



# FHA ARM

## Standard and High Balance

### Product Matrix

HUD Handbook: [https://www.hud.gov/program\\_offices/housing/sfh/handbook\\_4000-1](https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1)

#### COVID-19

Please contact your EMM Account Executive for the most current EMM overlays regarding income, employment, assets, age of documentation and appraisal flexibilities due to COVID-19.

Transaction Type	# of Units <sup>1</sup>	Maximum LTV/CLTV/HCLTV	Minimum Credit Score <sup>1, 2</sup>
Purchase	1-4	96.50%/105.00% <sup>3</sup>	640 (all loan amounts)
Rate/Term Refinance	1-4	97.75%/97.75%	640 (all loan amounts)
Cash Out Refi <sup>4,5</sup>	1	80.00%/80.00%	640 (Standard Loan Amounts)
			640 (High Balance Loans)

<sup>1</sup> 2-4 Unit properties in NJ require 600 minimum credit score for standard loan amounts and 640 for High Balance loans. Must be Approve/Eligible (Manual underwrite not permitted.)

<sup>2</sup> Each borrower must have at least one credit score.

<sup>3</sup> Maximum CLTV is 105% if second mortgage is through a government-sponsored Down Payment Assistance Program (DAP)

<sup>4</sup> Borrower must occupy the subject property as their Principal Residence for the past 12 months prior to case number assignment

<sup>5</sup> Texas 50 (a)(6) are ineligible

### MIP Chart

Upfront MIP for ALL: 1.75%

Greater than 15 year terms			15 year or less terms		
LTV	MIP	Duration	LTV	MIP	Duration
> 95.00%	85	Mortgage term	> 90%	70	Mortgage term
> 90.0% but ≤ 95.0%	80	Mortgage term	≤ 90.0%	45	11 years
≤ 90.0%	80	11 years			

Annual MIP for loan amounts greater than \$625,500.

Greater than 15 year terms			15 year or less terms		
LTV	MIP	Duration	LTV	MIP	Duration
> 95.00%	105	Mortgage term	> 90.0%	95	Mortgage term
> 90.0% but ≤ 95.0%	100	Mortgage term	> 78.0% but ≤ 90.0%	70	11 years
≤ 90.0%	100	11 years	≤ 78.0%	45	11 years

### Maximum Loan Amounts (Continental US)

Units	Low Cost Area "Floor"	Maximum High Balance Loan limits
1	\$331,760	\$765,600
2	\$424,800	\$980,325
3	\$513,450	\$1,184,925
4	\$638,100	\$1,472,550

Terms	<ul style="list-style-type: none"><li>• 5/1 ARM (Fixed rate for the first 5 years then converts to a 1 yr. ARM for the remaining term)<ul style="list-style-type: none"><li>- Amortization: 30 years</li><li>- Margin: 2.00%</li><li>- Caps: 1/1/5</li><li>- Index: 1 Year Weekly CMT</li></ul></li><li>• Qualify at the Note rate.</li></ul>
Borrower Eligibility	<ul style="list-style-type: none"><li>• U.S. Citizens</li><li>• Permanent resident aliens, with proof of lawful residence</li><li>• Nonpermanent resident alien immigrants, with proof of lawful residence</li></ul>
Maximum DTI	<ul style="list-style-type: none"><li>• Per AUS</li></ul>
Assets	<ul style="list-style-type: none"><li>• Documentation for all reserves and funds to close <b>must be dated within 60 days of the Note date</b></li></ul>
Income	<ul style="list-style-type: none"><li>• If using Self-Employed, follow Credit Policy Announcement 2020-014. An audited P&amp;L or a P&amp;L and most recent 2 months business bank statements to verify that the monthly deposits supports the revenue.</li><li>• Rental income may not be used to qualify. This includes rental income from the subject property currently owned rental properties. <b>The borrower must be able to carry the full mortgage payment including Principal &amp; Interest, Taxes, Insurance(s) and monthly MIP if applicable for all properties owned.</b></li><li>• Paystubs for income used in qualifications <b>must be within 60 days of the Note date.</b></li><li>• Borrowers on Fixed income (SS and/or Pension) as per current guidelines</li></ul>
Property Flipping Policy	<ul style="list-style-type: none"><li>• Properties resold 90 days or fewer following the date of acquisition by the seller are not eligible for FHA financing unless the loan meets the exceptions set forth in 4000.1 II.A.1.b.iv (A)(3).</li><li>• Properties resold between 91 and 180 days after acquisition require a second appraisal by a different appraiser if the resale price is 100% or more over the price paid by the seller when the property was acquired.</li></ul>



# FHA ARM

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Non-Occupying Co-borrowers	<ul style="list-style-type: none"><li>• Not eligible on 15 year loan term.</li><li>• Not eligible on cash out refinance transactions</li><li>• The non-occupant co-borrower must be a family member as defined by HUD</li><li>• The non-occupant co-borrower must be a family member or an individual who has documented a longstanding substantial family-type relationship not arising out of the loan transaction with the occupying borrower.</li><li>• The maximum LTV is 75% but the LTV can be increased to a maximum of 96.5% if the Borrowers are Family Members, provided the transaction does not involve:<ul style="list-style-type: none"><li>- a Family Member selling to a Family Member who will be a non-occupying co-Borrower; or</li></ul>transaction is for a two- to four-unit Property.</li></ul>		
Identity of Interest	<ul style="list-style-type: none"><li>• An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members.</li><li>• Maximum LTV is 85%</li><li>• The maximum LTV percentage for a transaction where a tenant-landlord relationship exists at the time of contract execution is restricted to 85 percent.</li></ul> <b>Exceptions to the Maximum LTV:</b> <ul style="list-style-type: none"><li>• The borrower purchases the principal residence of another family member; or</li><li>• a Property owned by another Family Member in which the Borrower has been a tenant for at least six months immediately predating the sales contract. Written evidence to verify occupancy and rental payments is required.</li></ul>		
Federal Debt	<ul style="list-style-type: none"><li>• <b>Borrowers with delinquent Federal Tax Debt are ineligible.</b></li><li>• Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three (3) months of scheduled payments. The borrower cannot "prepay" scheduled payments in order to meet the required minimum of three months of payments.</li><li>• The Mortgagee must include the monthly payment amount in the agreement in the calculation of the Borrower's Debt-to-Income (DTI) ratio.</li></ul>		
Refinance Seasoning	<ul style="list-style-type: none"><li>• the borrower has made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date; <b>AND</b></li><li>• the first payment due date of the new loan occurs no earlier than 210 days after the first payment due date of the loan paid off through the transaction.</li><li>• Borrower must occupy the subject property as their Principal Residence for the past 12 months prior to case number assignment on a cash-out refinance</li></ul>		
Manual Underwriting	<ul style="list-style-type: none"><li>• All loans must be run through AUS FHA Total Scorecard</li><li>• Purchase, Rate &amp; Term and Cash-out</li></ul>		
	Credit Score	Maximum Qualifying Ratios	Acceptable Compensating factors:
	620 and above	31/43	No compensating factors required. <sup>1</sup>
	620 and above	37/47	<b>One</b> of the following: <ul style="list-style-type: none"><li>• Verified and documented cash reserves <sup>1,2</sup></li><li>• Minimal increase in housing payment <sup>3</sup> or</li><li>• Residual Income</li></ul>
	620 and above	40/40	No discretionary debt.
	620 and above	40/50	<b>Two</b> of the following: <ul style="list-style-type: none"><li>• Verified and documented cash reserves <sup>2</sup></li><li>• Minimal increase in housing payment <sup>3</sup></li><li>• Significant additional income not reflected in Effective income <sup>4</sup>; and/or</li><li>• Residual Income</li></ul>
<p><sup>1</sup> Reserves are equal to or exceed three months Mortgage Payments for 1-2 units and 6 months for 3-4 units. (Gift funds may not used for reserve requirements).</p> <p><sup>2</sup> The new total monthly Mortgage Payment does not exceed the current total monthly housing payment by more than \$100 or 5 percent, whichever is less.</p> <p><sup>3</sup> Income from non-borrowing spouses or other parties not obligated for the Mortgage may not be counted.</p> <p><b>Refer to HUD handbook 4000.1 for complete details on compensating factors.</b></p>			
Ineligible Property Types	<ul style="list-style-type: none"><li>• Manufactured Housing</li><li>• Cooperatives</li><li>• Working Farms</li><li>• Mobile Homes</li></ul>		