and interest payments on a current FHA-insured mortgage; however, it does not allow for cash back to the borrower, except for minor adjustments at closing, not to exceed \$500. • Closed on or after 4/24/92, are exempt from the 0.5% annual premium of the mortgage, provided the loan being refinanced closed prior to 7/1/91. Refinance Without Appraisal: the "original value" must be obtained from the FHA Connection or ECHO systems for a Streamline Refinance, without an appraisal.			
<b>Fixed Rate Programs</b>	<b>Terms</b>	<b>ARM Programs</b>		<b>Terms</b>				
Gov 15	10, 15 yrs	Gov ARM 1y		30 yrs				
Gov 30	20, 25, 30 yrs	Gov ARM 3/1		30 yrs				
Gov 30 Buydown	30 yrs	Gov ARM 5/1 w/1-1-5 Caps		30 yrs				

For additional information:

See the Mid-Island Product Manual, [www.FHA.gov](http://www.FHA.gov), or [www.HUD.gov](http://www.HUD.gov)

as of October 9, 2008

Maximum LTV and Credit Score Restrictions*					Guideline
Finance Type	1 Unit	2 Units	3 Units	4 Units	
All	> \$362,790	> \$464,449	> \$561,411	> \$697,696	Minimum credit score varies by finance type/LTV
Purchase & No Cash Out; ≥ 580 fico	> \$362,790	> \$417,000	> \$417,000	> \$417,000	Max 97.75% LTV**
Purchase & No Cash Out; 540-579 fico	> \$362,790	> \$464,449	> \$561,411	> \$697,696	Max 90.00% LTV
Cash Out; > 620 fico	≤ \$417,000	≤ \$417,000	N/A	N/A	Max 95% LTV
Cash Out; 580-619 fico	≤ \$417,000	N/A	N/A	N/A	Max 85% LTV
Cash Out; ≥ 620 fico	> \$417,000	> \$464,449	> \$561,411	> \$697,696	Max 85% LTV
Cash Out; 540-619 fico	> \$417,000	> \$464,449	> \$561,411	> \$697,696	Max 70% LTV
Region	1 Unit	2 Units	3 Units	4 Units	
Minimum 48 states	\$362,791	\$464,450	\$561,412	\$697,697	
Maximum 48 states	\$729,750	\$934,200	\$1,129,250	\$1,403,400	
<p>Note: Loans in MSAs whose limits are still below \$362,790, can fund in the standard FHA program. Only those MSAs whose limits are greater than \$362,790 must use the FHA Jumbo program</p> <p>*Maximum loan limits are determined by geographic areas. A complete schedule of FHA mortgage limits for all areas is available at: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></p> <p>** Note: Purchase and Rate/Term refinance &gt; 95% LTV with loan amounts &gt; \$417,000 and located in a declining market will require a 2nd appraisal. Refer to Seller's Guide for additional information.</p>					
Upfront and Annual MIP					
Upfront		LTV		Annual	
1.75%		> 95%		55%	
		≤ 95%		50%	
<p><b>MIP Notes:</b></p> <ul style="list-style-type: none"> <li>The number of years will be determined when the loan balance equals 78% LTV, provided that the borrower has paid the annual MIP for at least 5 years, (scheduled or actual)</li> <li>Loan amount multiplied by Annual premium, divided by 12 months equals monthly MIP.</li> <li>FHA 203(b) loans, both fixed and adjustable rate, will have upfront premiums and monthly premiums</li> <li>The financed UFMIP is not included in the statutory loan limit. When the UFMIP is financed, the loan amount is rounded down to the nearest dollar</li> <li>UFMIP must be 100% financed into the mortgage or paid entirely by cash: partial financing not allowed</li> </ul>					
HUD Case Numbers/Suffix Codes					
Program	SFR/PUD/2-4 Unit			Condos	
Fixed Rate	203(b)	703	234(c)	734	
<p>For additional information: <a href="http://www.FHA.gov">http://www.FHA.gov</a> or <a href="http://www.HUD.gov">http://www.HUD.gov</a></p>					

Refinance
<p><b>No Cash Out Refinance:</b> Maximum loan amount is the lesser of the LTV in the Maximum LTV table or the existing debt calculation as described below: To calculate existing debt, add together the amount of the applicable items listed below, any refund of UFMIP must then be subtracted from the total:</p> <ul style="list-style-type: none"> <li>Existing first lien (may include up to 60 days interest maximum, but may not include delinquent interest). Any purchase money second mortgage. Any junior liens over 12 months old. Borrower paid closing costs, Prepaid expenses, Borrower paid repairs(if required), Discount points</li> <li>Prepaid expenses may include the per diem interest, hazard insurance premium deposits, mortgage insurance premium, and any real estate tax deposits needed to establish the escrow account.</li> </ul>
<p><b>Cash Out Refinance</b> <b>If owned less than 12 months or loan amount &gt; \$417,000 use the lesser of either of the following (minimum credit score 540):</b></p> <ul style="list-style-type: none"> <li>85% of the appraised value or original sales price and credit score ≥ 620</li> <li>70% of the appraised value or original sales price and credit score 540 - 619</li> </ul> <p><b>If owned 12 months or more and loan amount &lt; \$417,000:</b> FHA will allow a cash-out refinance up to 95% subject to all of the following:</p> <ul style="list-style-type: none"> <li>Property is the borrower's principal residence for at least 12 months prior to loan application date</li> <li>No payment may be more than 30 days late within the last 12 months. Payment must be current for the month due</li> <li>1-2 unit properties only</li> <li>Subordinate financing may remain in place only if it is subordinate to the FHA-insured first mortgage (regardless of the total indebtedness or combined LTV) and the homeowner qualifies with scheduled payments on all liens</li> <li>New secondary financing is limited to 95% CLTV</li> </ul>
Appraisal
<p><b>Standard FHA appraisal guidelines apply</b> All appraisals for FHA loans must be completed using the following forms:</p> <ul style="list-style-type: none"> <li>Statement of Limiting Conditions</li> <li>Appraiser's Certification</li> </ul> <p><b>Based on the property type, the following appraisal report must be used:</b></p> <ul style="list-style-type: none"> <li>Att/Det SFR &amp; PUD - URAR Form #1004</li> <li>Condominium - Condo Form #1073</li> <li>2-4 Units - Small Residential Income Property Form #1025</li> </ul>

Guidelines
<p><b>Eligibility</b></p> <ul style="list-style-type: none"> <li>US Citizens, Inter vivos revocable trusts, Permanent and Non-Permanent Resident Aliens, Non-Occupant Co-Borrowers</li> <li>Owner Occupied Primary Residence Only (except streamline refinance)</li> <li>30-year fixed rate</li> </ul>
<p><b>Documentation</b></p> <ul style="list-style-type: none"> <li>All borrowers must have valid social security number</li> <li>All borrowers must have at least one valid credit score</li> <li>Minimum 540 credit score required</li> <li>Borrowers using non-traditional credit are not allowed</li> </ul>
<p><b>DTI Ratios</b></p> <ul style="list-style-type: none"> <li>For manual underwriting: 31/43%</li> </ul> <p>The maximum ratios may be exceeded only when significant compensating factors are present</p>
<p><b>Underwriting Method</b></p> <ul style="list-style-type: none"> <li>Loan programs must be manually underwritten</li> <li>Loans that receive a Refer/Eligible will be manually underwritten.</li> </ul>
<p><b>Property Flipping</b></p> <ul style="list-style-type: none"> <li>If 90 days or less since property was last sold: The property is not eligible for FHA financing</li> <li>91 to 180 days since property was last sold: If the resale price is &gt; 100% over the seller's acquisition price, a second FHA appraisal (from a different appraiser) is required: second appraisal must be paid for by seller or broker. If the resale price is &lt; 100% over the seller's acquisition price, then no additional appraisal documentation is needed</li> </ul> <p>Time restrictions do not apply to: FHA REOs, Relocation agency properties, Property inherited by seller</p>



# quick reference guide

## The Basics

- Purchase and Refinance
- 1 to 4 unit Owner Occupied Only
- Loan Limits are based on area
- No Maximum or Minimum Income Limits
- Government Insured Loans-Better for the client
- Close as fast or faster than Sub-prime

## Loan To Value

- Eligible Properties: 1-4 Unit Residential
- No Cash-Out Refinance: 97.75%
- Cash-Out Refinance: 1&2 Unit: 95%
- Cash-Out Refinance: 3&4 Unit: 85%
- Purchase 1-4 Unit: 97.75%
- Purchase (Exclusive Grant): Zero or little cash required
- Cash-out and Debt Consolidation Considered the same thing
- Unlimited Cash-Out Refinance

## Credit

- No Minimum Credit Score
  - FHA is a Story Loan - Explanations are required for all late payments
  - Late Mortgage Payments: Cash-out - Max 85% LTV with good explanation on late Payments - No late payments 1-2 units 95% Cash-out
- \*All mortgage late payments require at least an acceptable explanation and may require proof for 60's. (illness, loss of job, etc.)
- Bankruptcy 2 years discharged requires explanation (Minimum 1 Year with extenuating circumstances - Requires explanation and proof.)
  - No New Established Credit - alternative permitted - No new bad credit
  - Foreclosures - 3 Year Minimum- Requires explanation
  - No open government loan default - Student Loans etc. (Caviars#)
  - No Credit OK - Build Alternative - 3 Trades for 12 months.

## Income Verification Options FULL DOC ONLY

### WAGE EARNER

- A. • Employment Verification Permitted with Computerized Pay Stub
- Employment is verified through use of a standard FNMA
- Employment verification sent certified or overnight mail and verbal confirmation

### OR

- B. Prior 2 years W2's and 1 month of pay stubs - 4506 Required and will be checked prior to closing

### SELF-EMPLOYMENT/ COMMISSIONED -

- A. Past two years tax returns YTD profit and loss from accountant
- B. 2 Years of continuous employment necessary for primary, does not have to be same job
- C. Special long term job gap exclusion
- D. Qualifying ratios
  - 2 ratios required mortgage payment only and total DTI 31-43
  - Ratios may be exceeded with automated approval and compensating factors
  - Non occupying co-borrowers OK on 1 family, Must be on deed previous for refinance
- E. 3-4 Family self supporting rule

## Assets

- Reserves: Refinance not required all LTV's all property types
- Reserves: Purchase required only on 3&4 unit properties -3 months PITI
- Purchase: 6% sellers contribution, concession permitted all LTVs
- Purchase: Borrower required to have 3% into transaction. Funds can be used toward closing cost or minimum down payment. Gifts considered borrower's own funds
- Secured Borrowing such as 401K, etc. permitted and monthly repayment does not need to be counted on ratio
- Funds for down payment, closing and reserves, where required must be seasoned for 3 months. Any large deposits must be sourced and explained
- Asset verification same as Fannie Mae - Past two months statements and most current or deposit verification.
- Gift permitted, any amount and at all LTV's. Gifts are considered borrower's own funds. Acceptable gift letter and proof of funds and transfer (certified check and deposit into borrowers account) is required

## Downpayment and Closing Cost Assistance

- Down payment and closing cost Assistance permitted
- Nehemiah - over 250,000 families served and over \$800 million gifted
- Client rate and cost structure - different

For more information, inquire with your representative

## Mortgage Insurance

- Upfront (UFMIP)-FHA charges an upfront mortgage insurance fee of 1.5% for all LTV's, that is financed over the life of the loan. This loan amount is added to the the life of the loan. This loan amount is added to the loan amount after the maximum LTV and loan amount calculation (it does not effect the maximum loan amount)
- Annual MIP-FHA charges an annual mortgage insurance premium of .50% per year for all LTV's (only exception is 15 year below 90% LTV)

## Appraisal Process

- Appraisals are 99% the same as conventional- just formality differences
- Must be an FHA approved appraiser (most are)
- Must be an FHA appraisal
- Conventional appraisals can be switched to FHA appraisals as long as the appraiser is FHA approved
- Appraisal must be ordered by Mid-Island Mortgage Corp.

to find out more, speak to your Mid-Island account representative today at **1.800.964.LEND** or visit **[www.fha.mortgagecorp.com](http://www.fha.mortgagecorp.com)**