



PRACTICAL GUIDE TO FHA LENDING

IMPORTANT NOTICE

Mortgage U has compiled the following information to assist with the FHA 203(b) program requirements. This workbook is not intended to cover all areas for which the Company is responsible. While every effort is made to provide accurate information in regard to FHA 203(b) guidelines as of the date of this publication, the Company is solely responsible for maintaining policies that meet the current guidelines as required by the FHA and the agencies that supervise the lender's activities.

SPECIAL THANKS TO ALLREGS® FOR PROVIDING A VALUABLE AND RELIABLE RESOURCE FOR THIS GUIDE.

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ABOUT THE AUTHORS

Alice Alvey

As a processor in the early 80's Alice learned government loans the hard way – trial and error. She worked her way up through origination and underwriting to be the Senior Vice President of Operations for a national lender with responsibilities covering wholesale and retail lending, overseeing processing through servicing. In this position she also served as the corporate compliance officer, working directly with HUD, the FDIC, FRB, Fannie Mae and Freddie Mac on all audits and negotiated commitments.

Since starting Mortgage U with Jan Wetzel in January 1996, Alice has customized training programs for lenders all over the country on everything from application through shipping on conventional, government and portfolio lending. As president of Mortgage U, she's worked closely with lenders and brokers by providing solutions for all their FHA challenges from HUD approval and sponsorship through insuring.

She was the one the Fannie Mae Chicago regional office called when they needed training on FHA loans. She was a contract trainer for Fannie Mae's Housing Finance Institute from 1997-1998 and served on Fannie Mae's Risk Management Advisory Council in 1994 and 1995. She is a member of MBA, NAMB and MMLA. Alice is also the recipient of the Outstanding Mortgage Banker of the Year award in 2000.

Alice's extensive background from origination through loan delivery provides a well-defined framework to create innovative, "street-wise" and informative training sessions. She is an effective, professional and dynamic educator, consistently redesigning and upgrading her training materials to keep up with an ever changing industry. Her dedication to accuracy and thoroughness will be evident in this guide.

John Gehrke

John began his mortgage lending career in 1970 as a loan originator for First Federal of Detroit [now Charter One]. His career took him to the James T. Barnes Company, the largest privately held mortgage company in the country. At Barnes he was head of residential lending in Atlanta, GA and then moved to New York to run the secondary marketing operations for the Barnes Companies.

In 1984 he started Gehrke Mortgage Corporation; an FHA/VA, FNMA, FHMLC approved mortgage banking company. Until its sale in late 2001, the company built a FNMA servicing portfolio of over \$100,000,000.00 - twice- of conventional loans and was a leader lender of FHA/VA loans.

During his 33 years in the residential lending business he was twice on the board of governors of the Michigan Mortgage Bankers Association [now the Michigan Mortgage Lenders Association] and its president in 1993. In 2000, he was awarded the James T Barnes Memorial Award given annually to the person whose career reflects high ethical standards with a deep commitment to mortgage banking.

ABOUT THE AUTHORS

Jan Wetzel

Jan Wetzel's extensive underwriting and management background started in 1978 and put her on course to start one of the country's leading Quality Control firms. [Wetzel Trott](#) has specialized in Quality Control Reviews for residential lenders since 1985. As President, Jan has helped hundreds of banks, mortgage companies and credit unions develop and implement comprehensive quality control plans in accordance with Fannie Mae, Freddie Mac, The Department of HUD and VA requirements. Jan's focus on quality allowed her to build a team with combined mortgage experience of over 125 years to handle more than one hundred fifty customers in twenty-two states. Her team handles monthly reviews of closed loans, re-verification tracking, agency approved reporting formats, fraud detection and appraisal field reviews.

In 1998 she designed and wrote the QuiC® software program to manage the entire closed loan review process from document tracking through management reporting. Jan has molded the information from over 200,000 loan reviews into QuiC® to create an extensive fraud database that provides trend analysis reporting and unparalleled protection for her clients. Jan also created a Servicing Quality Control division within Wetzel Trott. Her specialized services cover audits on everything from investor accounting, escrow analysis, loss mitigation, foreclosure, FHA and VA requirements. Jan's team covers over five states for some of the countries largest servicers.

Jan is a graduate of Bowling Green State University, and received her Bachelors Degree in Communication in 1978. She has served on the board of directors and development committee for COTS (The Coalition for Temporary Shelter) in Detroit. Jan is currently the President of the Southeast Chapter of the Michigan Mortgage Lenders; participates in the FNMA Risk Management Advisory Council and is the 1997 recipient of the MMLA James T. Barnes Award for her exemplary contributions to the mortgage industry.

TABLE OF CONTENTS

ABOUT THE AUTHORSiii
FORWARDxvii

CHAPTER 1: LENDER APPROVAL AND DE UNDERWRITING AUTHORITY

INTRODUCTION 3
 TITLE I 3
 TITLE II 3
 PROS & CONS OF BEING FHA APPROVED TO ORIGINATE FHA LOANS 4
 RECONCILING HUD LENDER APPROVAL PUBLICATIONS 6
 About the 4060.1 Rev. 1 6
 FHA Title II MORTGAGEE APPROVAL APPLICATION PACKAGE 6
 DETERMINE THE COMPANY ‘CLASSIFICATION’ 9
 DETERMINE THE COMPANY ‘CLASSIFICATION’10
 DETERMINE THE TYPE OF FHA APPROVAL FOR UNDERWRITING11
 Full Eagle Status12
 Mini Eagle Status12
 Authorized Agents13
 PUTTING CLASSIFICATION AND UNDERWRITING AUTHORITY TOGETHER14
 APPLICATION PROCESS – STEP ONE15
 GENERAL REQUIREMENTS15
 CORPORATE STRUCTURE16
 Audited Financial Statements – Initial Approval17
 Net Worth Computation18
 ADJUSTED NET WORTH COMPUTATION WORKSHEET FOR NON-SUPERVISED LENDERS18
 ADJUSTED NET WORTH COMPUTATION WORKSHEET FOR NON-SUPERVISED LOAN
 CORRESPONDENTS19
 Escrow Funds19
 Partnership Structure Requirements20
 STAFFING REQUIREMENTS21
 EMPLOYEE COMPENSATION22
 PART TIME EMPLOYEES22
 CONTRACT EMPLOYEES22
 INELIGIBLE PARTICIPANTS23
 Main Office Facility24
 BRANCH OFFICES24
 Satellite Offices25
 Direct National Lending26
 Prohibited Net Branch Arrangements28
 Non Profit Agency Arrangements28
 Fictitious or “Doing Business As” Name29
 Single Family Origination Lending Areas30
 APPLICATION PROCESS – STEP TWO32
 CHECKLIST A | SUPERVISED LENDER – FULL EAGLE33
 CHECKLIST B | NON-SUPERVISED LENDER – FULL EAGLE35
 CHECKLIST C | LOAN CORRESPONDENT /NON-SUPERVISED – MINI EAGLE38
 CHECKLIST D | SUPERVISED LOAN CORRESPONDENT –MINI EAGLE AND AUTHORIZED AUTHORITY41
 CHECKLIST E | INVESTING LENDER NEW APPROVAL REQUIREMENTS43
 CHECKLIST F | GOVERNMENT INSTITUTION REQUIREMENTS45

TABLE OF CONTENTS

| | |
|--|----|
| AFTER THE APPLICATION HAS BEEN SUBMITTED | 47 |
| Approval..... | 47 |
| Setting Up Access To FHA Connection | 47 |
| Direct Endorsement Approval Entrance Conference..... | 48 |
| Disapproval of Applications..... | 49 |
| Neighborhood WATCH..... | 50 |
| ANNUAL RECERTIFICATION APPROVAL | 50 |
| Reduction In Net Worth | 52 |
| 1-7: ADMINISTRATIVE SANCTIONS AND CIVIL MONEY PENALTIES (9/1/1993) | 53 |
| TERMINATION OR SUSPENSION OF APPROVAL | 54 |
| ADDITIONS AND CHANGES TO APPROVAL | 55 |
| ADDITIONAL SPONSORSHIP APPROVAL REQUIREMENTS | 55 |
| ADDITIONAL BRANCH APPROVAL REQUIREMENTS Checklist | 55 |
| CHANGES IN BUSINESS STATUS..... | 55 |
| CHANGES IN FHA APPROVAL STATUS..... | 56 |
| Changes in Partnerships | 58 |
| Changes to Direct Endorsement Underwriters | 58 |
| Lender Insurance Program..... | 58 |
| EXHIBIT A APPLICATION FEE FOR TITLE II MORTGAGEE APPROVAL | 59 |
| DIRECT ENDORSEMENT UNDERWRITING AUTHORITY | 59 |
| UNDERWRITER RESPONSIBILITIES | 61 |
| LIMITS TO DE AUTHORITY | 61 |
| AUTOMATED UNDERWRITING RESPONSIBILITIES | 61 |
| UNDERWRITER QUALIFICATIONS..... | 62 |
| UNDERWRITER REGISTRY | 63 |
| DIRECT ENDORSEMENT APPROVAL ENTRANCE CONFERENCE | 63 |
| PRE CLOSING REVIEW STATUS | 63 |
| HUD RESPONSE TO TEST CASES | 64 |
| MAINTAINING DE STATUS..... | 65 |
| MONITORING OF DE UNDERWRITERS (POST ENDORSEMENT TECHNICAL REVIEWS)..... | 65 |
| MORTGAGE CREDIT EXAMINERS | 65 |

CHAPTER 2: GENERAL PROGRAM CRITERIA

| | |
|---|----|
| OVERVIEW | 3 |
| FHA GUIDELINES VS. LENDER GUIDELINES | 3 |
| STATUTORY LOAN LIMIT | 4 |
| ELIGIBLE PROPERTIES | 5 |
| CO-MORTGAGORS/CO-SIGNORS | 6 |
| ELIGIBLE BORROWERS..... | 8 |
| NON-OCCUPANT CO-BORROWER | 8 |
| NON-OCCUPANT CO-BORROWER CHECKLIST | 8 |
| ADDITIONAL ELIGIBLE BORROWER REQUIREMENTS | 9 |
| IMMIGRATION STATUS | 9 |
| NON-PURCHASING SPOUSE | 9 |
| COMMUNITY PROPERTY STATES..... | 9 |
| LIVING TRUST..... | 9 |
| ELIGIBILITY FOR FEDERALLY-RELATED CREDIT..... | 10 |
| OCCUPANCY | 10 |
| KEY DEFINITIONS IN PRIMARY RESIDENCE: | 10 |
| SECOND RESIDENCES/INVESTMENT PROPERTIES | 10 |
| NUMBER OF FHA LOANS TO ONE BORROWER..... | 11 |
| SEVEN UNIT LIMITATION | 12 |

TABLE OF CONTENTS

| | |
|---|----|
| ARM PROGRAMS | 13 |
| TEMPORARY BUYDOWNS..... | 15 |
| ESCROW AGREEMENT REQUIREMENTS..... | 16 |
| CONSTRUCTION- PERMANENT MORTGAGE PROGRAM | 17 |
| INSURING | 19 |
| PROPERTIES UNDER CONSTRUCTION OR EXISTING CONSTRUCTION LESS THAN ONE YEAR | 20 |
| 3-4 UNIT PROPERTIES (APPLIES TO PURCHASE & REFINANCE TRANSACTIONS)..... | 21 |
| 3-4 UNIT WORKSHEET | 21 |
| TOTAL SCORECARD..... | 22 |
| OVERVIEW | 22 |
| TOTAL SCORECARD LOAN SUBMISSION REQUIREMENTS..... | 23 |

CHAPTER 3: PURCHASE TRANSACTIONS

| | |
|---|----|
| MAXIMUM MORTGAGE AMOUNT FOR PURCHASE TRANSACTIONS | 3 |
| THE MAXIMUM LOAN TO VALUE PERCENTAGES ARE AS FOLLOWS: | 3 |
| FHA MAXIMUM LOAN AMOUNT WORKSHEET FOR PURCHASE..... | 5 |
| SETTLEMENT COSTS | 6 |
| DEFINITION OF CLOSING COSTS..... | 6 |
| PREVIOUS CLOSING COST REQUIREMENTS..... | 7 |
| PREVIOUS COST MATRIX FOR FHA LOANS (PURCHASE & REFINANCE) | 8 |
| SELLER CONTRIBUTION | 11 |
| INCLUDED IN THE 6% LIMITATION | 11 |
| EXCLUDED FROM THE 6% LIMITATION..... | 11 |
| SELLER PAID COSTS..... | 12 |
| CONTRIBUTIONS TO A DOWN PAYMENT ASSISTANCE PROGRAM | 12 |
| PURCHASE/SALES CONTRACT..... | 12 |
| PROHIBITED INDUCEMENTS TO PURCHASE | 12 |
| PREMIUM PRICING..... | 13 |
| PROHIBITION OF PROPERTY FLIPPING..... | 14 |
| EXEMPTIONS | 15 |
| FHA PURCHASE CHECKLIST | 17 |
| SPECIAL CIRCUMSTANCES FOR PURCHASES..... | 18 |
| EXCEPTION FOR QUALIFIED VETERANS | 18 |
| IDENTITY OF INTEREST TRANSACTIONS..... | 20 |
| BUILDING ON OWN LAND | 20 |
| BUILDING ON OWN LAND MAXIMUM MORTGAGE AMOUNT | 22 |
| NEW CONSTRUCTION | 23 |
| FHA NEW CONSTRUCTION REQUIREMENTS AT-A-GLANCE | 26 |
| SECONDARY FINANCING..... | 27 |
| SECONDARY FINANCING REQUIREMENTS OVERVIEW..... | 28 |
| ADDITIONAL REQUIREMENTS | 29 |
| GOVERNMENT AGENCIES..... | 29 |
| NON-PROFIT AGENCIES | 29 |
| OTHER ORGANIZATIONS AND PRIVATE INDIVIDUALS | 29 |
| BORROWERS 60 YEARS OF AGE OR OLDER | 30 |
| FAMILY MEMBER LENDING | 30 |
| FAMILY MEMBER LENDING | 31 |

TABLE OF CONTENTS

CHAPTER 4: REFINANCE TRANSACTIONS

| | |
|---|----|
| REGULAR REFINANCE LOAN TYPES ----- | 3 |
| MAXIMUM MORTGAGE AMOUNT– RATE AND TERM REFINANCE----- | 3 |
| PROPERTIES PURCHASED LESS THAN ONE YEAR AGO – RATE AND TERM REFINANCE ----- | 3 |
| MAXIMUM CASH BACK – RATE AND TERM REFINANCE ----- | 4 |
| CASH OUT REFINANCE ----- | 4 |
| PROPERTIES PURCHASED LESS THAN ONE YEAR AGO – CASH OUT REFINANCE ----- | 4 |
| GENERAL REQUIREMENTS----- | 5 |
| CALCULATING THE PAYOFF FOR A FHA REGULAR REFINANCE:----- | 5 |
| ALLOWABLE CLOSING COSTS & FEES----- | 6 |
| DOCUMENTATION REQUIREMENTS ----- | 7 |
| PROPERTY REQUIREMENTS ----- | 7 |
| SUBORDINATE FINANCING----- | 8 |
| PAYING OFF A SUBORDINATE LIEN----- | 8 |
| KEEPING SUBORDINATE FINANCING IN PLACE ----- | 8 |
| SPECIAL CIRCUMSTANCES FOR REFINANCE TRANSACTIONS ----- | 9 |
| PAYING OFF LAND CONTRACTS ----- | 9 |
| 3-4 UNIT PROPERTIES----- | 9 |
| CONVENTIONAL TO FHA REFINANCE WORKSHEET----- | 11 |
| CASH OUT REFINANCE WORKSHEET----- | 12 |

CHAPTER 5: STREAMLINE REFINANCE

| | |
|---|----|
| FHA TO FHA WITH AN APPRAISAL ----- | 3 |
| (STREAMLINE PROCESSING- OWNER OCCUPIED)----- | 3 |
| FHA TO FHA WITHOUT AN APPRAISAL----- | 3 |
| (STREAMLINE PROCESSING- OWNER OCCUPIED)----- | 3 |
| FHA TO FHA WITHOUT AN APPRAISAL----- | 4 |
| (STREAMLINE PROCESSING- NON-OWNER OCCUPIED)----- | 4 |
| MAXIMUM CASH BACK ----- | 4 |
| CREDIT QUALIFYING STREAMLINES----- | 5 |
| STREAMLINE REFINANCE CREDIT QUALIFYING CRITERIA QUESTIONNAIRE ----- | 6 |
| CALCULATING THE PAYOFF FOR STREAMLINE REFINANCES ----- | 7 |
| CLOSING COSTS AND FEES ----- | 7 |
| LENDER PAID COSTS----- | 8 |
| GENERAL REQUIREMENTS----- | 9 |
| ADDING OR DELETING INDIVIDUALS ON THE LOAN ----- | 9 |
| CHANGING THE TYPE OF LOAN ----- | 10 |
| ARM to ARM (owner occupied only) ----- | 10 |
| ARM to Fixed Rate ----- | 10 |
| Fixed Rate to ARM (owner occupied only)----- | 10 |
| Graduated Payment Mortgages (GPM) Section 245 to Fixed Rate ----- | 10 |
| GPM to ARM----- | 10 |
| Section 203(k) to Section 203(b) ----- | 11 |
| Section 235 to Section 203(b)----- | 11 |
| DOCUMENTATION REQUIREMENTS ----- | 12 |
| PROPERTY REQUIREMENTS ----- | 13 |
| SUBORDINATE FINANCING----- | 13 |
| STREAMLINE REFINANCE WITH AN APPRAISAL WORKSHEET ----- | 15 |
| STREAMLINE REFINANCE WITHOUT AN APPRAISAL WORKSHEET ----- | 17 |

TABLE OF CONTENTS

CHAPTER 6: MORTGAGE INSURANCE PREMIUM

| | |
|---|---|
| MUTUAL MORTGAGE INSURANCE FUND | 3 |
| MMIF MIP CANCELLATION POLICY – ANNUAL MIP (COLLECTED MONTHLY) | 4 |
| COMPLETING THE 92900A BOX 12B | 4 |
| MIP REFUND FACTORS | 5 |
| FHA TO FHA MIP FACT FLOW | 6 |
| GENERAL INSURANCE FUND | 7 |

CHAPTER 7: FHA CONNECTION

| | |
|---|----|
| GETTING STARTED | 3 |
| SINGLE FAMILY ORIGINATION | 5 |
| CAIVRS (CREDIT ALERT INTERACTIVE VOICE RESPONSE SYSTEM) | 7 |
| CAIVRS AUTHORIZATION | 8 |
| LDP/GSA (LIMITED DENIAL OF PARTICIPATION/GENERAL SERVICES ADMINISTRATION) | 9 |
| CASE NUMBER | 14 |
| CASE NUMBER & APPRAISER ASSIGNMENT | 18 |
| APPRAISER REASSIGNMENT | 20 |
| APPRAISAL LOGGING | 20 |
| CASE TRANSFER | 22 |
| REFINANCE AUTHORIZATION | 22 |
| UPDATING EXISTING CASE | 23 |
| FHA CONNECTION ERROR MESSAGES | 26 |
| OTHER HELPFUL HINTS | 27 |

CHAPTER 8: APPLICATION REQUIREMENTS

| | |
|--|----|
| MORTGAGOR ORIGINATOR RESPONSIBILITIES | 3 |
| FAIR HOUSING | 3 |
| EQUAL CREDIT OPPORTUNITY ACT (ECOA) | 3 |
| TIERED PRICING | 4 |
| TOTAL SCORECARD APPLICATIONS | 4 |
| Property information, section II of the URLA | 4 |
| Borrower information and employment history, sections III & IV of the URLA | 5 |
| Monthly housing expense, section V of the URLA | 5 |
| Energy Efficiency Mortgages | 5 |
| Assets, section VI of the URLA | 5 |
| Liabilities, section VII of the URLA | 6 |
| APPLICATION FORMS | 7 |
| UNIFORM RESIDENTIAL LOAN APPLICATION (URLA) | 8 |
| ADDENDUM TO UNIFORM RESIDENTIAL LOAN APPLICATION (HUD 92900-A) | 9 |
| Power of Attorney | 9 |
| Signature requirements: | 10 |
| THE DIRECT ENDORSEMENT SIMULTANEOUS REVIEW DISCLOSURE | 13 |
| INFORMED CONSUMER CHOICE DISCLOSURE | 14 |
| IMPORTANT NOTICE TO HOMEBUYERS (HUD 92900-B) | 14 |
| FHA ARM DISCLOSURE | 14 |
| ADDITIONAL DISCLOSURES DURING THE ORIGINATION PROCESS | 15 |
| FOR YOUR PROTECTION: GET A HOME INSPECTION (HUD-92564-CN) | 15 |
| AMENDATORY CLAUSE AND REAL ESTATE CERTIFICATION | 15 |
| ALTERNATIVE DOCUMENTATION | 15 |

TABLE OF CONTENTS

CHAPTER 9: PROCESSING THE LOAN

| | |
|--|----|
| RESPONSIBILITIES ----- | 3 |
| GENERAL OVERVIEW----- | 3 |
| CREDIT ALERT INTERACTIVE VOICE RESPONSE SYSTEM (CAIVRS) ----- | 3 |
| DELINQUENT DEBT IN THE CAIVRS ----- | 4 |
| LIMITED DENIAL OF PARTICIPATION (LDP) AND GENERAL SERVICES ADMINISTRATION (GSA) LISTS----- | 5 |
| CASE NUMBER ASSIGNMENT/APPRaiser ASSIGNMENT ----- | 6 |
| APPRAISAL TRANSFERS ----- | 7 |
| REFINANCE AUTHORIZATION NUMBER ----- | 9 |
| DOCUMENTATION REQUIREMENTS ----- | 10 |
| FAX & INTERNET VERIFICATIONS----- | 10 |
| PROCESSING THE LOAN APPLICATION ----- | 10 |
| SOCIAL SECURITY NUMBER VERIFICATION ----- | 11 |
| CREDIT REPORTS----- | 13 |
| VERIFICATION OF EMPLOYMENT (VOE)----- | 13 |
| VERIFICATION OF DEPOSIT (VOD)----- | 14 |
| FEDERAL INCOME TAX RETURNS ----- | 15 |
| VERIFICATION OF RENT/PAYMENT HISTORY OR MORTGAGE ----- | 15 |
| COMPREHENSIVE VALUATION PACKAGE (CVP) ----- | 15 |
| PURCHASE /SALES CONTRACT ----- | 16 |
| AMENDATORY CLAUSE ----- | 18 |
| REAL ESTATE CERTIFICATION----- | 18 |
| LOAN TYPE CHANGE----- | 19 |
| WITHDRAWN AND/OR DENIED LOANS ----- | 19 |
| STEPS THROUGH REGULAR PROCESSING FHA CHECKLIST ----- | 20 |
| CASE NUMBER PREFIXES ----- | 22 |
| ADP/SUFFIX REFERENCE ----- | 27 |
| PROGRAM ID CODES ----- | 28 |

CHAPTER 10: UNDERWRITING THE APPRAISAL

| | |
|--|----|
| REVIEW OF THE APPRAISAL----- | 4 |
| COMPLETING THE APPRAISAL----- | 6 |
| MINIMUM PROPERTY REQUIREMENTS----- | 6 |
| SITE HAZARDS AND NUISANCES----- | 6 |
| SOIL CONTAMINATION ----- | 6 |
| GRADING AND DRAINAGE ----- | 6 |
| INDIVIDUAL WATER SUPPLY AND SEWAGE SYSTEMS ----- | 7 |
| Water Supply Testing – Existing Construction----- | 7 |
| Septic Systems – Existing Construction----- | 7 |
| Connection to Public System----- | 8 |
| Distance Between the Well and Septic System ----- | 9 |
| Unacceptable conditions----- | 9 |
| New/Proposed Construction----- | 10 |
| Community Systems----- | 10 |
| Water purification systems (i.e.: reverse osmosis filtration)----- | 10 |
| WOOD DESTROYING INSECTS----- | 10 |
| PRIVATE ROAD ACCESS AND MAINTENANCE ----- | 11 |
| FOUNDATION BASEMENT----- | 11 |
| CRAWL SPACES ----- | 11 |
| ROOFS----- | 11 |
| MECHANICAL SYSTEMS ----- | 12 |
| OTHER HEALTH AND SAFETY DEFICIENCIES ----- | 12 |

TABLE OF CONTENTS

| | |
|--|----|
| LEAD BASED PAINT ----- | 13 |
| CONCLUSION----- | 13 |
| EXPIRATION DATE OF THE APPRAISAL----- | 14 |
| WHO CAN INSPECT REPAIRS? ----- | 14 |
| REPAIR ESCROW----- | 15 |
| SPECIAL PROPERTY CONSIDERATION ----- | 16 |
| STREAMLINE REFINANCE REPAIRS ----- | 16 |
| NEW CONSTRUCTION ----- | 16 |
| THREE- FOUR FAMILY ----- | 16 |
| PLANNED UNIT DEVELOPMENTS (PUD)----- | 16 |
| HUD APPROVED CONDOMINIUM ----- | 16 |
| SITE CONDOMINIUMS----- | 17 |
| SPOT CONDOMINIUM APPROVAL ----- | 17 |
| Requirements ----- | 17 |
| SUMMARY OF APPRAISAL FORMS----- | 19 |
| COMPLETING THE APPRAISAL FORMS ----- | 20 |
| CONDITIONAL COMMITMENT/ STATEMENT OF APPRAISED VALUE FORM HUD-92800.5B ----- | 20 |
| COMPLIANCE INSPECTION REPORT (HUD-92051) 7/87 ----- | 21 |
| DIRECT ENDORSEMENT UNDERWRITER/HUD REVIEWER ANALYSIS OF APPRAISAL REPORT ----- | 22 |
| MORTGAGEES ASSURANCE OF COMPLETION - FORM 92300----- | 24 |

CHAPTER 11: UNDERWRITING THE BORROWER

| | |
|---|----|
| RESPONSIBILITIES----- | 3 |
| TOTAL SCORECARD----- | 3 |
| OVERVIEW ----- | 3 |
| TOTAL SCORECARD DECISION ----- | 4 |
| Approve/Accept----- | 4 |
| Refer----- | 4 |
| Ineligible ----- | 4 |
| Ineligible ----- | 5 |
| Manual downgrades & system overrides ----- | 5 |
| TOTAL SCORECARD RESUBMISSION REQUIREMENTS ----- | 6 |
| ANALYZING THE BORROWER'S CREDIT----- | 7 |
| ACCEPTABLE CREDIT----- | 7 |
| DELINQUENT CREDIT ----- | 7 |
| RECENT AND/OR UNDISCLOSED DEBTS ----- | 8 |
| CREDIT REPORT INQUIRIES----- | 9 |
| CONTINGENT LIABILITY IMPACT ON CREDIT HISTORY ----- | 9 |
| PREVIOUS RENTAL HISTORY ----- | 10 |
| PREVIOUS MORTGAGE HISTORY ----- | 10 |
| Late Mortgage Payments ----- | 10 |
| COLLECTIONS AND JUDGMENTS ----- | 10 |
| PREVIOUS MORTGAGE FORECLOSURE----- | 12 |
| BANKRUPTCY CHAPTER 7 ----- | 12 |
| BANKRUPTCY CHAPTER 13----- | 13 |
| CONSUMER CREDIT COUNSELING SERVICE PAYMENT PLANS. ----- | 15 |
| NON TRADITIONAL CREDIT ----- | 15 |
| NON TRADITIONAL CREDIT REPORT----- | 16 |
| COMMUNITY PROPERTY STATES----- | 17 |
| PAYING OFF DEBT----- | 17 |
| NON OCCUPANT CO-BORROWER----- | 17 |
| DELINQUENT FEDERAL DEBT----- | 18 |
| DEFAULT FOUND IN THE CAIVRS ----- | 18 |
| DISPUTED ACCOUNTS----- | 18 |

TABLE OF CONTENTS

| | |
|--|-----------|
| STABLE MONTHLY INCOME | 19 |
| OVERVIEW | 19 |
| GENERAL DOCUMENTATION REQUIREMENTS | 21 |
| EXTENDED LEAVE/GAPS IN INCOME | 22 |
| OVERTIME AND BONUS INCOME | 22 |
| PART-TIME INCOME | 22 |
| SEASONAL EMPLOYMENT | 23 |
| COMMISSION INCOME | 23 |
| ALIMONY AND CHILD SUPPORT INCOME | 24 |
| SELF EMPLOYED BORROWERS | 24 |
| MORTGAGE CREDIT CERTIFICATES | 26 |
| EMPLOYER DIFFERENTIAL PAYMENTS | 26 |
| GOVERNMENT ASSISTANCE PROGRAMS | 26 |
| RENTAL INCOME | 27 |
| Vacancy Factor Rates | 27 |
| AUTOMOBILE ALLOWANCES AND EXPENSE ACCOUNT PAYMENTS | 27 |
| NON-TAXABLE INCOME | 28 |
| PROJECTED INCOME | 28 |
| VERIFICATION OF FUNDS TO CLOSE | 29 |
| GENERAL DOCUMENTATION REQUIREMENTS | 30 |
| UNACCEPTABLE SOURCES OF FUNDS | 30 |
| STOCK AND/OR BOND ACCOUNTS | 31 |
| EARNEST MONEY DEPOSIT | 31 |
| GIFT FUNDS | 32 |
| COLLATERALIZED LOANS | 36 |
| TRADE EQUITY | 36 |
| EMPLOYER ASSISTANCE PLANS | 36 |
| IRAS, THRIFT SAVINGS PLANS, 401(K)S & KEOGH ACCOUNTS | 37 |
| CASH SAVED AT HOME | 37 |
| SWEAT EQUITY | 38 |
| COMMISSION FROM SALE | 38 |
| CASH ACCUMULATED WITH PRIVATE SAVINGS CLUB | 38 |
| BRIDAL REGISTRY | 39 |
| SALE OF AN ASSET OTHER THAN REAL ESTATE | 39 |
| QUALIFYING THE BORROWER | 40 |
| Non Occupant Co-borrower | 40 |
| COMMUNITY PROPERTY STATES | 40 |
| HOUSING PAYMENT RATIO | 41 |
| Homeownership Association Dues | 41 |
| Property Tax Estimates | 41 |
| Qualifying Interest Rate | 41 |
| TOTAL DEBT TO INCOME RATIO | 43 |
| Liabilities | 43 |
| COMPENSATING FACTORS | 46 |
| UNDERWRITING CONDITIONS | 48 |
| UNDERWRITER FORMS | 49 |
| MCAW | 49 |
| DE APPROVAL FOR HUD/FHA-INSURED MORTGAGE, PAGE 3 OF THE 92900-A (4/2002) | 50 |

TABLE OF CONTENTS

CHAPTER 12: CLOSING THE LOAN

| | |
|---|----------|
| APPROVAL REVIEW AND FILE PREPARATION | 5 |
| COMPANY NAME ON DOCUMENTATION | 5 |
| LOAN AMOUNT | 5 |
| UNDERWRITER APPROVAL CHECKLIST | 6 |
| NOTE, MORTGAGE/DEED OF TRUST | 6 |
| Uniform Covenants | 7 |
| Non-Uniform Covenants | 7 |
| Model Note Form | 8 |
| COMMON RIDERS | 9 |
| PREPARING THE HUD1 | 9 |
| Interest Adjustment | 9 |
| Purchases | 10 |
| Refinances | 10 |
| Mortgage Insurance Premium | 11 |
| REVIEW OF TITLE COMMITMENT | 11 |
| Purchase Transactions | 11 |
| Refinance Transactions | 11 |
| TITLE EXCEPTIONS | 11 |
| HOME OWNERS INSURANCE | 12 |
| POWER OF ATTORNEY | 12 |
| INITIAL ESCROW ACCOUNT DISCLOSURE | 12 |
| TRUTH IN LENDING (TIL) DISCLOSURE | 13 |
| Federal Boxes | 13 |
| Payment Stream | 13 |
| Features Section of the TIL | 13 |
| NOTICE TO HOMEOWNER (ASSUMPTION NOTICE) | 13 |
| BORROWER'S CERTIFICATION REGARDING EMPLOYMENT AND INCOME | 13 |
| NOTICE TO MORTGAGOR AT LOAN CLOSING REGARDING PRE-PAYMENT | 13 |
| CLOSING INSTRUCTIONS | 14 |
| CLOSING FORMS CHECKLIST | 16 |
| RIDERS | 17 |
| Important Rider Notes | 17 |

CHAPTER 13: POST CLOSING

| | |
|---|----|
| POST CLOSING PURCHASE TRANSACTIONS | 3 |
| CHECKING THE BORROWER'S MINIMUM INVESTMENT (PURCHASES ONLY) | 3 |
| EXAMPLE HUD-1 SETTLEMENT STATEMENT | 6 |
| EXAMPLE WORKSHEET | 8 |
| CHECKING THE SELLER'S MAXIMUM CONTRIBUTION | 10 |
| CHECKING REIMBURSEMENT OF CASH BACK TO BORROWER | 11 |
| POST CLOSING A REFINANCE | 12 |
| FHA POST CLOSING DOCUMENT CHECKLIST 04/04 | 13 |

TABLE OF CONTENTS

CHAPTER 14: INSURING

| | |
|---|----|
| ENDORSEMENT OF A LOAN UNDERWRITTEN WITH TOTAL SCORECARD..... | 3 |
| CASE BINDERS SUBMITTED BY OTHER LENDERS..... | 4 |
| LENDER INSURANCE PROGRAM..... | 5 |
| OVERVIEW..... | 5 |
| ELIGIBLE MORTGAGE INSURANCE PROGRAMS..... | 6 |
| LENDER APPROVAL PROCESS..... | 6 |
| Conditions for approval and continued eligibility..... | 7 |
| Termination Conditions..... | 7 |
| MORTGAGE ENDORSEMENT PROCESSING UNDER LI..... | 7 |
| PRE-INSURANCE REVIEW REQUIREMENTS..... | 9 |
| HUD REVIEW OF CASE BINDER..... | 10 |
| ELECTRONIC CASE BINDERS..... | 10 |
| CASE BINDER/FILE RETENTION..... | 10 |
| FHA CONNECTION BEFORE SENDING THE CASE BINDER..... | 11 |
| CASE BINDER NOTES..... | 12 |
| LEFT SIDE OF CASE BINDER..... | 12 |
| Mortgagees Assurance of Completion 92300..... | 12 |
| Compliance Inspection Report 92051(or other acceptable form)..... | 12 |
| LEFT SIDE OF CASE BINDER STACKING ORDER EXHIBIT..... | 16 |
| LEFT SIDE OF CASE BINDER..... | 16 |
| CASE BINDER NOTES..... | 17 |
| RIGHT SIDE OF CASE BINDER..... | 17 |
| Screen Print..... | 17 |
| PAYMENT HISTORY REQUIREMENT:..... | 18 |
| DELINQUENT LOANS:..... | 19 |
| Certification by the LENDER..... | 19 |
| Late Endorsement Processing..... | 19 |
| RIGHT SIDE OF CASE BINDER STACKING ORDER EXHIBIT..... | 23 |
| ADDITIONAL DOCUMENTATION NEEDED IN INSURING PACKAGE..... | 24 |
| HUD'S POST ENDORSEMENT REVIEW CHECKLIST..... | 24 |
| REMITTING THE UFMP..... | 25 |
| WHO CAN REMIT THE MIP..... | 26 |
| SHIPPING THE FILE FOR INSURING..... | 26 |
| RECEIVING THE MIC..... | 27 |
| NOTICE OF RETURN/REJECTION (4165.1 REV. 2 2-4)..... | 27 |
| RESOLVING COMMON INSURING PROBLEMS..... | 28 |
| COMMON DEFICIENCIES..... | 28 |
| CLOSED LOAN AMOUNT EXCEEDS FHA MAXIMUM..... | 29 |
| Request for Corrected/Duplicate MICs..... | 29 |

TABLE OF CONTENTS

CHAPTER 15: REGULATORY COMPLIANCE, QUALITY CONTROL AND MANAGEMENT REPORTING

| | |
|---|----|
| REGULATORY COMPLIANCE----- | 3 |
| NOTES TO FEDERAL REGULATIONS RELEVANT TO FHA 203(B)/251(C)/234(C) LOANS.----- | 3 |
| QUALITY CONTROL----- | 5 |
| OBJECTIVE----- | 5 |
| INDEPENDENCE----- | 6 |
| TIMELINESS OF SYSTEM----- | 6 |
| REPORTING----- | 7 |
| HUD Reporting Recommendations----- | 7 |
| QUALIFIED STAFF----- | 7 |
| FILE RETENTION----- | 7 |
| SITE REVIEW----- | 8 |
| ORIGINATION SELECTION PROCEDURES----- | 9 |
| Additional characteristics used in the selection process MUST include:----- | 9 |
| AREAS OF INVESTIGATION IN ORIGINATION REVIEW----- | 11 |
| Origination Documents----- | 11 |
| REVERIFICATIONS----- | 12 |
| Employment and Income----- | 12 |
| Assets----- | 12 |
| Mortgage and Rent----- | 12 |
| Credit Reports----- | 12 |
| Occupancy----- | 13 |
| Appraisals----- | 13 |
| UNDERWRITING DECISIONS----- | 14 |
| Each loan selected needs to be reviewed to determine whether:----- | 14 |
| AUTOMATED UNDERWRITING----- | 14 |
| ADDITIONAL HUD REQUIREMENTS----- | 15 |
| BEST PRACTICE RECOMMENDATIONS----- | 17 |
| MANAGEMENT REPORTING----- | 18 |
| GOALS OF MANAGEMENT REPORTING----- | 18 |
| MORTGAGEE PERFORMANCE REPORTS (MPR)----- | 20 |
| Post Endorsement Technical Reviews [PETR]----- | 21 |
| POST ENDORSEMENT TECHNICAL REVIEW CODES----- | 23 |
| HOME MORTGAGE DISCLOSURE ACT----- | 26 |

CHAPTER 16: HOME OWNERSHIP CENTERS

| | |
|---|----|
| TERMITE INSPECTION REQUIREMENTS----- | 5 |
| NEW CONSTRUCTION----- | 5 |
| PREVIOUS TERMITE INSPECTION REQUIREMENTS----- | 6 |
| ATLANTA HOC----- | 6 |
| SANTA ANA HOC----- | 6 |
| DENVER HOC----- | 7 |
| PHILADELPHIA HOC----- | 7 |
| PHILADELPHIA HOMEOWNERSHIP CENTER----- | 8 |
| PHILADELPHIA HOC CIRCULAR LETTERS----- | 9 |
| DENVER HOMEOWNERSHIP CENTER----- | 13 |
| TECHNICAL SUPPORT HOT TOPICS----- | 14 |
| SANTA ANA HOMEOWNERSHIP CENTER----- | 20 |
| ATLANTA HOMEOWNERSHIP CENTER----- | 22 |
| ATLANTA STAFF DIRECTORY----- | 24 |
| TERMITES AND OTHER WOOD DESTROYING INSECTS [ATLANTA]----- | 27 |
| CONSTRUCTION AND NEW HOMES: GENERAL REQUIREMENTS----- | 28 |

TABLE OF CONTENTS

CHAPTER 17: FHA FORMS

| | |
|--|----|
| FHA ISSUED FORMS WITH FORM NUMBER ----- | 3 |
| FHA FORMS, DISCLOSURES AND RIDERS WITHOUT A FORM NUMBER ----- | 4 |
| BORROWER'S CONTRACT WITH RESPECT TO HOTEL AND TRANSIENT USE OF PROPERTY ----- | 5 |
| BUILDER'S CERTIFICATION OF PLANS, SPECIFICATIONS, & SITE ----- | 6 |
| REQUEST FOR CERTIFICATE OF VETERAN STATUS----- | 9 |
| COMPLIANCE INSPECTION REPORT ----- | 11 |
| CONDITIONAL COMMITMENT DIRECT ENDORSEMENT STATEMENT OF APPRAISED VALUE ----- | 13 |
| DE UNDERWRITER/HUD REVIEWER ANALYSIS OF APPRAISAL REPORT ----- | 19 |
| FOR YOUR PROTECTION: GET A HOME INSPECTION ----- | 20 |
| HUD/VA ADDENDUM TO UNIFORM RESIDENTIAL LOAN APPLICATION----- | 21 |
| IMPORTANT NOTICE TO HOMEBUYERS----- | 25 |
| MORTGAGE CREDIT ANALYSIS WORKSHEET PURCHASE MONEY MORTGAGES ----- | 27 |
| MORTGAGE CREDIT ANALYSIS WORKSHEET ----- | 37 |
| MORTGAGEE'S ASSURANCE OF COMPLETION ----- | 47 |
| WARRANTY OF COMPLETION OF CONSTRUCTION----- | 52 |
| HUD CASE BINDER ----- | 53 |
| ADDENDUM TO HUD-1 SETTLEMENT STATEMENT----- | 58 |
| ADJUSTABLE RATE NOTE----- | 59 |
| FHA AMENDATORY CLAUSE ----- | 63 |
| REAL ESTATE CERTIFICATION----- | 63 |
| BORROWER'S ACKNOWLEDGEMENT OF SNOW COVERED ROOF (INCLUDE IN CASE BINDER)----- | 64 |
| BORROWER'S CERTIFICATION FOR CONSTRUCTION PERMANENT MORTGAGES (INCLUDE IN CASE BINDER) ----- | 64 |
| BORROWER'S WAIVER OF 5 DAY ADVANCE REVIEW OF HOMEBUYER SUMMARY ----- | 64 |
| EXAMPLE CONDOMINIUM RIDER ----- | 65 |
| CONSTRUCTION RIDER FOR CONSTRUCTION/PERMANENT MORTGAGE (04/05) ----- | 66 |
| FHA ARM DISCLOSURE CRITERIA ----- | 68 |
| INFORMED CONSUMER CHOICE DISCLOSURE NOTICE ----- | 69 |
| MODEL MORTGAGE FORM ----- | 70 |
| NEW CONSTRUCTION SUBTERRANEAN TERMITE SOIL TREATMENT RECORD----- | 77 |
| MODEL NOTE ----- | 78 |
| NOTICE TO HOMEOWNER ----- | 80 |
| NOTICE TO MORTGAGOR AT LOAN CLOSING REGARDING PREPAYMENT ----- | 81 |
| EXAMPLE PLANNED UNIT DEVELOPMENT RIDER----- | 82 |
| SIMULTANEOUS REVIEW OF THE APPRAISAL AND MORTGAGE CREDIT APPLICATION ----- | 83 |
| SPOT CONDOMINIUM CHECKLIST [SAMPLE]----- | 84 |
| SUBTERRANEAN TERMITE TREATMENT BUILDERS CERTIFICATION AND GUARANTY ----- | 85 |
| TAX EXEMPT FINANCING RIDER (04/05)----- | 86 |
| WOOD DESTROYING INSECT INSPECTION REPORT----- | 87 |

CHAPTER 18: GLOSSARY

FORWARD


This guide has been developed from the FHA Handbooks, Mortgagee Letters, information from HUD Home Ownership Centers and over 75 years combined FHA lending experience by the authors.

The design consolidates FHA 203(b) program requirements into one publication using easy reference topics and following the mortgage loan flow. To simplify the guide even further we have used the philosophy that repeating common industry knowledge is not necessary. Therefore, any requirement that is “identical” to Fannie Mae/Freddie Mac requirements, as well as basic math such as calculating ratios, is not repeated.

The following source documents, handbooks and guides have been incorporated throughout this guide:

1. Mortgagee Letters and HOC memos
2. TOTAL Scorecard Guide
3. 4155.1 rev.5 [Mortgage Credit Analysis for Mortgage Insurance]
4. 4150.1 [Valuation Analysis for Home Mortgage Insurance]
5. 4060.1 rev.1 [Mortgagee Approval Handbook]
6. 4000.4 [Single Family Direct Endorsement Program]
7. HOC guide
8. 4000.2 rev.3 [Mortgagees’ Handbook, Application through Insurance]
9. 4165.1 rev. 2 [Endorsement for Insurance for Home Mortgage Programs]
10. FHA Connection guide

Industry benchmarks and tips are identified by:

- Best practices
-  Case binder document or insuring issue
- QC Quality Control and auditing assistance for files endorsed prior to January 27th, 2006, ML 06-04 (changes in the closing cost matrix.)

THIS VERSION OF THE GUIDE IS BASED ON INFORMATION AVAILABLE TO MORTGAGE U AS OF FEBRUARY 28, 2006. Federal law prohibits reproduction of any portion of the materials used in this book unless written permission is received from Mortgage U in advance.

[HTTP://WWW.HUD.GOV/GROUPS/LENDERS.CFM](http://www.hud.gov/groups/lenders.cfm)

We recommend you check this site often to find updates and/or changes that may have occurred since the above date.

Everyone from the point of origination through insuring will benefit from the Practical Guide to FHA Lending.

FORWARD

LENDER VS BROKER

FHA applies the term “Lender” to all FHA approved companies whether they are a sponsored broker or a lender with full eagle authority. Therefore, throughout this guide the term “lender” also covers a broker that is sponsored, unless specified otherwise.

ITEMS NOT COVERED IN THIS GUIDE:

The authors assume the user has a basic knowledge of mortgage lending. Certain areas that are common to all mortgage underwriting, regardless of whether it is a conventional or government program, are not covered. For example: credit report format; standards are consistent between all agencies and markets and not specific to FHA lending. Any area in the 4155.1 that is not covered is identified in the heading of the section.

The following areas are works in progress and not currently included in this guide:

- Complete Title II Manufactured housing.
- Energy Efficiency Mortgages
- Disaster Relief Housing (203h)
- Home Equity Conversion Mortgages
- Assumptions
- HUD REO (HUD Real Estate Owned property sales)
- HUD Approval of a Non-Profit Organization
- Graduated Payment Mortgages
- Growing Equity Mortgages
- 203K
- Cooperatives