

FHA Fixed Rate with Jumbo Addendum

General Description:

FHA Fixed Rate principal and interest level payments for the life of the loan. Follow published FHA guidelines if item not addressed below. Lenders are responsible for complying with all applicable FHA/HUD regulations as further modified by the guidelines within this product description.

Effective for loans locked on or after **September 7, 2022**

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| <ul style="list-style-type: none"> • Appraisal • Assumability • Borrowers (Eligible/Ineligible) • Cash Reserves • Closing Costs • Closing Requirements • Condos • Construction-to-Permanent • Credit History • Credit Scores/Non-Traditional Credit • Documentation • Down Payment • Escrow Holdbacks • Escrows | <ul style="list-style-type: none"> • FHA Jumbo Addendum • Flipping Requirements • Geographic Restrictions • Gift Funds • Identity of Interest Transactions • Investment Properties • Legal Documentation • Loan Term • Loan-to-Value • Loan Type/Eligible Section of the Act • Manual Underwriting • Maximum/Minimum Loan Amount • Mortgage Insurance • Non-Occupant Co-Borrowers | <ul style="list-style-type: none"> • Number of Loans/Properties • Occupancy • Programs & Special Features • Property Eligibility • Property Inspections • Qualified Mortgage • Ratios • Refinance Transactions • Seller/IPC Contributions • Subordinate Financing • Temporary Buydowns • TOTAL Mortgage Scorecard • Underwriting |
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APPRAISAL	<ul style="list-style-type: none"> • 1-unit properties require Fannie Mae Appraisal Form 1004 or Freddie Mac Appraisal Form 70. • 2-4-unit properties require Fannie Mae Appraisal Form 1025 or Freddie Mac Appraisal Form 72. • All condominiums (including site condominiums) must be completed on Fannie Mae Appraisal Form 1073 or Freddie Mac Appraisal Form 465, regardless of AUS. • All appraisals of 1-4-unit properties must contain the Market Conditional Addendum to the Appraisal Report (Form 1004MC). • Refer to Appraisal Standards and Guidelines for complete requirements • Second Appraisal Requirements - Refer Appraisal Standards and Guidelines <ul style="list-style-type: none"> ○ Lenders are responsible for ordering the second appraisal when required. • Appraisal Validity & Updates - Refer to Mortgagee Letter 2022-11 and National Bulletin 2022-16. • Repair/Completion Inspections - Refer to FHA Handbook 4000.1 and Appraisal Standards and Guidelines
ASSUMABILITY	<ul style="list-style-type: none"> • Assumable by a credit-worthy borrower subject to specific HUD regulations
BORROWERS (ELIGIBLE/INELIGIBLE)	<p>Eligible:</p> <ul style="list-style-type: none"> • Inter vivos revocable trusts • Non-occupant co-borrowers • Permanent resident aliens • Land Trusts (Illinois only) • Non-permanent resident aliens must: <ul style="list-style-type: none"> ○ Have a valid Social Security Number ○ Occupy the property as their primary residence ○ Be eligible to work in the United States as evidenced by either: <ul style="list-style-type: none"> ▪ Valid Employment Authorization Document (EAD)* issued by the USCIS (Form I-766) showing that work authorization status is current; ▪ USCIS Form I-94 evidencing H1-B status, and evidence of employment by the authorized H1-B employer for a minimum of one year; ▪ Evidence of citizenship of the Federated States of Micronesia, the Republic of the Marshall Islands, or Republic of Palau; or ▪ Evidence of being granted refugee or asylee status by the USCIS <ul style="list-style-type: none"> - Employment Authorization Document (USCIS Form I-766) or USCIS Form I-94 indicating refugee or asylum status, or

BORROWERS (ELIGIBLE/INELIGIBLE) (CONTINUED)	<ul style="list-style-type: none"> - USCIS Form I-797 notice indicating approval of a USCIS Form I-589, Application for Asylum or Withholding of Removal substantiating the refugee or asylee status. o The borrower satisfies the same requirements, terms, and conditions as those for U.S. citizens. o If the EAD or H1-B will expire within one year and a prior history of residency status renewals exists, then continuation of residency status renewal can be assumed. <ul style="list-style-type: none"> ▪ If there are no prior renewals, then the likelihood of renewal, based on information from the USCIS, must be determined. o Although Social Security cards may indicate work status, such as "not valid for work purposes," an individual's work status may change without the change being reflected on the actual Social Security card. For this reason, the Social Security card must not be used as evidence of work status. <p>Ineligible:</p> <ul style="list-style-type: none"> • Foreign nationals • Borrowers with diplomatic immunity • Borrowers without social security numbers • More than four (4) borrowers per transaction • Any individual listed on HUD's Limited Denial of Participation (LDP) list or the System for Award Management (SAM) Excluded Party List. Documentation evidencing all required entities have been checked against the LDP and GSA/SAM lists must be included in the closed loan file.
CASH RESERVES	<ul style="list-style-type: none"> • TOTAL SCORECARD: <ul style="list-style-type: none"> o All assets submitted to AUS must be verified and documented. o 1-2-unit properties: Document per AUS o 3-4-unit properties: Document three (3) months PITI • Manual Downgrades, except streamline refinance transactions: <ul style="list-style-type: none"> o 1-2-unit Properties: Verify and document one (1) month's PITI o 3-4-unit Properties: Verify and document three (3) month's PITI
CLOSING COSTS	<p>Borrowers may pay customary and reasonable closing costs, subject to these limitations:</p> <ul style="list-style-type: none"> • Third-party fees may not be "marked up". • Commitment and/or lock-in fees may only be charged when the interest rate and discount points (if any) are guaranteed to the borrower in writing for a period of not less than 15 days prior to the anticipated closing date. Citizens will require a copy of the lock-in agreement when this fee is charged. • Fees and charges must comply with all applicable federal, state and local laws and disclosure requirements. • Borrower-paid closing costs may not be used to count as part of the borrower's required investment <ul style="list-style-type: none"> o The refund of the borrower's POCs may be used towards the borrower's MRI if it is documented the POC's were paid with the borrower's own funds. <ul style="list-style-type: none"> ▪ Items paid with a credit card or other unsecured loan may not be considered. • Seller's real estate tax proration to be credited at closing may not be considered at the time of underwriting as a source of the applicant's required funds to close. • Discount points may not be included in the new mortgage on specific refinance types. Refer to Refinance Transactions. • The borrower may use a credit card to pay for the appraisal and credit report. These costs cannot be considered to help meet the required investment. The following are the requirements: <ul style="list-style-type: none"> o Closing Disclosure must reflect a POC credit to the borrower for the amount charged. o Verification of one of the following is required: <ul style="list-style-type: none"> ▪ Updated credit supplement from a credit reporting agency verifying the new balance and the required payments per the creditor. The new balance must be included in the qualifying ratio calculation, or <ul style="list-style-type: none"> - 5% of the total balance (previous verified balance plus new charges) must be used as the new payment. The updated payment as recalculated must be included in the qualifying ratio calculation.

CLOSING COSTS (CONTINUED)	<ul style="list-style-type: none"> - Example: The balance reported on the credit report is \$1,000 and there is evidence to indicate the payment is \$25 per month. After the credit report date, the borrower uses the credit card to pay for an appraisal, increasing the balance on the credit to \$1,350. The payment will be based on 5% of the entire new balance \$1,350, for a new payment of \$67.50. 								
CLOSING REQUIREMENTS	<ul style="list-style-type: none"> • Interest credit allowed (calculated at 1/365th). <ul style="list-style-type: none"> ○ Loan must fund by the 7th calendar day of the month preceding the first payment date. • All loans require a 12-month chain of title: <ul style="list-style-type: none"> ○ Evidence of prior ownership must be obtained when the property was sold within 12 months of case number assignment date. ○ All FHA Property Flipping Requirements must be met as per FHA Handbook 4000.1 Chapter 1-General Mortgage Eligibility. • Balance as reflected by the title commitment or credit report must be consistent with the payoff shown on the Closing Disclosure • Private Transfer Fee Covenants are not permitted on FHA-insured loans, regardless of state laws. • Principal curtailments are generally not allowed but may be considered on a case by case basis up to \$999. • Escrow netting and/or escrow transfers are not allowed. • Principal reductions are not allowed in Texas. 								
CONDOS	<table border="1" data-bbox="402 926 1568 1887"> <thead> <tr> <th data-bbox="402 926 803 961">Topic</th> <th data-bbox="803 926 1568 961">Requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="402 961 803 1707"> HUD Review and Approval Process (HRAP) Loan Level Certification and Direct Endorsement Lender Review and Approval Process (DELRAP) Loan Level Certification </td> <td data-bbox="803 961 1568 1707"> <ul style="list-style-type: none"> • The project must be listed on FHA’s approved condominium project list at https://entp.hud.gov/idapp/html/condlook.cfm. <ul style="list-style-type: none"> ○ Citizens does not submit projects to HUD for approval or re-certification and does not complete DELRAP approvals. • The HUD-9991 FHA Condominium Questionnaire is required and all sections on pages 1 through 3 must be completed. • Loan level Certification: For projects with a current HUD approval number, the DE underwriter must verify the certification on page 3, section 3.f., and the following information provided by the HOA: <ul style="list-style-type: none"> ○ Owner-occupancy must be at 35%. ○ Single entity ownership: <ul style="list-style-type: none"> ▪ Projects with 20 or more units may not exceed 10%. ▪ Projects with less than 20 units - the unit owner may not own more than one unit and no related party may own more than one unit. ○ No more than 15% of unit owners may be more than 60 days past due. ○ All applicable insurance requirements must be met. </td> </tr> <tr> <th data-bbox="402 1707 803 1743">Topic</th> <th data-bbox="803 1707 1568 1743">Requirements</th> </tr> <tr> <td data-bbox="402 1743 803 1887"> Single-Unit Approval </td> <td data-bbox="803 1743 1568 1887"> <ul style="list-style-type: none"> • Delegated Lenders: Follow all Handbook 4000.1 Requirements. • Non-Delegated Lenders: Not permitted. </td> </tr> </tbody> </table> <ul style="list-style-type: none"> • If a project is no longer approved or does not meet Lender Certification criteria, then only an FHA-to-FHA streamline refinance is permitted, with the exception of HUD REO Properties. 	Topic	Requirements	HUD Review and Approval Process (HRAP) Loan Level Certification and Direct Endorsement Lender Review and Approval Process (DELRAP) Loan Level Certification	<ul style="list-style-type: none"> • The project must be listed on FHA’s approved condominium project list at https://entp.hud.gov/idapp/html/condlook.cfm. <ul style="list-style-type: none"> ○ Citizens does not submit projects to HUD for approval or re-certification and does not complete DELRAP approvals. • The HUD-9991 FHA Condominium Questionnaire is required and all sections on pages 1 through 3 must be completed. • Loan level Certification: For projects with a current HUD approval number, the DE underwriter must verify the certification on page 3, section 3.f., and the following information provided by the HOA: <ul style="list-style-type: none"> ○ Owner-occupancy must be at 35%. ○ Single entity ownership: <ul style="list-style-type: none"> ▪ Projects with 20 or more units may not exceed 10%. ▪ Projects with less than 20 units - the unit owner may not own more than one unit and no related party may own more than one unit. ○ No more than 15% of unit owners may be more than 60 days past due. ○ All applicable insurance requirements must be met. 	Topic	Requirements	Single-Unit Approval	<ul style="list-style-type: none"> • Delegated Lenders: Follow all Handbook 4000.1 Requirements. • Non-Delegated Lenders: Not permitted.
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<p>CONDOS (CONTINUED)</p>	<ul style="list-style-type: none"> • Site Condominiums <ul style="list-style-type: none"> ○ Condominium project approval is not required for site condominiums. ○ A Condominium Rider is required. ○ Refer to Appraisal Section. <p><u>Ineligible Condominium Projects</u></p> <ul style="list-style-type: none"> • Projects where more than 25% of the total space is used for non-residential purposes; • Live/work units where more than 25% of the total project or unit square footage is used for nonresidential purposes; • Condominium Hotel or “Condotels”; • Projects located within a designated coastal barrier; • Projects where the Developer retains ownership of the common areas or amenities once transfer of control has been turned over to the homeowner’s association. 		
<p>CONSTRUCTION-TO-PERMANENT</p>	<ul style="list-style-type: none"> • Refer to Appraisal Standards and Guidelines Chapter for requirements. 		
<p>CREDIT HISTORY</p>	<p><u>Acceptable Credit History:</u></p> <ul style="list-style-type: none"> • TOTAL SCORECARD: Per AUS • Manual Downgrade/AUS Refer: Defined per FHA Handbook 4000.1 Chapter 5.a as: <ul style="list-style-type: none"> ○ All housing and installment debts payments have been made on time in the previous twelve (12) months; and ○ No more than two (2) 30-day late mortgage or installment payments in the previous 24 months; and ○ No major derogatory credit on any revolving accounts in the previous 12 months, defined as: <ul style="list-style-type: none"> ▪ Any payments made more than 90 days after the due date, or ▪ Three (3) or more payments more than 60 days after the due date. <p><u>Bankruptcies (Chapter 7 or 13):</u></p> <ul style="list-style-type: none"> • Refer to FHA Handbook 4000.1, Chapters 4.a and 5.a <p><u>Collections and Judgments:</u></p> <ul style="list-style-type: none"> • Refer to FHA Handbook 4000.1, Chapters 4.a and 5.a <p><u>Disputed Accounts:</u></p> <ul style="list-style-type: none"> • Refer to FHA Handbook 4000.1, Chapters 4.a and 5.a <p><u>Foreclosure and Deed in Lieu of Foreclosure/Short Sale:</u></p> <ul style="list-style-type: none"> • Refer to FHA Handbook 4000.1 Chapters 4.a and 5.a <p><u>Short Payoffs:</u></p> <ul style="list-style-type: none"> • Citizens will not permit a refinance transaction where the payoff statement from the existing lender reflects any curtailments of principal and/or interest (short payoffs) or any charges associated with default/forbearance. <p><u>Forbearance:</u></p> <table border="1" data-bbox="406 1543 1575 1984"> <tr> <td data-bbox="406 1543 1575 1585"> <p>TOTAL Scorecard</p> </td> </tr> <tr> <td data-bbox="406 1585 1575 1984"> <ul style="list-style-type: none"> • A borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the forbearance plan is terminated at or prior to closing. • A mortgage that has been granted forbearance must utilize the payment history in accordance with the forbearance plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA insured mortgage, the forbearance plan must be terminated at or prior to closing. <ul style="list-style-type: none"> ○ Any borrower who is granted a forbearance and is otherwise performing under the terms of the forbearance plan is not considered to be delinquent for purposes of credit underwriting. </td> </tr> </table>	<p>TOTAL Scorecard</p>	<ul style="list-style-type: none"> • A borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided the forbearance plan is terminated at or prior to closing. • A mortgage that has been granted forbearance must utilize the payment history in accordance with the forbearance plan for the time period of forbearance in determining late housing payments. Where any mortgage in forbearance will remain open after the closing of the new FHA insured mortgage, the forbearance plan must be terminated at or prior to closing. <ul style="list-style-type: none"> ○ Any borrower who is granted a forbearance and is otherwise performing under the terms of the forbearance plan is not considered to be delinquent for purposes of credit underwriting.
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**CREDIT HISTORY
(CONTINUED)**

Transaction Type	Guidance
Purchase Rate and Term Refinance Simple Refinance	<ul style="list-style-type: none"> The borrower must have made 3 or more consecutive timely, payments since the completion of the forbearance plan. <ul style="list-style-type: none"> If less than 3 consecutive, timely payments have been made, the loan must be manually downgraded.
Cash-Out Refinance	<ul style="list-style-type: none"> The borrower has made 12 or more consecutive, timely, payments since the completion of the forbearance plan. <ul style="list-style-type: none"> If less than 12 consecutive, timely payments have been made, the loan must be manually downgraded.
Manual Underwriting (Applies to AUS “Refer” recommendation and Manual Downgrades)	
<ul style="list-style-type: none"> All credit history manual underwriting requirements must be met. A borrower who was granted a housing/mortgage payment forbearance and continues to make payments as agreed under the terms of the original note is not considered delinquent or late and shall be treated as if not in forbearance provided the forbearance is terminated at or prior to closing. A mortgage that was subject to mortgage payment forbearance must utilize the mortgage payment history in accordance with the forbearance plan for the time period of the Forbearance in determining late housing payments. <ul style="list-style-type: none"> Any borrower who is granted a forbearance and is otherwise performing under the terms of the forbearance plan is not considered to be delinquent for purposes of credit underwriting. 	
Transaction Type	Guidance
Purchase Rate and Term Refinance Simple Refinance	The borrower must have made 3 or more consecutive, timely, payments since the completion of the forbearance plan.
Streamline Refinance Non-Credit Qualifying	<ul style="list-style-type: none"> A borrower who was granted mortgage payment forbearance on the subject property is eligible for a Non-Credit Qualifying Streamline Refinance and considered to have acceptable mortgage payment history provided that, at the time of case number assignment, the borrower has: <ul style="list-style-type: none"> Completed the forbearance plan on the subject property; and Made at least three consecutive monthly mortgage payments within the month due on the mortgage since completing the forbearance plan. Deferred monthly payments must not be counted towards the seasoning requirements. Primary Residence: Deferred payments, escrow shortages, and late charges may be eligible to be included in the maximum mortgage calculation.
Streamline Refinance Credit Qualifying	<ul style="list-style-type: none"> A borrower who is still in mortgage payment forbearance at the time of case number assignment or has made less than three consecutive monthly mortgage payments within the month due since completing the forbearance plan, is eligible for a Credit Qualifying Streamline Refinance provided the borrower: <ul style="list-style-type: none"> Made all mortgage payments within the month due for the six months prior to forbearance; and Had no more than one 30-Day late payment for the previous six months. Deferred monthly payments must not be counted towards the seasoning requirements. Primary Residence: Deferred payments, escrow shortages, and late charges may be eligible to be included in the maximum mortgage calculation.
Cash-Out Refinance	<ul style="list-style-type: none"> The borrower must have made 12 or more consecutive, timely, payments since the completion of the forbearance plan.

**CREDIT HISTORY
(CONTINUED)**

Documentation Requirements - TOTAL and Manual Underwriting (All transaction types)

- When the mortgage reflects payments under a Modification or Forbearance Plan within the 12 months prior to case number assignment, the following must be provided:
 - Copy of the Modification or Forbearance Plan; and
 - Evidence of the payment amount and date of payments during the agreement term.

Note: A Forbearance Plan is not required if it is confirmed that the forbearance was due to the impacts of COVID-19.

Mortgage Payment History Requirements:

Purchases

- Per TOTAL Scorecard
 - Refer to [Acceptable Credit History - Manual Downgrade/AUS Refer](#) section above for requirements.

Refinances

On all refinances, the borrowers must be current for the month due. The borrower must make their current payment prior to or at closing.

- **Rate/Term and Simple Refinance:**
 - Per TOTAL Scorecard
 - Refer to [Acceptable Credit History - Manual Downgrade/AUS Refer](#) section above for requirements.
- **Streamlines:**
 - Non-Credit Qualifying: 0 x 30 in the last 6 months prior to case number date
 - Credit Qualifying: 0 x 30 in last 6 months prior to case assignment AND no more than 1 x 30 in previous 6 months if greater than 6 months payment history
 - Loans seasoned less than 6 months since the first payment due date or 210 days from the Note Date to case number assignment are not permitted. Minimum of 6 consecutive payments required.
- **Cash-out:**
 - 0 x 30 in last 12 months
 - Cash-out Refinance Transactions must be downgraded to a “refer” and manually underwritten if any mortgage trade line (property where any borrower has an ownership interest), including mortgage line-of-credit payments:
 - Is currently delinquent. (A mortgage payment is considered delinquent if not paid within the month due.)
 - Has had any mortgage delinquencies (not paid within the month due) for the previous twelve (12) month period, or since the borrower obtained the loan, whichever is less.
 - Refer to [Cash-Out - Seasoning Requirements](#) for additional requirements.
 - Properties owned free and clear may be refinanced as cash-out transactions.
 - Not allowed in the state of Texas, regardless of seasoning.

CAIVRS:

- All borrowers must be screened using CAIVRS (Credit Alert Interactive Voice Response System), except for streamline refinances.

Non-Borrowing Spouse

- A Non-borrowing spouse or domestic partner is a person who has an ownership interest in the security property. Non-borrowing spouses or domestic partners are required to sign the security instrument and other applicable documentation in order to perfect a lien in accordance with the governing state law. The option to waive any property right by virtue of being the owner’s spouse or domestic partner must be in accordance with applicable state law.
- CAIVRS is not required for non-borrowing spouses or domestic partners in community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin).

CREDIT HISTORY (CONTINUED)	<p>The following guidelines apply for non-borrowing spouses or domestic partners in community property states:</p> <ul style="list-style-type: none"> • Debts of a non-borrowing spouse must be counted in the borrower’s qualifying ratios • The non-borrowing spouse or domestic partner’s credit performance and credit score is generally not a consideration. • SSN for non-borrowing spouse must be validated with SSA • The credit report must indicate the non-borrowing spouse’s SSN (when an SSN exists) was matched with the SSA, or the file must contain separate documentation indicating that the SSN was matched with the SSA, or provide a statement that the non-borrowing spouse does not have an SSN. Where an SSN does not exist for a non-borrowing spouse, the credit report must contain at a minimum, the non-borrowing spouse’s full name, date of birth, and previous addresses for the last two years.
CREDIT SCORES / NON-TRADITIONAL CREDIT	<ul style="list-style-type: none"> • 620 Minimum FICO Score for all transaction types regardless of AUS recommendation. • The following criteria must be used to determine each individual borrower's Representative Credit Score using the "middle/lower" method. All borrowers are required to have at least one (1) valid score. • If there are: <ul style="list-style-type: none"> ○ Three (3) valid credit scores, the middle score of the three (3) must be selected. ○ Three (3) valid credit scores with two (2) of the same scores, the duplicate score must be selected. ○ Two (2) valid scores, the lower of the two (2) scores must be selected. ○ One (1) valid score, the available score must be selected. • After selecting the Individual Credit Score for each borrower, the Decision Score is determined. • If there is: <ul style="list-style-type: none"> ○ More than one (1) borrower, the lowest selected credit score among all the borrowers is considered the Decision Score. ○ Only one (1) borrower, the selected credit score for the borrower is considered the Decision Score. • Borrowers with non-traditional credit are not acceptable. A loan considered to have non-traditional credit is when one or more borrowers do not have a credit score and/or are establishing a credit history through non-traditional means such as a rental history, utility payments, etc.
DOCUMENTATION	<ul style="list-style-type: none"> • As determined by AUS, or for manually underwritten loans as per HUD Handbook 4000.1, Chapter 5. • If the borrower is not the sole owner of the account, all non-borrower parties on the account must verify in writing that the borrower has full access and use of the funds. • The maximum age for credit documents is 120 days for existing property and for new construction. Document age is measured from the date of the document to the date the note is signed. Credit documents include all income, employment, asset information and credit reports. • See Underwriting section for Verbal Verification of Employment Guidelines. • An IRS Form 4506-C must be signed at closing and included in the file for personal and business tax returns, if business tax returns are applicable. (excluding Non-Credit Qualifying Streamlines) • Refer to Underwriting for 4506-C and Income Validation Requirements. • When signed income tax returns are required, IRS validated transcripts are acceptable in lieu of the live signature requirement. • HUD-92561 “Borrower’s Contract with Respect to Hotel and Transient Use” required for 2-4 units • Loan Underwriting and Transmittal Summary (HUD 92900-LT) most recent version posted at HUD FORMS. • HUD Addendum to URLA (HUD 92900-A) most recent version posted at HUD FORMS.

DOWN PAYMENT	<ul style="list-style-type: none"> All Minimum Required Investment guidelines as per FHA Handbook 4000.1 Chapters 4 and 5 must be met and fully documented. Cash on Hand is not permitted. Loans secured by the First Time Homebuyer Tax Credit are not a source of acceptable funds. Grants/secondary financing involving Neighborhood Stabilization Program funds are not permitted. Sweat Equity is not permitted.
ESCROW HOLDBACKS	<ul style="list-style-type: none"> Non-bank Correspondent Lenders may manage repair escrow funds up to a total of \$1,000. Any amount greater than \$1,000 must be managed by an escrow agent or title company. Correspondent Bank lenders may manage the funds regardless of the repair escrow amount. See Appraisal Standards & Guidelines for complete requirements
ESCROWS	<ul style="list-style-type: none"> Escrow waivers not permitted under any circumstances. No exceptions
FLIPPING REQUIREMENTS	<ul style="list-style-type: none"> Refer to FHA Handbook 4000.1 Chapter 1-General Mortgage Eligibility. Refer to Appraisal Standards & Guidelines
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> Properties may be located in all U.S. states, including the District of Columbia. U.S. Territories not allowed (e.g. Puerto Rico, American Samoa, Northern Marina Islands, Guam, etc.) See website for state specific Geographic Restrictions: Geographic Restrictions Community Property States (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin): <ul style="list-style-type: none"> Debts of a non-borrowing spouse must be counted in the borrower’s qualifying ratios. The non-borrowing spouse’s credit performance is not a consideration. Hawaii: <ul style="list-style-type: none"> Properties located in Lava Zones 1 and 2 are not allowed.
GIFT FUNDS	<p>Eligible Donors:</p> <ul style="list-style-type: none"> A Family Member; Refer to Identity of Interest Transactions for FHA’s definition of a Family Member A close friend with a clearly defined and documented interest in the borrower The borrower’s employer or labor union A charitable organization that does not replenish available gift funds with seller contributions A governmental agency or public entity that has a program providing homeownership assistance to: <ul style="list-style-type: none"> Low- or moderate-income families; or First-time homebuyers <p>Ineligible Donors:</p> <ul style="list-style-type: none"> Any person or entity with an interest in the sale of the property, including but not limited to: <ul style="list-style-type: none"> The builder The seller (except gift of equity for relative) The developer The real estate agent (unless they meet HUD’s definition of a family member) The mortgage broker Other interested party to the transaction Any gift or down payment assistance source where the provider is reimbursed either directly or indirectly by the seller or any interested third party, commonly known as “seller-funded” DPA <p>Documentation for Gift Letters:</p> <ul style="list-style-type: none"> Gift Letters must comply with all requirements per FHA Handbook 4000.1 Chapter 4 and 5 <p>Source of Funds</p>

**GIFT FUNDS
(CONTINUED)**

- It must be determined that the gift funds were not provided by an unacceptable source and were the donor’s own funds.
- Donor’s cash-on-hand is not an acceptable source.

Gifts from Entities:

- Follow all requirements per the [FHA Handbook 4000.1](#) Chapter 4 and Chapter 5

Gift of Equity:

- Only family members as defined in “Identity of Interest” section may provide equity credit as a gift on a property being sold to other family members.

Gifts as Cash Reserves (TOTAL SCORECARD)

- Deposited Prior to Closing
 - Excess gift funds in the borrower’s account may be used as cash reserves (1- and 2-unit properties only) and may be included in the borrower’s account balance when submitting to TOTAL. The gift should be identified separately as gift funds on the FHA Loan Transmittal and 1003.
- Provided at Closing
 - Excess funds from gifts remaining after loan closing may NOT be used as cash reserves. Gift must be submitted to TOTAL as “gift funds” and not included in borrower’s account balance.

Gifts as Cash Reserves (Manual Downgrades)

- Gifts may not be counted as part of the borrower’s reserves under any circumstances for manually underwritten transactions Refer [Reserve Requirements - Manually underwritten loans](#).

Gift Transfer Documentation

If the gift funds:	Then:
<ul style="list-style-type: none"> • Are in the borrower’s account 	Obtain: <ul style="list-style-type: none"> • A copy of the withdrawal document showing that the withdrawal is from the donor’s account, and • Proof of the deposit and/or bank statement showing the deposit, and • Donor’s bank statement is required.
<ul style="list-style-type: none"> • Are to be provided at closing, and • Are in the form of a certified check from the donor’s account 	Obtain: <ul style="list-style-type: none"> • Bank statement showing the withdrawal from the donor’s account (any large deposits must be sourced), and • Copy of the certified check. <i>Note: To avoid funding delays, copies of these documents must be provided and cleared prior to docs.</i>
<ul style="list-style-type: none"> • Are to be provided at closing, and • Are in the form of a cashier’s check, money order, official check, or other type of bank check 	Have the donor provide: <ul style="list-style-type: none"> • Withdrawal document or cancelled check for the amount of the gift, showing that the funds came from the donor’s personal account, and • Donor’s bank statement reflecting the withdrawal from the donor’s account is required and must support the donor had sufficient funds for the amount of the gift. <i>Note: To avoid funding delays, copies of these documents must be provided and cleared prior to docs.</i>

GIFT FUNDS (CONTINUED)	<ul style="list-style-type: none"> • Are to be provided at closing, <p>and</p> <ul style="list-style-type: none"> • Are in the form of an electronic wire transfer to the closing agent <i>(typically these are gifts from governmental or charitable entities)</i> 	<p>Obtain a:</p> <ul style="list-style-type: none"> • Copy of incoming wire evidencing deposit into settlement agent’s account on or before the day of closing and identifying the gifting entity as listed in the underwriting conditions. • Donor’s bank statement supporting the donor had sufficient funds for the amount of the gift. • If gift was deposited into settlement agent’s account <i>after</i> closing docs were signed, Citizens will proceed with loan funding upon receipt of copies of settlement agent’s dated disbursement checks verifying that loan proceeds were not disbursed until after gift funds were received. • Citizens will not allow gifts wired from private gift donors unless the wire can be conclusively identified with an account that has been fully documented and sourced. <p><i>Note: To avoid funding delays, copies of these documents must be provided and cleared prior to docs.</i></p>
	<ul style="list-style-type: none"> • Are to be provided at closing, <p>and</p> <ul style="list-style-type: none"> • Are in the form of a Letter of Legal Obligation (LELO) 	<ul style="list-style-type: none"> • Obtain a LELO which is an alternate method of providing funds at closing. <p><i>Note: To avoid funding delays, copies of these documents must be provided and cleared prior to docs.</i></p>
IDENTITY OF INTEREST TRANSACTIONS	<p>An Identity-of-Interest Transaction is a sale between parties with an existing business relationship or between family members. Business relationship refers to an association between individuals or companies entered into for commercial purposes.</p> <p>Family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:</p> <ul style="list-style-type: none"> • Child, parent or grandparent; <ul style="list-style-type: none"> ○ A child is defined as a son, stepson, daughter, or stepdaughter; ○ A parent or grandparent includes a stepparent/grandparent or foster parent/grandparent • Spouse or domestic partner; • Legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption; • Foster child; • Brother, stepbrother; • Sister, stepsister; • Uncle; • Aunt; or • Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower <p>Maximum LTV for Identity of Interest and Tenant/Landlord Transactions:</p> <ul style="list-style-type: none"> • Follow Requirements per FHA Handbook 4000.1 Chapter 2.A -Allowable Mortgage Parameters 	
INVESTMENT PROPERTIES	<ul style="list-style-type: none"> • 1-unit Streamline Refinance: Permitted • All other transactions: Not permitted 	
LEGAL DOCUMENTATION	<ul style="list-style-type: none"> • FHA Multi-state Fixed Rate Note or the appropriate FHA Fixed Rate Note for the state in which the property is located. • Standard Security Instrument. 	
LOAN TERM	<ul style="list-style-type: none"> • 15, 20, 25 and 30 years 	

LOAN-TO-VALUE	Type of Loan ⁷	Maximum LTV/CLTV
	Purchase ^{1, 5, 6}	96.50% ⁵ / 96.50%
	Rate-and-Term Refinance ⁴	97.75% / 97.75%
	Simple Refinance	97.75% / 97.75%
	Streamline Refinance ^{2, 3}	100%/100%
	Cash-Out Refinance	80% / 80% *

1. **Purchase:** CLTV may be exceeded with approved secondary financing by Government Entity.
2. **Streamline Refinance Only:** Maximum Mortgage Amount may exceed National Housing Act Statutory Limits and Nationwide Mortgage Limits.
3. **Streamline Refinance Only:** Existing Subordinate Financing from an approved Government Entity may remain in place up to the amount of the subordinate lien.
4. LTV is limited to 85% for a borrower who has occupied the subject property as their principal residence for less than twelve (12) months prior to the case number assignment date; or if owned less than 12 months and has not occupied the property for the entire period of ownership.
5. Refer to FHA's [Identity of Interest Transactions](#), if applicable.
6. Refer to FHA's Approved Secondary Residence Requirements if applicable.
7. Refer to [Non-Occupant Co-Borrowers](#), if applicable

*80% LTV/CTLV effective for case numbers assigned on/after 9-1-19.

LOAN TYPE / ELIGIBLE SECTION OF THE ACT

Eligible:

Section of the Act	ADP Code	Brief Description
203(b)	703	Fixed rate loan
	734	Fixed Rate Condominium

Ineligible:
Any Section of the Act not listed above, including but not limited to:

- 203(k) Rehabilitation loan
- 238(c) Military impact area (UFMIP waived)
- 203(h) Disaster Loans
- Non-profit organization as borrowers
- HUD 184 Program - Indian Reservations
- 203(b) Temporary Buydown
- Section 248 Loans
- Section 247-Hawaiian Homelands
- Good Neighbor Next Door Program

MANUAL UNDERWRITING

Manual Underwriting

- Manual underwriting is required for all streamline refinance transactions including streamlines that must be credit qualified to meet FHA requirements. All other FHA transaction types must be run through an AUS system.
 - An AUS Refer must meet all manual underwriting requirements.
- Please see [Credit Score/Non-Traditional Credit](#) section of this product guide.

Manual Downgrade:

- HUD requires the underwriter to manually downgrade an AUS Approve/Accept recommendation to "Refer" and perform a complete manual underwrite based on standard FHA guidelines. Refer to [FHA Handbook 4000.1](#) - "Accept Risk Classifications Requiring a Downgrade to Manual Underwriting" - Chapter 4.a
 - Refer to [Credit History](#) for Forbearance eligibility requirements.

Ratios and Compensating Factors

- Manually Underwritten Transactions that do not meet any of the compensating factors (as listed in the chart below), will be limited to ratios of 31/43 (33/45 for EEMS), without exception. These requirements do not apply to non-credit qualifying streamline transactions.

MANUAL UNDERWRITING (CONTINUED)

Compensating Factors	Minimum Decision Credit Score	Maximum Ratios
No compensating factors required EEM/EEH allows stretch ratios 33/45	620+	31/43
One of the following: 1. 3 months PITI cash reserves (1-2 units) or 6 months PITI cash reserves (3-4 units) 2. New PITI does not exceed the lesser of \$100 or 5% above the old PITI; AND a full 12 mos. housing history w/ max 1x30 or 0x30 for cash out 3. Residual Income	620 and above	37/47
No discretionary debt	620 and above	40/40
Two of the following: 1. 3 months PITI cash reserves (1-2 units) or 6 months PITI cash reserves (3-4 units) 2. New PITI does not exceed the lesser of \$100 or 5% above the old PITI; AND a full 12 mos. housing history w/ max 1x30 or 0x30 for cash out 3. Residual Income 4. Bonus/OT/PT/seasonal income (of the borrower only) that is verified >1 but <2 years, is likely to continue and reduces ratios to 37/47	620 and above	40/50

When compensating factors are required for loan approval per the table above, the compensating factors must be clearly recorded in the “Underwriter Comments” section of the Loan Transmittal.

Residual Income - Manually Underwritten Transactions

When residual income is used as a compensating factor, a worksheet detailing the calculation must be included in the Case Binder.

To be used as a compensating factor, the residual income calculation must equal or exceed the amount associated with the Region, Loan Amount, and Family Size, as indicated on the Table. The VA requirement for 120% of the stated amount does not apply.

When calculating residual income, the following requirements apply:

- Gross Monthly Income must be calculated for occupying borrowers only.
- Non-taxable income may not be “grossed up.”
- When selecting Family Size in the Table, include all occupying household members without regard to the nature of their relationship or whether they are joining on title or the Note.
 - *Exception:* Similar to VA guidelines, the Underwriter may omit individuals who are fully supported from a source of verified income which is not included in effective income in the loan analysis.

MAXIMUM / MINIMUM LOAN AMOUNT

Maximum Loan Amount General Guidelines:

- The base loan amount may not exceed the lesser of:
 - (a) The 2022 [Statutory Mortgage Loan Limit](#) for the county as published by HUD, or
 - (b) The applicable 2022 standard [conforming loan limit](#).
- Streamline refinance transactions are not subject to the National Housing Act’s Statutory Loan Limits or Nationwide Mortgage Limits.
- UFMIP may be added to the calculated base loan amount.
- All loans must be submitted in whole dollar amounts.

Minimum Loan Amount:

- No minimum loan amount requirement.

MORTGAGE INSURANCE (UPFRONT AND MONTHLY MIP)

Upfront and Annual Mortgage Insurance Premiums				
Effective for all FHA loans except Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA endorsed mortgage on or before May 31, 2009				
Term Greater than 15 years				
Base Loan Amount	LTV	UFMIP	Annual	Duration
Less than or equal to \$625,500	≤ 90%	1.75%	0.80%	11 years
	>90% to 95%	1.75%	0.80%	Mortgage Term
	>95%	1.75%	0.85%	Mortgage Term
Greater than \$625,500	≤90%	1.75%	1.00%	11 years
	>90% to 95%	1.75%	1.00%	Mortgage Term
	>95%	1.75%	1.05%	Mortgage Term
Term Less than or Equal to 15 years				
Base Loan Amount	LTV	UFMIP	Annual	Duration
Less than or equal to \$625,500	≤90%	1.75%	0.45%	11 years
	>90%	1.75%	0.70%	Mortgage Term
Term ≤ 15 years not applicable on FHA Jumbo Product				
NOTE: For standard loan limits in high cost areas exceeding \$625,500, refer to the FHA Handbook.				

MORTGAGE INSURANCE (UPFRONT AND MONTHLY MIP) (CONTINUED)

Streamline Refinance/Simple Refinance

For Refinance of previous FHA Mortgage endorsed on or before May 31, 2009				
Base Loan Amount	LTV	UFMIP	Annual	Duration
All	≤90%	0.01%	0.55%	11 years
	>90%	0.01%	0.55%	Mortgage Term
For loans not requiring an appraisal, the value from the previous FHA loan is issued to calculate the LTV				

FHA UFMIP & MIP Payment Process

Detailed information for this process can be found on the Internet at [HUD's Single Family Mortgage Insurance Premium Collection Process](#).

NON-OCCUPANT CO-BORROWERS

- Allowed per FHA published guidelines
 - 2-4-unit properties are limited to a maximum LTV of 75%
- May not be included to meet qualifying requirements for a Cash-Out refinance.

NUMBER OF LOANS/ PROPERTIES

Number of Loans per Borrower

- A borrower may not have more than 1 FHA loan at a time, unless a policy exception applies as described in [FHA Handbook 4000.1](#) Chapter 2 - Allowable Mortgage Parameters and all applicable requirements are met.

Number of Properties per Borrower

- Per FHA policy

<p>OCCUPANCY</p>	<p>Eligible:</p> <ul style="list-style-type: none"> • Owner-occupied primary residence • Investment Property: 1-unit Streamline Refinance • Approved Secondary Residence: Allowed under extremely limited hardship circumstances and only with written approval from the FHA Home Ownership Center with jurisdiction over the property location. Refer to LTV/CLTV Matrix and HUD Approved Secondary Residence Requirements per Handbook 4000.1 <p>Ineligible:</p> <ul style="list-style-type: none"> • Investment properties (unless a 1-unit Streamline Refinance) • Vacation Homes • Secondary residence not approved based on HUD exception.
<p>PROGRAMS & SPECIAL FEATURES</p>	<p><u>Mortgage Credit Certificates</u></p> <ul style="list-style-type: none"> • Citizens will allow MCCs issued by a government entity where the subsidy is paid directly to the borrower each month or allowed as a tax credit on the borrower’s tax return. • MCCs that are paid by the issuer directly to the servicing lender as a supplement to the borrower’s monthly payment are not permitted. • Originating lender must be documented as an approved participant in good standing with the MCC issuing authority. • Lenders delivering a loan with an MCC represent and warrant their responsibility for all requirements prescribed by the issuing authority. Neither Citizens nor the servicing lender will fulfill any special requirements of the issuer or the IRS, including servicing and/or reporting responsibilities. • The documented amount of income or tax savings attributable to the MCC may be added to gross income before calculating ratios. • Copy of the MCC and associated calculations must be in the file. <p><u>Energy Efficient Mortgage (EEM) Program</u></p> <ul style="list-style-type: none"> • Follow all Requirements per FHA Handbook 4000.1. • Lenders to provide a screen print of EEM Calculator in the file. <p><u>Energy Efficient Homes (EEH) Program</u></p> <ul style="list-style-type: none"> • Follow all requirements per FHA Handbook 4000.1. • For existing construction homes: a copy of the Home Energy Score report with a score of “6” or higher must be in the file in order to utilize stretch ratios as shown in the Manual Underwriting Section.

PROPERTY ELIGIBILITY

Eligible

- Purchase, Rate/term, Cash-out Transactions: 1-4 unit attached or detached including condos and PUDs.
- Condos must be FHA-approved.
 - Refer to the [Condos](#) section.
 - Refer to [Geographic Restrictions](#) for ineligible lending area.
- HUD or VA Repo properties - *See the [Appraisal Standards & Guidelines](#) chapter of this manual for additional guidelines and requirements.*
- 3-4-unit properties are subject to an additional “self-sufficiency” test.
- Log homes.
- Properties on a privately maintained road. (See [Appraisal Standards & Guidelines](#))
- Leaseholds:
 - A leasehold interest is real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the property.
 - Ground rent is the rent paid for the right to use and occupy the land. Improvements made by the ground lessee will typically revert to the ground lessor at the end of the lease term.
 - Escrow accounts for ground rents are required.
 - An FHA insured mortgage secured by real estate under leasehold requires a renewable lease with a term of not less than 99 years, or a lease that will extend not less than 10 years beyond the maturity date of the mortgage.
 - Sub-Leasehold Estates are not eligible for FHA financing.

Leasehold documents must:

- Allow the leasehold to be assigned, transferred, mortgaged, and sublet any number of times either without restriction or upon payment of a reasonable fee and delivery of feasible documentation to the lessor.
- Allow the borrower to maintain voting rights in any homeowner’s association.
- Indicate that the borrower will pay taxes, insurance, and HOA dues in relation to the land as well as those being paid on the improvements.
- Be in full force and effect, valid, and in good standing in all aspects.
- Not provide any provisions allowing for the forfeiture or termination of the lease, except for nonpayment of the lease rents.
- Provide stipulations to protect the mortgagee’s interest in the event the property becomes condemned.
- The lease must provide lenders:
 - The right to at least a 30-day notice of any default by the borrower, and
 - The ability to either cure the default or assume the borrower’s rights under the lease.

Leasehold Appraiser Analysis and Reporting Requirements

- The appraiser must analyze and report the terms of the ground lease, including:
 - The amount of the ground rent
 - The term of the lease,
 - If the lease is renewable,
 - If the lease has the right of redemption (the right to obtain a fee simple title by paying the value of the leased fee to the lessor, thereby cancelling the ground rent) and
 - If the ground rent can increase or decrease over the life of the lease term.
- The appraiser must estimate and report the value of the leasehold interest as described in the HUD Handbook - Appraiser and Property Requirements Chapter - “Valuation of Leasehold Interests”

Ineligible

- Properties which are not primarily residential in nature and use, such as:
 - Commercial enterprises
 - Boarding houses
 - Hotels, motels and condotels
 - Tourist houses

<p>PROPERTY ELIGIBILITY (CONTINUED)</p>	<ul style="list-style-type: none"> ○ Private clubs ○ Bed and breakfast establishments ○ Other transient housing • Vacation homes • Fraternity and sorority houses • Properties sold within 90 days of seller’s acquisition not meeting FHA Property Flipping exception. • Any property where the seller is not the owner of record • All non-owner occupied properties • Manufactured or mobile housing • Multiple unit condos • Spot Condos • Co-ops • Geodesic Domes, Earth Berms • Builder trade equity • Hawaii Lava Zones 1 and 2 • 3-4-unit properties in Hawaii • Properties without any direct vehicular access (considered as unique) • Properties with sinkholes • Community Land Trusts • Container Homes • Non-traditional or niche property types that have limited marketability, comparable property valuation capabilities, or construction • Properties with new or existing PACE (Property Assessed Clean Energy) Liens • Properties located in areas where a valid security interest in the property cannot be obtained, such as Indian Tribal Lands
<p>PROPERTY INSPECTIONS</p>	<ul style="list-style-type: none"> • Properties under one year old require all applicable mandatory inspections, treatment and testing, even if previously occupied. <ul style="list-style-type: none"> ○ All FHA inspector requirements must be followed. <p><u>Termite</u></p> <ul style="list-style-type: none"> • For existing properties over one year old, an inspection is only required if the appraisal indicates there may be a problem. • Refer to Termite Treatment Exception Areas <p><u>Well and Septic</u></p> <ul style="list-style-type: none"> • Wells and Other Water Systems: Refer to FHA Handbook 4000.1 - Property Requirements. <ul style="list-style-type: none"> ○ Properties with water purification systems are NOT eligible if the system is required to make the water safe. Systems installed to improve the taste or softness of the water are acceptable • Septic Systems: Refer to FHA Handbook 4000.1 - Property Requirements. <p><u>State and Local Requirements</u></p> <ul style="list-style-type: none"> • Citizens will generally rely on the appraiser and Realtor (via the sales contract) for notification of mandatory state or local inspections.
<p>QUALIFIED MORTGAGE (QM)</p>	<p>All loans, regardless of loan product type sold to Citizens, must conform to Qualified Mortgage (QM) guidelines per Dodd Frank regulations.</p>
<p>RATIOS</p>	<ul style="list-style-type: none"> • TOTAL SCORECARD: <ul style="list-style-type: none"> ○ FICO < 640: May not exceed 50%, regardless of AUS ○ FICO ≥ 640: Per AUS • Manual: <ul style="list-style-type: none"> ○ For manually underwritten loans (excluding non-credit qualifying streamlines), refer to Manual Underwriting.

REFINANCE TRANSACTIONS

- If the subject property has been owned as the borrower's principal residence less than 12 months prior to the case number assignment date, use the lesser of the sales price of the property when acquired or the current appraised value.
 - A sales price does not have to be considered if the property was acquired as the result of inheritance and is or will become the borrower's principal residence.
 - Refer to [Cash-Out Refinances](#) for additional requirements.

Rate and Term:

A no cash-out refinance of any mortgage in which all proceeds are used to pay off eligible existing liens on the subject property and eligible costs associated with the transaction

- Rate and Term refinance transactions are permitted for owner-occupied principal residences and HUD approved secondary residences.
- Include evidence the borrower currently occupies the property and determine the length of time the borrower has occupied the subject property.
- Mortgage Payment History Requirements: Refer to [Credit History](#)
- Maximum LTV/CLTV: Refer to [Loan-to-Value](#)
- Cash back to the borrower at closing may not exceed \$500.00 (Note: must be zero in Texas).
- Refer to [Credit History](#) - Forbearance, if applicable.

Calculating Maximum Mortgage Amount:

The maximum mortgage amount for a Rate and Term Refinance transaction is the lesser of:

- The Nationwide Mortgage Limit;
- The maximum LTV ratio based on the transaction; or
- The sum of existing debt and costs associated with the transaction as follows:
 - Existing Debt includes:
 - The unpaid principal balance of the first mortgage as of the month prior to mortgage disbursement;
 - The unpaid principal balance of any purchase money junior mortgage liens as of the month prior to mortgage disbursement;
 - The unpaid principal balance of any junior liens over 12 months old as of the date of mortgage disbursement. If the balance or any portion of an equity line of credit in excess of \$1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the property, that portion above and beyond the \$1,000 of the line of credit is not eligible to be included in the new loan;
 - PACE Lien payoff (must be paid off in full);
 - Ex-spouse or Co-owner equity. Refer to [Refinance to Buy Out Title Holder Equity](#);
 - Interest due for the existing mortgage(s);
 - Mortgage Insurance Premium (MIP) due on existing mortgage (if applicable);
 - Any prepayment penalties assessed;
 - Late charges;
 - Escrow shortages
 - Allowed costs includes:
 - All borrower paid costs associated with the new mortgage; and
 - Any borrower-paid repairs required by the appraisal;
- Less any refund of the Upfront Mortgage Insurance Premium (UFMIP)

Simple Refinance:

A no cash-out refinance of an existing FHA-insured mortgage in which all proceeds are used to pay off the existing FHA-insured mortgage on the subject property and eligible costs associated with the transaction. An appraisal is required.

- Simple Refinance transactions are permitted for owner-occupied principal or HUD approved secondary residences with an existing FHA-insured mortgage.
- Include evidence the borrower currently occupies the property as their principal residence.
- Mortgage History Payment Requirements: Refer to [Credit History](#).
- Maximum LTV/CLTV: Refer to [Loan-to-Value](#)

**REFINANCE
TRANSACTIONS
(CONTINUED)**

- Cash back to the borrower at closing may not exceed \$500.00(Note: must be zero in Texas).
- Refer to [Mortgage Insurance](#) for applicable premiums.
- Refer to [Credit History](#) - Forbearance, if applicable.

Calculating Maximum Mortgage Amount:

The maximum mortgage amount for a Simple Refinance is the lesser of:

- The Nationwide Mortgage Loan Limit;
- The Maximum LTV ratio based on the transaction; or
- The sum of existing debt and costs associated with the transaction as follows:
 - Existing Debt includes:
 - The unpaid principal balance of the FHA-insured first mortgage as of the month prior to mortgage disbursement;
 - PACE Lien payoff (must be paid off in full);
 - Interest due on the existing mortgage;
 - MIP due on the existing mortgage;
 - Late charges; and
 - Escrow shortages
 - Allowed costs include:
 - All borrower-paid costs associated with the new mortgage, EXCEPT discount points; and
 - Borrower-paid repairs required by the appraisal;
- Less any refund of UFMIP

Streamline Refinance:

A refinance of an existing FHA-insured loan, with no appraisal required. There are two options available:

- Credit Qualifying: A full credit and capacity analysis is required.
- Non-Credit Qualifying: Credit and capacity analysis is not required

The following applies to all Streamline Refinance Transactions:

- Streamline Refinance transactions are permitted for the following occupancy types with existing FHA-insured mortgage:
 - Owner-occupied principal,
 - HUD-approved secondary residences, or
 - 1-unit investment property
- All Streamline Refinance transactions do not require an appraisal.
- At the time the case number is assigned the original value from FHAC for the loan being refinanced must be obtained and used as the appraised value. If an original value is not provided, the LTV ratio must be considered to be less than 90% for the purpose of determining the term of the annual premium.
- Streamline transactions are either credit qualifying or non-credit qualifying.
- All streamline refinance transactions are not subject to the National Housing Act's Statutory Loan Limits or Nationwide Mortgage Limits.
- CAIVRS is not required on Streamline Refinances.
- Citizens minimum credit score requirements must be met for all borrowers and entered into FHAC.
- Refinance Authorization Results from FHAC must be included in the file.
- All Streamlines require manual underwriting.
- Net Tangible Benefit Requirements in this section must be met.
- The underwriter must review the borrower's employment documentation or obtain utility bills to evidence the borrower currently occupies the property as their principal residence.
- Mortgage Payment History is required: Refer to [Credit History](#)
- Maximum LTV/CLTV: Refer to [Loan-to-Value](#)
- Cash back to the borrower at closing may not exceed \$500.00(Note: must be zero in Texas).
- Refer to [Mortgage Insurance](#) for applicable premiums.
- Refer to [Credit History](#) - Forbearance, if applicable.

Mortgage Seasoning Requirements - Streamline Refinances

- On the date of the case number assignment:

**REFINANCE
TRANSACTIONS
(CONTINUED)**

- The borrower must have made six (6) consecutive payments within the month due on the FHA-insured loan being refinanced;
- At least six (6) full months have passed since the first payment due date of the loan being refinanced;
- At least 210 days must have passed from the closing date of the loan being refinanced; and
- If the borrower assumed the FHA loan being refinanced, they must have made six (6) payments since the time of assumption.
- The first payment due date of the new loan cannot occur earlier than 210 days after the first payment due date of the previous loan.
- Refer to [Credit History - Mortgage Payment History](#)

Net Tangible Benefit - Streamline Refinances

- A Net Tangible Benefit is a reduced Combined Rate, a reduced term, and/or a change from an ARM to Fixed Rate that results in a financial benefit to the borrower.
- The Combined Rate is the interest rate on the mortgage plus the Mortgage Insurance Premium (MIP) rate.
- It must be determined that there is a net tangible benefit to the borrower meeting the standards in the following table for all Streamline Refinance transactions.

Streamline Refinance WITHOUT a Term Reduction OR with a reduction of less than 3 Years		
From:	To:	New combined rate must be:
Fixed Rate	Fixed Rate	At least 0.5 percentage points below the prior combined rate
ARM	Fixed Rate	No more than 2 percentage points above prior combined rate
Streamline Refinance WITH a Term Reduction of 3 Years or More		
From:	To:	New combined rate must be:
Fixed Rate	Fixed Rate	Below the prior combined rate
ARM	Fixed Rate	No more than 2 percentage points above prior combined rate
The combined principal, interest, and MIP payment of the new loan must not exceed the combined principal, interest, and MIP payment of the refinanced loan by more than \$50.		

Maximum Mortgage Calculation for Streamline Refinances:

The maximum base loan amount for Streamline Refinance (other than investment properties or forbearance) transactions is the lesser of:

- The outstanding principal balance of the existing mortgage as of the month prior to the mortgage disbursement; plus
 - Interest due on the existing mortgage (primary residence only); and
 - MIP due on the existing mortgage (primary residence only); OR
- The original principal balance of the existing mortgage (including financed UFMIP);
 - Less any refund of UFMIP
- Late charges and escrow shortages may not be included in the unpaid principal balance.
- Loans in Forbearance:
 - Refer to [Mortgage Letter 2020-30](#)

Maximum Mortgage Amortization Period

The maximum amortization period of a Streamline Refinance is limited to the lesser of:

- The remaining amortization period of the existing mortgage plus 12 years; or
- 30 years

Streamline Refinance Non-Credit Qualifying

- A borrower is eligible for a Streamline Refinance without credit qualifying if all borrowers on the existing mortgage remain as borrowers on the new mortgage.
- Mortgages that have been assumed are eligible provided the previous borrower was released from liability.
- A borrower on the mortgage to be refinanced may be removed from title and the new mortgage in the cases of divorce, legal separation or death when:
 - The divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining borrower, if applicable; AND

**REFINANCE
TRANSACTIONS
(CONTINUED)**

- The remaining borrower can demonstrate that they have made the mortgage payments for a minimum of six months prior to case number assignment
- An abbreviated Uniform Residential Loan Application (URLA) may be used on non-credit qualifying Streamline Refinances. Sections 1b-e, 2,2 or 5 are not required to be completed, with the exception of 5a.A (Occupancy) which must be answered. All other information is required.

Streamline Refinance Credit Qualifying

- At least one borrower from the existing mortgage must remain as a borrower on the new mortgage.
- All credit underwriting requirements must be met:
 - Verify the borrower's income and full tri-merge credit report. Non-borrowing Spouse credit report is required. Refer to [Non-Borrowing Spouse](#).
 - Compute the debt-to-income ratios, and
 - Determine that the borrower will continue to make mortgage payments.
 - A full loan application must be completed, signed and dated by the borrower.
- Streamline Refinances must be manually underwritten. Refer to Manual Underwriting requirements in the applicable sections of the [FHA Handbook 4000.1](#).

Funds to Close

Funds needed to close in excess of the new total mortgage payment must be verified and documented as follows:

- A written VOD and the most recent statement for each amount, OR
- A statement showing the previous month's ending balance for the most recent month is required. If the previous month's balance is not shown, then the most recent two months consecutive statements are required.
- The above requirements apply to both credit-qualifying and non-credit-qualifying.

Cash-Out:

A refinance of any mortgage to take additional proceeds not limited to a specific purpose or a withdrawal of equity when there is no existing mortgage.

- Cash-out is permitted for owner occupied principal residences only.
- Cash out refinances are not allowed in the state of Texas.
- Income from a non-occupant co-borrower may not be used to qualify.
- The subject property must have been owned and occupied by the borrower as their principal residence for the twelve (12) months prior to the date of case number assignment.
 - In the case of an inheritance, the borrower is not required to occupy the subject property for a minimum period of time before application provided that the borrower has not used the property as an investment property at any point since inheritance of the property. If the borrower rented out the property following inheritance, the borrower would not be eligible for a cash-out transaction until the borrower has occupied the property as a principal residence for at least twelve (12) months.
 - Include evidence the borrower has occupied the subject property as their principal residence for the twelve months prior to case number assignment.
- Mortgage Payment History Requirements: Refer to [Credit History](#).
- Seasoning Requirements for properties with mortgages:
 - Six (6) consecutive months of mortgage payments are required on the loan being refinanced beginning with the payment made on the first payment due date; and
 - The first payment due date of the new loan cannot occur earlier than 210 days after the first payment due date of the previous loan.
- Properties owned free and clear may be refinanced as cash-out transactions.
- The maximum LTV/CLTV is 80%.
 - The LTV/CLTV is based off the appraised value if the property was acquired as the result of inheritance and is or will become the borrower's principal residence.
 - If the borrower rents out the property, they would not eligible be for a cash-out refinance until they have occupied the property as their principal residence for at least 12 months.
- Refer to [Credit History](#) - Forbearance, if applicable.

**REFINANCE
TRANSACTIONS
(CONTINUED)**

Properties Recently Listed for Sale

- All Refinance Transactions:
 - Evidence the listing agreement was canceled at least one day prior to application.
 - The loan file must also document a letter of intent signed by the borrower acknowledging they do not intend to relist the property for 12 months after the note date.

Refinance to Buy Out Title Holder Equity

When the purpose of the new loan is to refinance an existing mortgage in order to buy out existing title-holder equity, the specified equity to be paid is considered property-related indebtedness and is eligible to be included in the new mortgage calculation.

- Documentation of the divorce, property settlement, estate disposition or other bona fide equity agreement must be provided to document the equity awarded to the title holder. Proceeds are disbursed directly to the ex-spouse, domestic partner, or authorized agent and are reflected on the Closing Disclosure. Proceeds must not be disbursed to the borrower.
- Borrower who will be acquiring sole ownership must receive no cash out from the transaction.

Refinancing to Pay off Recorded Land Contract

- If the borrower will use the loan to complete payment on a land contract, contract for deed or other similar type financing arrangement in which the borrower does not have title to the property, the new mortgage may be processed as either a purchase or a refinance transaction with maximum FHA-insured financing if the borrower receives no cash at closing.
- If the property was acquired less than 12 months preceding the loan application; then all loan proceeds are to be used to pay the outstanding balance on the land contract, plus eligible repairs and renovations, the appropriate LTV ratio is applied to the lesser of:
 - The appraised value of the land and improvements; or
 - The total cost to acquire the property (the original purchase price, plus any documented costs the purchaser incurs for rehabilitation, repairs, renovation, or weatherization), plus allowable closing costs and, reasonable discount points, if treated as a refinance.
- Equity in the property (original sales price minus the amount owed) may be used for the borrower's entire cash investment. However, if the property was acquired less than 12 months earlier, and the borrower receives more than \$500 cash at closing, the loan is limited to an 80% LTV.
- Replenishment of the borrower's own cash expended for repairs, improvements, renovation, or weatherization is not considered as "cash back," provided the borrower can substantiate with cancelled checks and paid receipts all out-of-pocket funds spent for those purposes.
- Payoff statements are required on all existing mortgages
- Cash out transactions used to pay off land contracts or refinances on properties subject to ground rents should be processed as if they were cash out transactions on properties held in fee simple.

Refinance of Privately Held Mortgage

- Transactions which involve refinancing a privately held mortgage require the following:
- 12 months of mortgage payments, verified by canceled checks or bank statements (if the payment is automatically withdrawn from the borrower's account). If the account has been opened less than 12 months, verification of all payments made is required.
- Evidence that the mortgage being paid off is a current recorded lien against the subject property.

**SELLER/IPC
CONTRIBUTIONS**

- Seller/Interested Party contributions must not exceed 6% of the sales price.
- Included in the 6% limitation is the payment of the UFMIP.

<p>SUBORDINATE FINANCING</p>	<p><u>Purchase Transactions with Subordinate Financing</u> The following secondary financing is not permitted:</p> <ul style="list-style-type: none"> • Neighborhood Stabilization Programs (NSP) funds, regardless of the source. • A special designated servicer is required for the first lien or imposes any servicing or resale restrictions on the first lien • Bond Programs • All Documentation requirements must be met as per the HUD Handbook 4000.1 <p><u>Refinance Transactions with Subordinate Financing</u></p> <ul style="list-style-type: none"> • Refinance transactions must meet all additional requirements for secondary financing as stated in the HUD Handbook. • New subordinate financing is permitted and must meet the same requirements as purchase transactions. • An existing Neighborhood Stabilization Program (NSP) lien may be resubordinated within the allowable program parameters. • Borrower must qualify for making scheduled payments on all liens (except non-credit qualifying streamline refinance transactions). • The terms of any subordinate financing must be verified with a copy of the subordinate financing Note. Refer to Loan-to-Value. • There are no seasoning requirements on second liens being re-subordinated. <p>The following secondary financing is not permitted on any refinance transaction:</p> <ul style="list-style-type: none"> • Existing subordinate financing that is delinquent, in arrears, or not current for the month due, that will be re-structured or re-subordinated for less than the total amount due. <p>Rate and Term/Simple:</p> <ul style="list-style-type: none"> • Existing subordinate financing may remain in place. CLTV cannot exceed the maximum allowable LTV for the transaction. <p>Streamline:</p> <ul style="list-style-type: none"> • Existing subordinate financing from an approved Government Entity may remain in place up to the amount of the existing lien <p>Cash out:</p> <ul style="list-style-type: none"> • CLTV cannot exceed the maximum allowable LTV for the transaction.
<p>TEMPORARY BUYDOWNS</p>	<ul style="list-style-type: none"> • Not permitted
<p>TOTAL MORTGAGE SCORECARD</p>	<ul style="list-style-type: none"> • All loans must be scored through TOTAL Mortgage Scorecard, except Streamlines.
<p>UNDERWRITING</p>	<p><u>General Underwriting Information</u></p> <ul style="list-style-type: none"> • The more restrictive of Citizens or HUD Handbook requirements apply • Lenders are responsible for complying with all applicable FHA/HUD regulations as further modified by the guidelines within this product description. • All FHA loans must be submitted through AUS except for Streamline Refinances. AUS approvals requiring manual downgrades must comply with Manual Underwriting requirements. We will purchase loans that receive an Approve/Accept or Refer. The Refer must be approved by a DE Underwriter and comply with FHA and Citizens guidelines and regulations. • Loans using DPA must receive AUS approval or qualify for manual underwriting approval under Citizens DPA underwriting guidelines. • Dual Employment/Conflict of Interest: <ul style="list-style-type: none"> ○ Companies that are HUD-approved and originate FHA loans must require their employees to be under their employment exclusively. Other employment in any real estate-related field, including part-time or self-employment, is prohibited for any employee of a HUD-approved entity that originates/ works on FHA loans.

UNDERWRITING (CONTINUED)

- Companies that are not HUD-approved and originate FHA loans must require their employees to be under their employment exclusively, unless it is determined that an employee's other outside employment does not create a conflict of interest situation. A conflict of interest is defined as an employee having multiple roles in a single FHA-insured transaction.
- Citizens does not underwrite CEMA loans in New York.
- Refer to the Prohibited Customers and Accounts information in the [Anti-Money Laundering](#) chapter.

Employees of non-HUD-approved companies originating FHA insured loans are prohibited from having multiple roles and/or multiple sources of compensation in a single FHA-insured transaction.

- Citizens will not purchase or approve loans where the case number assignment date is prior to the loan application date, except in the case of an unexpired appraisal that was:
 - Ordered for a different loan applicant, or
 - Ordered for the same loan applicant when they applied with a different company
- The [HUD Limited Denial of Participation \(LDP\) list](#) and the [General Services Administration System for Award Management \(GSA/SAM\) Excluded Party List](#) must be checked as per the FHA Handbook. Any entity noted on either of the LDP and GSA lists will cause the loan to be ineligible.
- See [FHA Jumbo Addendum](#)

Assets

- Unless otherwise noted, document assets in accordance with FHA standard policies.
- Ineligible Assets include, but are not limited to:
 - Any funds derived from assets that do not meet agency or Citizens policies
 - Funds derived from the employment or ownership in a Marijuana/Hemp-Related business cannot be used towards down payment, closing costs, prepaids, and/or reserves.
 - Co-owners of the subject property (regardless of borrower status) cannot provide funds for down payment, closing costs, prepaids, and/or reserves if they have an ownership in a Marijuana/Hemp-Related business.
 - Cryptocurrency (Digital/Virtual Currency; i.e., Bitcoin)
 - Refer to [Down Payment](#) for additional asset restrictions

Self-Employed Borrowers

- Business credit report is required for all manually underwritten self-employed borrowers.
- A verbal verification of employment (VVOE) must be completed not more than 30 calendar days prior to closing for all self-employed borrowers. The date the borrowers sign the note is considered the closing date. Lenders must document all verbal conversations and the source of the information obtained along with the name and title of the employee who obtained the information.
- Verify the existence of the borrower's business from a third party that may include a CPA, regulatory agency, or appropriate licensing bureau; or
- Verify a phone listing and address for the borrower's business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau.
- Processor certification is not permitted.

Employment and Income

- Unless otherwise noted, document employment and income in accordance with FHA standard policies.
- Projected/Expected Income: Cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 days of closing may be considered as effective income. The following are the requirements:
 - Verify and document the existence and the amount of the expected income with the employer in writing. It must be guaranteed to begin within 60 days of closing.
 - Calculate the income off the expected amount according to the standards for the income type.

**UNDERWRITING
(CONTINUED)**

- Verify sufficient income or cash reserves to support the mortgage payment and other obligations between the closing date and the date of receipt of the expected income.
- VOE(s) required to document most recent 2 year history.
- Paystub from current job (former employer)
- If new job, verify the new employment is in the same line of work.
- Verbal employment verification to confirm start date for new employment.
- For projected/expected retirement income:
 - Verify the amount that is guaranteed to begin with 60 days of closing.
NOTE: Social Security Income used as projected income is only eligible if it is for retirement benefits. Other types of SSI may only be counted as effective income on the specified start date.
- Projected/expected income derived from a family owned business may not be considered as effective income.

Verbal VOE Requirements

- **ALT DOC Loans:** Lenders must complete an initial VVOE and a re-verification verbal within 10 calendar days of the Note Date that includes the following information:
 - Name of lender.
 - Lender's employee to list their name, title and date the verification was completed.
 - Name of borrower's employer.
 - Date of call.
 - Name and title of person at the employer's office providing the information.
 - Source of the phone number.

- **FULL DOC Loans:** Lenders must complete a VVOE within 10 calendar days of the Note Date with the same information as shown above.

In all cases, the lender is responsible for the accuracy of the VVOE. It is acceptable for Correspondent lenders to utilize automated systems such as Talx or the Work Number. Lenders may also utilize the services of third parties, and when doing so, continue to accept full responsibility for the accuracy of the results.

- **Public Assistance Housing Vouchers used in qualifying:** Must be added to income and paid directly to the borrower. Follow all other HUD requirements for documentation and continuance.

Medical Marijuana Dispensaries/Marijuana-Related Business (MRB)/Hemp-Related

- **Marijuana-Related (MRB)/Hemp-Related Business/Employment**
 - If a borrower identifies themselves as an owner (regardless of ownership percentage) of a Marijuana-Related/Hemp-Related business, the loan is ineligible even if the income derived from the business is not being used to qualify.
 - If the borrower is an employee of an MRB or Hemp-Related business, the income from the employment cannot be used to qualify
- **Assets used in the transaction.**
 - Refer to [Assets - Ineligible Assets](#) above
- **Properties where Marijuana/Hemp is being cultivated or stored for sale, regardless of its permissibility under state law, (or federal for Hemp) are not eligible.**

INCOME VALIDATION/4506-C Requirements

- **4506-C:**
 - IRS Form 4506-C must be signed at closing and included in the file for personal and business tax returns, if business tax returns are applicable. (excluding Non-Credit Qualifying Streamlines)
- **Income Validation:** Citizens policy requires income validation for all loans (excluding Non-Credit Qualifying Streamlines as follows:
 - **W-2 Wage Earners:** Processed transcripts are not required for borrower when the income used to decision the loan is made up exclusively of wage earner income reported on a W-2 and/or fixed income reported on a 1099 (such as Social Security or VA Benefits) and the income type does not require tax returns.
 - **All other income types** (Non W-2 wage earners or W-2 wage earners with additional qualifying income that is not reported with a W-2):
 - Include One Year IRS Transcript (most recent year) when AUS feedback requires one year of income documentation.

UNDERWRITING (CONTINUED)

- Include Two Years IRS Tax Transcripts (most recent consecutive two years) when AUS feedback requires two years of income documentation.

Note: Two years IRS 1040 Transcripts are required on all loans when the borrower is employed by a relative or closely held family business.

- **Transcripts unable to be processed**
 - If the IRS returns message 10 stating transcripts are unable to be processed:
 - The determination from the IRS that the request could not be processed must be included in the file; and
 - Transcripts may be requested and provided by the borrower. NOTE: When borrower provided transcripts are utilized, the file must include the IRS determination message (unable to process) from the attempt to order transcripts by third party in the file.
 - Refer to Correspondent National Bulletin 2015-15 for additional information.

Additional Underwriting Requirements

- **Lead Based Paint Requirements:** Lenders are responsible for ensuring that the seller has complied with all HUD's Lead Based Paint Disclosure requirements per [Handbook 4000.1](#); for properties where this applies, the Lender must perform a thorough review of the sales contract and all attachments to ensure that these requirements are met.
- **Seller Rent Backs** are limited to a maximum of 60 days per the security instrument.

Purchasing a Short Sale

- A borrower purchasing a property from a seller who is selling their home for less than the amount owed to the lender is considered a short sale. Borrowers purchasing a home that is being sold under a short sale are generally eligible provided:
 - The transaction is arm's length involving a realtor and formal sales contract.
 - There is no relationship or identity of interest between buyer and seller.
 - Short sale approval letter from all existing mortgage lien holders accepting the discounted sales price on the subject property must be provided and retained in the loan file.
 - All liens are extinguished with the sales proceeds.
 - Any earnest money deposits must be verified with a bank statement or a print out from the bank at the time the earnest money check cleared the borrower's account, regardless of amount.
 - The borrower is not involved in negotiations with the lien holder(s) to facilitate the short sale.
- An in-depth review of the following must be completed for any red flags detected in the transaction. Documentation of the resolution of any red flags must be included in the loan file:
 - Purchase contract (including all addendums and short sale addendum)
 - Appraisal
 - Title
 - Closing Disclosure
- There are cases where the borrower may elect to pay additional fees or payments related to acquiring the property that is typically the responsibility of the seller. In these instances, the following requirements apply:
 - The borrower must be provided with written details of the additional fees or payments. The additional funds required to complete the transaction must be documented on the purchase contract and/or addendum.
 - The servicer or servicers agreeing to the short sale must be provided with written details of the fees or payments and has the option of renegotiating the payoff amount to release the lien(s) against the subject property.
 - All parties (buyer, seller, and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees or payments.
 - The Closing Disclosure must include all fees and payments associated with the transaction.

Note: If the borrower pays short sale processing fees or short sale negotiation fees, the fee must be treated as a sales concession if any portion of the fee is reimbursed by an interested party to the transaction.

FHA Jumbo Fixed Rate Addendum

General Description:

The FHA mortgage limit in counties determined by HUD to be “high-cost areas” cannot exceed 150% of the current national loan limit. All FHA Standard Fixed Rate guidelines must be met if not addressed below.

- [Appraisal](#)
- [Condos](#)
- [Credit History](#)
- [Credit Scores/Non-Traditional Credit](#)
- [Down Payment Assistance](#)
- [Escrow Holdbacks](#)
- [Gift Funds](#)
- [Investment Properties](#)
- [Leaseholds](#)
- [Loan Term](#)
- [Loan-to-Value](#)
- [Maximum/Minimum Loan Amount](#)
- [Non-Occupant Co-Borrowers](#)
- [Number of Loans/Properties](#)
- [Occupancy](#)
- [Programs & Special Features](#)
- [Property Eligibility](#)
- [Qualified Mortgage](#)
- [Ratios](#)
- [Refinance Transactions](#)
- [Subordinate Financing](#)
- [Temporary Buydowns](#)
- [Underwriting](#)

APPRAISAL	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Appraisal
CONDOS	<ul style="list-style-type: none"> Condominiums are eligible. Refer to FHA Standard Fixed Rate - Condos
CREDIT HISTORY	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Credit History
CREDIT SCORES / NON-TRADITIONAL CREDIT	<ul style="list-style-type: none"> 640 minimum FICO for all transaction types regardless of AUS recommendation
DOWN PAYMENT ASSISTANCE (ALSO SEE GIFT FUNDS)	<ul style="list-style-type: none"> Not permitted
ESCROW HOLDBACKS	<ul style="list-style-type: none"> Escrow holdbacks are permitted. See FHA Standard Fixed Rate - Escrow Holdbacks.
GIFT FUNDS (ALSO SEE DOWN PAYMENT ASSISTANCE)	<ul style="list-style-type: none"> Gift funds are allowed, <i>same as FHA Standard Product except:</i> <ul style="list-style-type: none"> Gift source cannot be from a down payment assistance program.
INVESTMENT PROPERTIES	<ul style="list-style-type: none"> Not permitted
LEASEHOLDS	<ul style="list-style-type: none"> Permitted. Refer to FHA Standard Fixed Rate - Property Eligibility - Leaseholds
LOAN TERM	<ul style="list-style-type: none"> 30 year term only
LOAN-TO-VALUE	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Loan-to-Value
MAXIMUM / MINIMUM LOAN AMOUNT	<p>Maximum Loan Amount:</p> <ul style="list-style-type: none"> The base loan amount may not exceed the lesser of: <ul style="list-style-type: none"> The 2022 Statutory Mortgage Loan Limit for the county as published by HUD, or The 2022 conforming high balance limit for 1 or 2-unit property Financed UFMP may be added to the base loan amount. <p>Minimum Loan Amount:</p> <ul style="list-style-type: none"> \$1 over the 2022 applicable standard conforming county loan limit
NON-OCCUPANT CO-BORROWERS	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Non-Occupant Co-Borrowers

NUMBER OF LOANS/PROPERTIES	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Number of Loans/Properties
OCCUPANCY	<p>Eligible:</p> <ul style="list-style-type: none"> Owner-occupied primary residence Approved Secondary Residence: Allowed under extremely limited hardship circumstances and only with written approval from the FHA Home Ownership Center with jurisdiction over the property location. Refer to LTV/CLTV Matrix and HUD Approved Secondary Residence Requirements per Handbook 4000.1 <p>Ineligible:</p> <ul style="list-style-type: none"> Investment properties Vacation Homes Secondary residence not approved based on HUD exception.
PROGRAMS & SPECIAL FEATURES	<p>Same as the FHA Standard Fixed Rate Product except:</p> <ul style="list-style-type: none"> MCCs are not permitted
PROPERTY ELIGIBILITY	<p>Same as the FHA Standard Fixed Rate Product except:</p> <ul style="list-style-type: none"> 3-4-unit properties are not permitted. <ul style="list-style-type: none"> 2-unit properties are not permitted in Hawaii.
QUALIFIED MORTGAGE (QM)	<ul style="list-style-type: none"> All loans, regardless of loan product type sold to Citizens, must conform to Qualified Mortgage (QM) guidelines per Dodd Frank regulations.
RATIOS	<ul style="list-style-type: none"> Per AUS
REFINANCE TRANSACTIONS	<p>Same as the FHA Standard Fixed Rate Product except:</p> <ul style="list-style-type: none"> Streamline Refinance: Investment properties are not permitted
SUBORDINATE FINANCING	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Subordinate Financing
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> Not permitted
UNDERWRITING	<ul style="list-style-type: none"> Refer to FHA Standard Fixed Rate - Underwriting