



# FHA Matrix (Wholesale)

September 14, 2015

FHA CONFORMING						
Fixed Rate: 30yr=1000, 15yr=1001						
Fixed Period ARM's: 5/1=1005						
	Purchase		No Cash-Out Refi		Cash Out Refi	
	Max LTV	Min Fico	Max LTV	Min Fico	Max LTV	Min Fico
<b>1 Unit</b>	96.50%	600	97.75%	600	85%	620
<b>2 Units</b>	96.50%	600	97.75%	600	85%	620
<b>3-4 Units</b>	96.50%	600	97.75%	600	85%	640

FHA CONFORMING STREAMLINE			
30yr Fixed=1200, 15yr Fixed= 1201			
5/1 ARM= 1203			
	Streamline Refinance		
	Max LTV	Max CLTV <sup>1</sup>	Min Fico
<b>1 Unit</b>	97.75%	125%	600
<b>2 Units</b>	97.75%	125%	600
<b>3-4 Units</b>	97.75%	125%	620

FHA Mortgage limits for all areas

<https://entp.hud.gov/idapp/html/hicostlook.cfm>

**Note: For all loans with Case Assignment dates On or After Sept. 14th, 2015, reference FHA updates and Handbook 4000.1**

<sup>1</sup>Max CLTV - Existing subordinate financing on a FHA Streamline may remain in place to a maximum CLTV of 125% of the original appraised value, not to exceed FHA County Loan Limits

DU/LP AUS approvals and Manual Underwriting available (See manual guideline overlays)

\* For High Balance transactions, see the Finance of America Mortgage FHA High Balance guidelines

\* **Texas:** Cash out refinance transactions are not eligible

\* **New Jersey:** Minimum Fico requirement is 640 for 2-4 unit purchase transactions. The Max LTV is 95% and 5% down payment must be their own funds

\* **West Virginia:** Max LTV/CLTV is 100%. An appraisal (exterior/interior) is required.

\* **FHA Streamlines-** 3 to 4 unit properties require an appraisal and must meet the additional 3-4 unit guideline requirements

\*Note: Fico scores between 600-619 have a max DTI of 43%



## FHA Guidelines (Wholesale)

<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>Fixed Products- 30 &amp; 15 Year</li> <li>ARM Products : 5/1 ARM</li> </ul>																																																																																																	
<b>ARM Information</b>	<ul style="list-style-type: none"> <li>Loan Term- 30 Year Amortization</li> <li>Fixed Period- 5/1</li> <li>Margin- 2.25%</li> <li>Index= 1 year treasury</li> <li>Caps: 1/1/5</li> <li>Floor: Can never be lower than the margin</li> <li>Qualify: At the note rate</li> </ul>																																																																																																	
<b>Loan Purpose</b>	<ul style="list-style-type: none"> <li>Purchase, No Cash-out Refinance, Cash-out Refinance, Streamline Refinance (With or Without an Appraisal)</li> </ul>																																																																																																	
<b>Property Types</b>	<ul style="list-style-type: none"> <li>SFR, PUD, Condos, 2-4 units</li> </ul>																																																																																																	
<b>Ineligible Property Type</b>	<ul style="list-style-type: none"> <li>Manufactured Homes, Co-ops, Mixed Use, Timeshare, Construction to Permanent, Condotel, Non-warrantable Condos, Log Homes, Leaseholds, Non-FHA Approved Condos, Illegal SFR properties with 2 kitchens, HUD REO's with Repair Escrows, Properties with individual water purification systems used for safe water, Hobby Farms, Bed &amp; Breakfast, Live/Work properties, Properties exceeding 25 acres or more.</li> </ul>																																																																																																	
<b>Eligible Properties</b>	<ul style="list-style-type: none"> <li>SFR, PUD (attached and detached) , FHA approved Condominiums, 2-4 unit Properties, Modular Homes</li> <li>Deed Restricted Properties <b>(subject to a clause in the deed that Foreclosures are exempt from the restriction)</b></li> </ul>																																																																																																	
<b>Ineligible Programs</b>	<ul style="list-style-type: none"> <li>Non-Owner Occupied transactions, 203K loans, MCC, Hope for Homeowners, Hawaiian Homelands, Section 8 loans, Indian Land Transactions, Negative Equity Loans, Loans to Non-Profits, Construction to Permanent, and / or Loans where the original loan was modified, Negative Equity loans, Military Impact area loans</li> </ul>																																																																																																	
<b>HUD \$100 Down Program</b>	<ul style="list-style-type: none"> <li>Allowed if offered by HUD in an approved state (See HUD website for approved HUD Homes) ** No Repair Escrows</li> </ul>																																																																																																	
<b>Underwriting Method</b>	<ul style="list-style-type: none"> <li>DU, LP and Manual Underwriting allowed (See Manual Underwriting guideline section for additional requirements)</li> <li>Note: Cannot run one AUS when the other gives a Refer. If the selected AUS gives a refer, the loan must be manually downgraded*</li> </ul>																																																																																																	
<b>Max DTI Ratio</b>	<ul style="list-style-type: none"> <li>Per AUS findings with AUS approval (see rate sheet for price adjustments above 50%)</li> <li>43% for FICO 600-619</li> <li>43% for Manual Underwriting (See additional guidelines)</li> </ul>																																																																																																	
<b>MI Premium</b>	<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;"><b>MI Premiums Based on Term</b></p> <p>The following tables list the MIP amounts based on the term of the loan for case numbers with the MIP rates depending on if the case number was assigned prior to <b>January 26, 2015</b> or on and after as per the <b>ML 2015-01</b>.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="5">Term &gt; 15 Years</th> </tr> <tr> <th rowspan="2">LTV</th> <th rowspan="2">Base Loan Amount</th> <th colspan="3">Purchases &amp; Refinances</th> </tr> <tr> <th>UFMIP</th> <th>Prior to 1/26/15</th> <th>On or after 01/26/2015</th> </tr> </thead> <tbody> <tr> <td>≤ 95.00%</td> <td>≤ \$625,500</td> <td>1.75%</td> <td>1.30%</td> <td>0.80%</td> </tr> <tr> <td>&gt; 95.00%</td> <td>≤ \$625,500</td> <td>1.75%</td> <td>1.35%</td> <td>0.85%</td> </tr> <tr> <td>≤ 95.00%</td> <td>&gt; \$625,500</td> <td>1.75%</td> <td>1.50%</td> <td>1.00%</td> </tr> <tr> <td>&gt; 95.00%</td> <td>&gt; \$625,500</td> <td>1.75%</td> <td>1.55%</td> <td>1.05%</td> </tr> </tbody> </table>   <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="4">Term ≤ 15 Years</th> </tr> <tr> <th rowspan="2">LTV</th> <th rowspan="2">Base Loan Amount</th> <th colspan="2">Purchases &amp; Refinances</th> </tr> <tr> <th>UFMIP</th> <th>Previous &amp; Current</th> </tr> </thead> <tbody> <tr> <td>78.01-90%</td> <td>≤ \$625,500</td> <td>1.75%</td> <td>1.75% / 0.45%</td> </tr> <tr> <td>&gt; 90.00%</td> <td>≤ \$625,500</td> <td>1.75%</td> <td>1.75% / 0.70%</td> </tr> <tr> <td>78.01-90%</td> <td>&gt; \$625,500</td> <td>1.75%</td> <td>1.75% / 0.70%</td> </tr> <tr> <td>&gt; 90.00%</td> <td>&gt; \$625,500</td> <td>1.75%</td> <td>1.75% / 0.95%</td> </tr> </tbody> </table> <p>*Note- Forward mortgages with a amortization term of 15 years or less and LTV is 78% or less are <b>no longer exempt</b>. See new requirements to the right as per Mortgagee Letter 2013-04*</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>Effective June 11, 2012</b> the following MIP amount is for <b>Streamline Refinances</b> endorsed on or before <b>May 31, 2009</b></p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="2">Up-Front and Annual Mortgage Insurance Premium</th> </tr> <tr> <th>LTV</th> <th>Streamline Refi</th> </tr> </thead> <tbody> <tr> <td>All</td> <td>0.01% / .55%</td> </tr> </tbody> </table> <p><b>All FHA Case Numbers assigned on or after June 3, 2013</b> must meet the following MIP table. It reflects the new duration of annual MIP by amortization term and LTV at origination.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="3">As per Mortgagee Letter 2012-04</th> </tr> <tr> <th>Term</th> <th>LTV %</th> <th>New Duration Period</th> </tr> </thead> <tbody> <tr> <td>≤ 15 years</td> <td>≤ 78%</td> <td>11 years</td> </tr> <tr> <td>≤ 15 years</td> <td>&gt; 78-90.00%</td> <td>11 years</td> </tr> <tr> <td>≤ 15 years</td> <td>&gt; 90.00%</td> <td>Loan Term</td> </tr> <tr> <td>&gt; 15 years</td> <td>≤ 78%</td> <td>11 years</td> </tr> <tr> <td>&gt; 15 years</td> <td>&gt; 78-90.00%</td> <td>11 years</td> </tr> <tr> <td>&gt; 15 years</td> <td>&gt; 90.00%</td> <td>Loan Term</td> </tr> </tbody> </table> <p><b>For FHA Case Numbers assigned on or after June 3, 2013, if the LTV is Less than or equal to 78% up to 15 year term</b></p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Base Loan Amt.</th> <th>LTV</th> <th>Previous MIP</th> <th>New MIP</th> </tr> </thead> <tbody> <tr> <td>Any Amount</td> <td>≤ 78.00%</td> <td>0 bps</td> <td>45 bps</td> </tr> </tbody> </table> </div>	Term > 15 Years					LTV	Base Loan Amount	Purchases & Refinances			UFMIP	Prior to 1/26/15	On or after 01/26/2015	≤ 95.00%	≤ \$625,500	1.75%	1.30%	0.80%	> 95.00%	≤ \$625,500	1.75%	1.35%	0.85%	≤ 95.00%	> \$625,500	1.75%	1.50%	1.00%	> 95.00%	> \$625,500	1.75%	1.55%	1.05%	Term ≤ 15 Years				LTV	Base Loan Amount	Purchases & Refinances		UFMIP	Previous & Current	78.01-90%	≤ \$625,500	1.75%	1.75% / 0.45%	> 90.00%	≤ \$625,500	1.75%	1.75% / 0.70%	78.01-90%	> \$625,500	1.75%	1.75% / 0.70%	> 90.00%	> \$625,500	1.75%	1.75% / 0.95%	Up-Front and Annual Mortgage Insurance Premium		LTV	Streamline Refi	All	0.01% / .55%	As per Mortgagee Letter 2012-04			Term	LTV %	New Duration Period	≤ 15 years	≤ 78%	11 years	≤ 15 years	> 78-90.00%	11 years	≤ 15 years	> 90.00%	Loan Term	> 15 years	≤ 78%	11 years	> 15 years	> 78-90.00%	11 years	> 15 years	> 90.00%	Loan Term	Base Loan Amt.	LTV	Previous MIP	New MIP	Any Amount	≤ 78.00%	0 bps	45 bps
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<b>Number of Properties Finance of America Mortgage will Finance</b>	<ul style="list-style-type: none"> <li>Finance of America Mortgage may finance up to Four (4) financed properties, including primary residence (include Joint or Total ownership) not to exceed \$1.5 million (excluding Jumbo)</li> </ul>																																																																																																	
<b>Number of Financed Properties</b>	<ul style="list-style-type: none"> <li>Finance of America Mortgage limits the maximum number of properties financed for FHA borrowers with all lenders at four (4)</li> <li>Note: The maximum number of financed properties includes the subject property along with any other financed mortgages, conventional, or government.</li> </ul>																																																																																																	
<b>Age of Credit Documents</b>	<ul style="list-style-type: none"> <li>Credit documents cannot be older than 90 days from the funding date. These documents include credit report, employment, income, assets and Prelim.</li> <li>Appraisals are good for 120 days (Note: A recert of value from 90-120 will <u>only</u> be required if the appraiser states the property area is not stable or is declining)</li> </ul>																																																																																																	



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<b>Credit</b>	<ul style="list-style-type: none"> <li>· <b>Credit:</b> A Full Tri-Merge report is required on all borrowers with OFAC and RBPN (Risk Based Pricing Notice) <ul style="list-style-type: none"> <li>- <b>Purchase &amp; Rate/Term:</b> All borrowers must have a minimum <b>600</b> credit score (For <b>3-4 Unit</b> Streamlines- <b>620</b> fico is required)</li> <li>- <b>Cash Out:</b> All borrowers must have a minimum <b>620</b> credit score (<b>640</b> for 3-4 Units)</li> </ul> </li> <li>· <b>Tradelines (Authorized Users):</b> Underwriter must compare information from the credit report for the loan data used by DU to evaluate the loan to ensure the DU recommendation was based on complete and accurate information.</li> <li>· <b>Mortgage History:</b> 1x30 in the past 12 months with AUS approval ( Note: Must have 0 x 30 in the 6 months prior to the loan application.)</li> <li>· <b>Judgments:</b> Judgments must be paid off at or prior to closing, regardless of credit score or AUS approval.</li> <li>· <b>Collections / Charge-off accounts (Per ML 2013-25)</b> <ul style="list-style-type: none"> <li>- If the AUS Total Scorecard indicates an Accept and the cumulative outstanding balance is <u>less than</u> \$2,000, then its <b>NOT</b> required to be considered</li> <li>- If the AUS Total Scorecard indicates an Accept and the cumulative outstanding balance is <u>equal to or greater than</u> \$2,000, then the monthly payments must be included in DTI for accounts that will remain open.</li> </ul> </li> <li>· <b>Note:</b> Collection accounts of a non-purchasing spouse in a community property state <b>are included</b> in the cumulative balance</li> <li>· <b>Note:</b> Medical collections and charge offs may be excluded. <ul style="list-style-type: none"> <li>- <b>Manual underwrite:</b> The borrower must provide a written explanation <b>with supporting documentation</b> for each outstanding collection &amp; judgement. The underwriter must evaluate the debt to determine the disregard for the financial obligation. The payment must be included in the calculation of the borrowers DTI if the aggregate balance is equal to or greater than \$2000.</li> </ul> </li> <li>· <b>Revolving Accounts:</b> If being paid off to qualify must be closed prior to the close of escrow (A credit supplement or letter from the creditor is required)</li> <li>· <b>Non-Traditional Tradelines:</b> In-Eligible</li> </ul>
<b>Non-Purchasing Spouse *Community Property State*</b>	<ul style="list-style-type: none"> <li>· A credit report is required on a non-purchasing spouse in a community property state.</li> <li>· <b>Non-purchasing spouse must sign SSA form and be processed to verify social security number validity.</b></li> <li>· Non-purchasing spouse's credit history must be obtained in order to determine the debt-to-income ratio of the borrower.</li> <li>· <b>Judgments/Collections:</b> Judgments must be paid prior to closing, regardless of credit score or AUS approval. Collection &amp; Charge Offs do not need to be satisfied, unless the balance with borrower is over \$2,000 (see collection guideline).</li> <li>· <b>Community Property States:</b> Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin.</li> </ul>
<b>Disputed Accounts</b>	<ul style="list-style-type: none"> <li>· If the credit report reflects that the borrower is disputing accounts, a Manual Downgrade of the loan is not required as long as the account reflects any of the following: <ul style="list-style-type: none"> <li>* AUS gives an Accept- Approve/ Eligible</li> <li>* the total outstanding balance of all disputed derogatory credit accounts (Excluding medical) is less than \$1,000</li> </ul> </li> <li>· Note: If the disputed derogatory credit accounts have an aggregate balance equal to or in the excess of \$1,000 then <b>downgrade to a Manual underwrite</b></li> <li>· *See detailed guides for additional information</li> </ul>
<b>Bankruptcy</b>	<ul style="list-style-type: none"> <li>· Extenuating Circumstances are not eligible (<b>Unless the file falls under the Back to Work program</b>) <ul style="list-style-type: none"> <li>· Chapter 7 or 11 - 2 years from discharge date</li> <li>· Chapter 13 -Document one year out of the payout period has elapsed and the payment performance has been on time. A letter from the court is also required evidencing the borrower can enter into a new mortgage</li> <li>· Multiple Bankruptcy within 4 years - DE underwriter's discretion.</li> </ul> </li> </ul>
<b>Foreclosure</b>	<ul style="list-style-type: none"> <li>· Extenuating Circumstances are not eligible (<b>Unless the file falls under the Back to Work program</b>) <ul style="list-style-type: none"> <li>· 3 years from completion</li> </ul> </li> </ul>
<b>Deed in Lieu, Pre-Foreclosure, Short Sale</b>	<ul style="list-style-type: none"> <li>· Extenuating Circumstances are not eligible (<b>Unless the file falls under the Back to Work program</b>) <ul style="list-style-type: none"> <li>· 3 years from completion date or settlement (Note- a borrower is not eligible for a new FHA-insured mortgage if he/she pursued a short sale agreement on his/her principal residence simply to: <b>1) take advantage of declining market conditions and 2) purchase a similar/superior property within a reasonable commuting distance at a reduced price as compared to current market value.</b></li> </ul> </li> </ul>
<b>Extenuating Circumstances</b>	<ul style="list-style-type: none"> <li>· <b>Per ML 13-26 Extenuating Circumstances for Case Numbers issued after 08/15/2013 (refer to Finance of America Mortgage Policy attachment and ML Borrower must have:</b> <ul style="list-style-type: none"> <li>* experienced and can document a defined "economic event" which resulted in a short sale,foreclosure,bankruptcy or other negative impact on their credit</li> <li>* re-established satisfactory credit for a minimum of 12 months</li> <li>* documented reduction in income of over 20%</li> <li>* received homeownership counseling or a combination of homeownership education and counseling a minimum of 30 days but not longer than 6 months prior to loan application</li> </ul> </li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>· A signed 4506-T and validated Tax Transcripts are required on all transactions (Note: Transcripts may not be used in lieu of returns for self employed borrowers or borrowers that receive rental income)</li> <li>· <b>Salaried Borrowers:</b> Per DU Findings - however the following is required: <ul style="list-style-type: none"> <li>· Most recent 30 day period with YTD earnings and 2 years W2's</li> </ul> </li> <li>· <b>Self Employed Borrowers:</b> 2 Years Tax returns (all schedules)</li> <li>· <u>If the most recent signed personal tax return cannot be provided and validated due to a filing of an extension, the following documentation must be provided: *Note- to use 2013 income for a self employed borrower, the income must validate.*</u> <ul style="list-style-type: none"> <li>- Copy of the most recent federal tax extension, proof of payment (Finance of America Mortgage will pull the tax transcript reflecting "No Record Filed")</li> <li>- A copy of the previous year's tax returns (W2 for salaried borrowers)</li> </ul> </li> <li>· P &amp; L and balance sheet is required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-yr. end tax return was filed by borrower</li> </ul>



September 14, 2015

## FHA Guidelines (Wholesale)

<b>Asset</b>	<ul style="list-style-type: none"> <li>Bank statements or computer generated VOD's must be provided (handwritten VOD's not allowed). 2</li> <li>Stocks, bonds, mutual funds may use 70% of the value for reserves.</li> <li>Retirement accounts may use 60% of the vested value.</li> <li>Business Funds: (Allowed for down payment and closing costs)           <ul style="list-style-type: none"> <li>Ownership is verified through a business license or corporate tax returns (Must indicate 100% "full" ownership)</li> <li>Evidence that the borrower has full use of the funds and no repayment is required. (CPA letter on letterhead)</li> <li>Evidence that the funds withdrawn are not an advancement against future earnings or future cash distributions. (CPA Letter on letterhead)</li> <li>*Bank statements must not have any abnormal large deposits (or source of funds will be required to be documented)*</li> </ul> </li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>1-2 Units - Per AUS ( Manual Underwrites require reserves equal to or exceeding <u>one</u> total monthly mortgage payment. (PITIA)</li> <li>3-4 unit properties: 3 months cash reserves PITI required (may not come from gift)</li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>Allowed for purchase &amp; refinance transaction. (Gift funds in the excess of amount required for cash investment &amp; closing costs may not be used as cash reserves)</li> <li>Gift donor must be blood or legal relative, domestic partner, or fiancé. (Note: Cousins &amp; "In-Law's are considered close personal friends. The file needs to document the longstanding relationship)</li> <li>Gift letter must contain the amount of the gift, donor's name, address, phone number and relationship. The donor should state repayment is not expected</li> <li>All Gifts must be Documented:           <ul style="list-style-type: none"> <li><b>If the Gift funds are in the borrowers account:</b> Provide a copy of the w/drawl document showing it was from the donor and a copy of the borrower deposit slip &amp; bank statement showing the deposit</li> <li><b>If the Gift funds are provided at closing in the form of a certified check from the donors account:</b> Provide a bank statement showing the w/drawl from the donors account &amp; a copy of the certified check</li> <li><b>If the Gift funds are provided at closing in the form of a cashiers check/money order:</b> Provide the w/drawl document or cancelled check for the amount of the gift, showing the funds came from the donors personal account</li> <li><b>If the Gift funds are provided at closing and are in the form of an electric wire transfer to the closing agent:</b> Donor to provide documentation of the wire transfer (Finance of America Mortgage must maintain the documentation in the file)</li> <li><b>If the Gift funds are being borrowed by the donor and documentation from the bank is not available:</b> Donor to provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction including the lender</li> </ul> </li> </ul>
<b>Condo Project</b>	<ul style="list-style-type: none"> <li>All Condo projects must be HUD approved and not expired. (Finance of America Mortgage will not sponsor or obtain approvals for expired/pending condo projects)</li> <li>To check Condo Project Approvals, click on this link: <a href="https://entp.hud.gov/idapp/html/condlook.cfm">https://entp.hud.gov/idapp/html/condlook.cfm</a></li> <li>Occupancy rate must be at least 50%</li> <li>Delinquencies may not exceed 15%</li> <li>No single entity may own more than 10% of the total units</li> <li>No more than 20% commercial/non-residential usage</li> <li>Pending or current litigation not eligible in a project.</li> <li>Additional Requirements apply for new projects or Condo conversions.</li> <li><b>Insurance</b>- Copy of the Master/Blanket Hazard Policy is required (To include fidelity coverage). If the blanket policy does not provide "walls in" coverage (aka- HO6 coverage), the borrower will need to obtain it separately.</li> </ul>
<b>Appraisal Requirements</b>	<ul style="list-style-type: none"> <li>All appraisals must be completed by HUD-approved appraisers and must meet all HUD appraisal requirements.</li> <li>When a 2nd appraisal is required, the appraisal must be ordered from a different, HUD-approved appraiser; if the value of the 2nd appraisal is more than 5% below the original appraisal, the lesser value must be used.</li> </ul>
<b>Non-Permitted Additions and Garage Conversions</b>	<ul style="list-style-type: none"> <li>Appraiser to comment that the addition or conversion was completed in a workmanlike manner</li> <li>Appraiser to comment if there are any health and safety issues</li> <li>Appraiser to comment that the addition conforms to the homes structure</li> <li>Appraiser to comment if there is a second kitchen ( If there is an illegal 2nd kitchen, the loan is Not eligible)</li> </ul>
<b>Current Principal Residence is a Pending Sale</b>	<ul style="list-style-type: none"> <li>Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction.</li> </ul>
<b>Conversion to 2nd Home</b>	<ul style="list-style-type: none"> <li>Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction.</li> </ul>
<b>Conversion to Investment Property</b>	<ul style="list-style-type: none"> <li>Up to 85% (check HUD jurisdiction) of the rental income may be used to offset the mortgage for qualifying including documented &gt; 25% equity in the existing property (appraisal).</li> <li><b>Note: For all Case Numbers assigned on or after September 14, 2015, ALL areas will use 75% of the rental income and</b></li> <li>Rental income must be documented with: copy of the fully executed lease agreement and the receipt of a security deposit into the borrowers account. If the 25% equity cannot be documented, rental income may not be used to offset the mortgage payment and both the current and proposed mortgage must be used to 'qualify (reserves may be required).</li> <li><b>Note: If income is being derived from the property being vacated by the borrower, the borrower must be relocating to an area more than 100 miles form their current principal residence.</b></li> </ul>
<b>Cash Out Refinance</b>	<ul style="list-style-type: none"> <li>6 month title seasoning and payment history are required.</li> <li>If the property was purchased by the borrower within the 6 months preceding the application for new financing, the borrower is ineligible for a cash-out refinance.</li> <li>The LTV calculation for a Cash-out refinance:           <ul style="list-style-type: none"> <li>6 to 12 months will use the lesser of the sales price or current value.</li> <li>More than 12 months will use the current appraised value.</li> </ul> </li> <li><b>For Case Numbers Assigned ON or AFTER 9-14-2015, Borrower(S) must have owned &amp; occupied as a primary residence for 12 mos prior to the date of the case number. Occupancy to be verified through employment and/ or utility bills to support. Mortgage History 0 x 30.</b></li> <li>New or existing subordinate financing is limited to 85% CLTV.</li> <li>Co-borrowers or co-signers added to the note or currently on the note must occupy the subject property.</li> <li>Non-occupant co-borrowers or co-signers may not be added to meet credit underwriting guidelines.</li> <li>Properties owned free and clear may be financed as cash-out transactions.</li> </ul>



**Eligible States:**

AL,AR,AZ,CA,CO,CT,DC,DE,FL,GA,IA,IL,IN,KS,KY,LA,MA,ME,MD,MI,MN,MO,NC,NH,NJ,NM,OK,OH,OR,PA,RI,SC,TN,TX,UT,VA,VT,WA,WI,WV

September 14, 2015

## FHA Guidelines (Wholesale)

<p><b>No Cash-out Refinance</b></p>	<ul style="list-style-type: none"> <li>No seasoning required. If any portion of the funds of an equity line of credit in excess of \$1,000 was advanced within 12 months and was used for purposes other than</li> <li>The maximum insurable mortgage is the lesser of 97.75% of the appraised value of the property or the total amount of the applicable items below, any UFMIP refund must</li> <li>Existing 1st lien, any purchase money 2nd lien, any junior liens over 12 months old, borrower paid closing costs, prepaid expenses, borrower paid repairs (if required), di</li> <li>The existing 1st lien may include up to 60 days interest, but may not include delinquent interest.</li> <li>Prepaid expenses may include per diem interest, hazard/mortgage insurance, and real estate taxes needed to establish the escrow account.</li> <li>If the property was acquired &lt; 12 months before the loan application and is not currently FHA-insured, original sales price (rather than appraised value) must be used to</li> <li>Repairs and rehab. Incurred after purchase of the property may be added to the original sales price when calculating the max. mortgage amount.</li> <li>\$500 max. cash back allowed for minor adjustments in estimated versus final closing costs.</li> <li>New or existing subordinate financing is limited to 97.75%.</li> <li><b>For Case Numbers Assigned ON or AFTER 9-14-2015, LTV of 97.75% still applies if documented that Borrower(S) occupied as a primary residence for 12 mos prior to the date of the case number or the entire period of ownership if acquired less than 12 mos. Max LTV is limited to 85% if borrower has NOT occupied for 12 mos prior to case or owned &lt; 12 mos and not occupied entire time.</b></li> </ul>
<p><b>Streamline Refinances</b></p>	<ul style="list-style-type: none"> <li>Prelocks are not eligible on the FHA Streamline Product</li> <li><b>For Cases Assigned ON or AFTER September 14, 2015, Occupancy must be documented by utility bills.</b></li> <li>FHA Condo's may be approved or expired (On Non-credit qualifying Streamlines only)</li> <li>Streamlines available with or without an appraisal (See 3-4 unit property guidelines for appraisal requirements)</li> <li>Non-Credit qualifying Streamlines that are identified as High Priced Mortgage Loans will be counter offered to Credit qualifying Streamlines and re-underwritten</li> <li>Both Credit qualifying and Non-credit qualifying streamline refinances are eligible.</li> <li>Current employment will be verified. Asset will be verified only when the borrower requires to bring funds to close. (For 3-4 unit properties, see additional guidelines)</li> <li>Copies of all borrowers social security cards or printouts from the Social Security Administration</li> <li><u>Credit Report:</u> A 3 Fico Mortgage rating only with OFAC and RBPN (Risk Based Pricing Notice) is required</li> <li>On the date of FHA case number assignment, the borrower must have made at least 6 payments on the FHA insured mortgage being refinanced:             <ul style="list-style-type: none"> <li>At least six full months must have passed since the first payment due date of the refinanced mortgage, and</li> <li>At least 210 days have passed from the closing date of the mortgage being financed.</li> </ul> </li> <li>Mortgage history: 0x30 in the most recent 12 months.</li> <li>Must meet Net Tangible Benefit requirements: (The worksheet can be found on www.Finance of America Mortgagewholesale.com- "resources" )             <ul style="list-style-type: none"> <li>5% reduction to the principal and interest of the mortgage payment plus the annual MIP, or</li> <li>Refinancing from an ARM to a Fixed Rate (see ML 2011-11 for examples of acceptable net tangible benefits )</li> </ul> </li> <li><u>Specific Net Tangible Benefit Options:</u> <ul style="list-style-type: none"> <li><u>Fixed Rate to Fixed Rate or 5/1 Arm</u> requires at least a 5% reduction in PI&amp;I (MIP) payment</li> <li><u>One Year Arm to a Fixed Rate</u> requires that the new interest rate cannot exceed 2 percentage points above the current interest rate of the ARM</li> <li><u>One Year Arm to a 5/1 Arm</u> requires the new interest rate be at least 2% points below the current interest rate of the Hybrid Arm</li> <li><u>Hybrid Arm During a Fixed Period to a Fixed Rate or 5/1 Arm</u> requires at least a 5% reduction in PI &amp; I (MIP) payment</li> <li><u>Hybrid Arm During a Adjustable Period to a Fixed</u> requires that the new interest rate cannot exceed 2% points above the current interest rate of the ARM</li> <li><u>Hybrid Arm During a Adjustable Period to a 5/1 Arm</u> requires the new interest rate be at least 2% points below the current interest rate of the Hybrid Arm</li> </ul> </li> <li>Existing subordinate financing may remain in place if the CLTV is <b>125%</b> or less.</li> <li>Streamline Refinance Mortgages without an appraisal are not subject to the County Loan Limits if the subject is located in an area where the limit has decreased, however, all loans are subject to the maximum mortgage amounts allowed by HUD (follow the Streamline Worksheet)</li> <li>\$500 max. cash back allowed for minor adjustments in estimated versus final closing costs.</li> <li>The maximum insurable mortgage may not exceed the outstanding principal balance minus the applicable refund of the UFMIP plus the new UFMIP that will be charged. An appraisal may not be used to increase the insurable mortgage balance beyond the sum of the outstanding principal balance and the new UFMIP.</li> </ul>
<p><b>Three-Four Unit Properties</b></p>	<ul style="list-style-type: none"> <li><b>* The Below is required for Purchase and ALL Refinance Transactions *</b></li> <li>The maximum mortgage amount is limited so that the ratio of the monthly mortgage payment divided by the monthly net rental income does not exceed 100% regardless of the occupancy status. (i.e.- Must meet FHA's self sufficiency test)</li> <li>* Note: The monthly mortgage calculation for the above requirement includes Principal, Interest, Taxes and Insurance (PITI) (Monthly mtg insurance and hazard insurance and HOA are also included in total payment) *</li> <li>The borrower must have personal reserves equivalent to <b>3</b> months PITI after closing (Gift funds may not be used for reserves)</li> <li><u>FHA Streamlines-</u> Require an appraisal (Streamlines without an appraisal on a 3-4 unit property are ineligible)</li> </ul>
<p><b>Property Listed for Sale</b></p>	<ul style="list-style-type: none"> <li><u>Rate &amp; Term:</u> Must be off the market one day prior to the loan application</li> <li><u>Cash Out:</u> Must be 3 months off the market prior to the loan application. If less than 3 months- LTV is capped at 80%</li> </ul>
<p><b>Property Re-Sale</b></p>	<ul style="list-style-type: none"> <li><b>Time restrictions for Re-Sale properties for all contracts signed on or after January 1, 2015 are as follows:</b></li> <li><u>Re-sales occurring 90 days or less following acquisition of the seller:</u> In-eligible to be insured</li> <li><u>Re-sales occurring between 91-180 days following acquisition of the seller:</u> If the re-sales price is 100% over the purchase price- a 2nd appraisal is required (cannot be paid by the borrower)</li> <li>Addressing Re-sales occurring between 91 days and 12 months following acquisition: HUD may require additional documentation to support the resale of the property if the resale price is 5% or greater than the lowest sales price of the property during the preceding 12 months (as per the contract of sale). Finance of America Mortgage will require the appraiser to support ALL documented improvements exceeding 5% of the last recorded sales price. If it is not supported- a 2nd appraisal will be required. * If the additional value documentation supports a value of the property that is more than 5% lower than the value supported by the first appraisal- the lower value will be used to calculate the maximum mortgage amount *</li> </ul>
<p><b>Funding into the Month</b></p>	<ul style="list-style-type: none"> <li>Allowed through the 5th calendar day of the following month.</li> </ul>
<p><b>Interested Party Contribution (IPC)</b></p>	<ul style="list-style-type: none"> <li>Maximum allowable contribution from seller, builder, realtor, broker, or an affiliate who may benefit from the sale of the property is <b>6%</b>.</li> </ul>



# FHA Guidelines (Wholesale)

<b>Escrow Hold Backs</b>	<ul style="list-style-type: none"> <li>· Not eligible</li> </ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>· A power of attorney is acceptable provided it is <b>"specific"</b> and meets the following:             <ul style="list-style-type: none"> <li>* Reference the subject property address (in addition to a legal description)</li> <li>* Authorize the attorney-in-fact to enter into a real estate transaction and indicates that the mortgagor specifically appoints that specific person</li> <li>* Match the legal name(s) on POA to the typed name(s) &amp; signature(s) for the borrower. If legal signature is different from typed, a notarized name affidavit required</li> <li>* Borrowers must sign and date the POA and it must be notarized</li> <li>* Must be recorded prior to, or concurrent with, the date of the security instrument</li> <li>* Must not contain any blank fields and is approved by the title company</li> </ul> </li> <li>· On ALL transactions, the <b>initial application must contain signatures of all borrowers</b> (Not the POA) to the transaction unless the following occur:             <ul style="list-style-type: none"> <li>* <b>Military Personnel</b>- Lender needs to obtain the absent borrowers signature on the application by mail or fax</li> <li>* <b>Incapacitated Borrowers</b>- The lender must provide evidence the signer has authority to encumber the property and to obligate the borrower. * The incapacitated borrower must occupy the property. (Evidence Example= A durable power of attorney specifically designed to survive incapacity and avoid the need for court proceedings)</li> </ul> </li> </ul>
<b>Manual Underwriting Overlays</b>	<p><b>Required when borrower has a decision credit score below 620 with a DTI ratio exceeding 43.00% (regardless of AUS decision) OR when AUS cannot be validated and when an AUS Approval requires a Manual Downgrade.</b></p> <p style="text-align: center;"><b>(All FHA guidelines apply with the addition of the below overlays)</b></p> <ul style="list-style-type: none"> <li>· <b>Maximum Ratios</b>- Max ratios 31/43%</li> <li>· <b>Income</b>- Full 30 day paystub, 2 years W2 &amp; 2 years tax returns (all schedules). In addition, a fully executed VOE completed by employer for salaried borrowers</li> <li>· <b>Tradelines</b>- A minimum of 3 trade lines (not using authorized signer accts) rating for 12 months on each (subject to underwriter review)</li> <li>· <b>Credit</b>-In addition to the credit trade line requirement, borrowers must have clean credit history for the past 12 month on all accounts. A LOE explaining all specific derog credit (including derog history) is required. Payoff of debt in addition to standard collection requirement is subject to the DE underwriter .</li> <li>· <b>Living History</b> -A VOR (verification of rent) from a property management company or 12 months cancelled checks if not using a mgmt. company verifying rent payments</li> <li>· <b>Reserves: Per ML 2014-02 Cash reserves ≥ to 1 or more total mortgage payments are required for 1-2 Unit Properties ( 3 mos. reserves for 3-4 Units)</b></li> <li>· <b>Homebuyer Education</b>- All loans will require each borrower in the transaction to complete a HUD approved course (see below web-link)  <a href="http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary">http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary</a></li> <li>· <b>Non-Occupying Co-Borrower &amp; Signers</b>- Allowed if it is a family member with supportive documentation of the relationship in the file and the <u>occupying</u> borrowers DTI does not exceed 50% (qualifying on their own)</li> </ul>
<b>Approved States</b>	<p>AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IA, IL, IN, KS, KY, LA, MA, ME, MD, MI, MN, MO, NC, NH, NJ<sup>2</sup>, NM, OH, OK, OR, PA, RI, SC, TN, TX<sup>1</sup>, UT, VA, VT, WA, WI, WV<sup>3</sup></p> <ul style="list-style-type: none"> <li><sup>1</sup><b>Texas</b>: Cash out refinance transactions are not eligible</li> <li><sup>2</sup><b>New Jersey</b>: 2-4 Unit properties located in New Jersey require a max LTV of 95% on purchase transactions.. 5% down payment must be their own funds</li> <li><sup>3</sup><b>West Virginia</b>: Max LTV/CLTV is 100%. An appraisal (exterior/interior) is required.</li> </ul>



## **Back to Work - Extenuating Circumstances Policy (HUD- FHA ML 2013-26)**

FHA recognized that as a result of the recent recession many borrowers who experienced unemployment or other drastic reduction in income were unable to make their mortgage payments and ultimately lost their homes to short-sale (“pre-foreclosure”), deed-in-lieu, or foreclosure. Due to these hardships faced by these borrowers, their credit profile may not fully reflect their true ability or propensity to repay a mortgage.

The first step for the borrower is to attend Homebuyer Counseling and it **must be completed a minimum of 30 days but no more than 6 months prior to submitting a loan application to an underwriter (as defined by RESPA).**

A list of approved agencies may be found at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> or by calling 1-800-569-4287.

On loans with case numbers issued on and after August 15<sup>th</sup>, 2013 (Purchase Transactions only), FHA is allowing for the consideration of borrowers who have experienced a defined “economic event” and can *document* that:

- ✓ Certain credit impairments were the result of loss of employment, or a significant loss of household income beyond the borrower’s control; and
- ✓ The borrower has demonstrated full recovery from the event; and
- ✓ The borrower has completed housing counseling.

Finance of America Identified Risks Policy will apply for every transaction. **There are no exceptions to the ML 2013-26 guidelines.**

The underwriter must use these guidelines when considering a borrower who experienced a defined economic event which resulted in a short sale, foreclosure, bankruptcy, or other negative impact on their credit and whose application has received a “Refer” in TOTAL Scorecard, or received an “Approve/Accept” but is manually downgraded.

An *Economic Event* is any occurrence beyond the borrower’s control that results in loss of employment, loss of income, or a combination of both, which causes a reduction in the borrower’s household income of 20% or more for a period of at least six months.

The *Onset of an Economic Event* is the month of loss of employment or income.

*Recovery from an Economic Event* is the re-establishment of satisfactory credit (defined later) for a minimum of 12 months.

The term *borrower* includes borrowers and co-borrower.

*Borrower Household Income* means the gross income of the borrower and all Household Members, as defined below. Household member, for this purpose, means an individual residing

at the borrower's primary residence at the time of the economic event and who was a co-borrower on the borrower's previous mortgage.

*Borrower Household Income* is used for the purpose of defining an Economic Event; only the borrower's income, and not Household Income, may be used as effective income for qualifying purposes.

*Housing Counseling* means counseling from a HUD-approved counseling agency.

**Satisfactory Credit:**

**1. Satisfactory Credit: Requirements:**

- ✓ Borrower's credit history is clear of late housing or installment debt payments, and major derogatory credit issues on revolving accounts;
- ✓ Any open mortgage is current and shows 12 months satisfactory payment history. Mortgages may have been brought current through loan modification, which may be 'temporary' or 'permanent' so long as all payments have been documented as being received in accordance with the modification agreement; and
- ✓ The borrower meets all other requirements of ML2013-26.

When evaluating a borrower with non-traditional credit history, the underwriter may deem a borrower to have satisfactory credit if the borrower's non-traditional credit history covering at least 12 months in duration includes:

- ✓ No history of delinquency on rental housing payments; and
- ✓ No more than one 30-day late on payments due to other creditors; and
- ✓ No collections accounts/court records reporting (other than medical and/or identity theft).

**2. Satisfactory Credit: Required Documentation:**

- A. Loss of Employment: The underwriter must verify and document the loss of employment by obtaining:
  - ✓ A written VOE evidencing the termination date, or in cases where the employer is no longer in business:
    - A written termination notice, or
    - Other publicly available documentation of the business closure; and
    - Documentation of receipt of unemployment income.
- B. Loss of Income: The underwriter must verify and document the borrower's household income prior to loss of income by obtaining:
  - ✓ A written VOE evidencing prior income; or
  - ✓ Signed tax returns or W2's evidencing prior income.

For a loss of income based on seasonal employment, the underwriter must verify and document a two year history of seasonal employment in the same field just prior to the Loss of Income, in addition to meeting the documentation requirements above.

- C. Post Economic Event Income: The underwriter must verify and document the borrower's household income after the onset of the economic event in accordance with guidance in the 4155.1 Chapter 4, Sections D-E, and ML12-3.



### 3. **Satisfactory Credit: Analysis:**

The underwriter must then analyze the documentation to determine the loss of employment and/or loss of income resulted in a minimum 20% reduction in household income for a minimum of six months. Even if the household member is not an applicant on the current loan, the underwriter is responsible for obtaining the necessary authorization to verify the household member's employment/ income as part of the requirement to document reduction in household income at the time of the event.

The underwriter must analyze and document 1) all delinquent accounts and 2) all indications of derogatory credit, including bankruptcies, foreclosures, deeds-in-lieu, short sales, and other credit problems to determine whether associated derogatory credit was the result of an economic event, or an inability to manage debt, or a general disregard for managing financial obligations.

To establish that the borrower's derogatory credit was the result of an economic event, the underwriter must review the credit report and determine that:

- ✓ The borrower exhibited satisfactory credit prior to the economic event onset;
- ✓ The borrower's derogatory credit occurred after the economic event onset; and
- ✓ The borrower has re-established satisfactory credit for a minimum of 12 months.

#### **Required Documentation:**

##### **A. Economic Event-Related Collections and Judgments**

The underwriter must verify and document all collections and judgments were the result of the economic event. Borrowers with open collections or judgments must meet the requirements of 4155.1, Section 4.c.2.e

##### **B. Economic Event-Related Foreclosure**

The underwriter must verify and document that:

- ✓ A minimum of 12 months have elapsed since the date of foreclosure or deed in lieu; and
- ✓ The foreclosure or deed-in-lieu was the result of the economic event

##### **C. Economic Event Related Short Sale**

The underwriter must verify and document that:

- ✓ A minimum of 12 months have elapsed since the date of the short sale

##### **D. Economic Event Related Chapter 7 Bankruptcy**

The underwriter must verify and document that:

- ✓ A minimum of 12 months have elapsed since the date of the discharge of the BK; and
- ✓ The BK was the result of the Economic Event.

##### **E. Economic Event Related Chapter 13 Bankruptcy**

The underwriter must verify and document that:

- ✓ The Chapter 13 BK was discharged prior to loan application and all required BK payments were made on time, or a minimum of 12 months of the pay-out period of the BK have elapsed and all required BK payments were made on time; and
- ✓ The BK was the result of the Economic Event.

If the Chapter 13 BK was not discharged prior to loan application, the underwriter must also verify and document that the borrower has received written from the Bankruptcy Court to enter into the subject mortgage transaction.

## ***Housing Counseling***

### **A. Satisfactory Housing Counseling: Requirements**

To qualify for purposes of establishing Satisfactory Credit following an economic event, participants must:

- ✓ Receive homeownership counseling or a combination of homeownership education and counseling provided that each participant receives, at a minimum, one hour of one-on-one counseling from HUD-approved counseling agencies. The counseling must address the cause of the economic event and the actions taken to overcome the economic event and reduce the likelihood of reoccurrence. The housing education may be provided by HUD-approved housing counseling agencies, state housing finance agencies, approved intermediaries or through an on-line course, and
- ✓ Be completed a minimum of 30 days but no more than 6 months prior to submitting a loan application to a underwriter (as defined by RESPA).

A list of approved agencies may be found at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> or by calling 1-800-569-4287.

### **B. Housing Counseling Fees**

Housing Counseling provided to potential borrowers who experienced an Economic Event may be funded through any means permitted by the HUD Housing Counseling Program. See [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/admistrattion/hudclips/handbooks/hgh/7610.0](http://portal.hud.gov/hudportal/HUD?src=/program_offices/admistrattion/hudclips/handbooks/hgh/7610.0) However, any housing counseling fee must be charged in accordance 24 C.F.R 214.313, and must be reasonable, affordable, customary and commensurate with the services provided.

### **C. Required Disclosures**

Housing counseling agencies must provide the following disclosures to all clients:

- ✓ An explicit description of any financial relationships between the agency and any underwriter
- ✓ A statement that the borrower is not obligated to pursue a loan with a underwriter; and
- ✓ A statement the “Completion of this housing counseling program and receipt of a letter of completion of counseling do not qualify [you/the borrower} for an FHA loan. A underwriter will have to determine if {you/the borrower} qualify for a loan. You understand that you may not be approved for a loan.”

The agency must provide information on alternative services, programs and products that are available.

### **Housing Counseling: Required Documentation:**

The underwriter must verify and document that:

- ✓ The borrower has completed the required pre-purchase housing counseling by obtaining a letter from the borrower issued by the Participating Housing Counseling Agency on

agency letterhead and that includes the agency's Tax Identification Number (TIN). The letter must state: the borrower's name, the counselor's name, that counseling was delivered in accordance with ML 2013-26 requirements, the date upon which counseling was completed, borrower's signature and the signature of an authorized official of the counseling agency, and

- ✓ The borrower received the property disclosures from the counseling agency (item C, above).
- ✓ Underwriter must call Agency to confirm and verify that they completed a minimum of 1 hour face to face training with a housing counselor. Place a note on the LT of verifying information and contact info. Note system that file is eligible for Back to Work – Extenuating Circumstances per ML 13-26.