



# FHA STANDARD PROGRAM GUIDELINES

Last Updated 4/26/2021

Overlays to FHA guidelines are underlined

PURCHASE			
Occupancy	Units	FICO	LTV/CLTV
Primary Residence	1-4	<u>620</u>	96.5/96.5
NO CASH-OUT REFINANCE			
Occupancy	Units	FICO	LTV/CLTV
Primary Residence	1-4	<u>620</u>	97.5/97.5
CASH-OUT REFINANCE			
Occupancy	Units	FICO	LTV/CLTV
Primary Residence	1-4	<u>620</u>	80/80

Product Guidelines	
<b>AUS and Underwriting</b>	<ul style="list-style-type: none"> <li>DU or LP Approve/Accept is required.</li> </ul>
<b>ATR/QM Rule</b>	<ul style="list-style-type: none"> <li>All loans must meet the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd-Frank Act.</li> </ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>All credit documents must be dated within 120 days of the note date, including credit reports and employment, income and asset documents.</li> </ul>
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>A full appraisal (e.g. form 1004 or equivalent) is required.</li> <li>FHA appraisals are valid for 120 days.</li> </ul>
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>U.S. citizens</li> <li>Permanent Resident Alien with proof of lawful residence</li> <li>Non-Permanent Resident Aliens with proof of lawful residence</li> <li>All borrowers must have a social security number.</li> </ul>
<b>Condominiums</b>	<ul style="list-style-type: none"> <li>Must be located in an FHA approved Condominium Project.</li> <li>HUD REOs do not require FHA Condominium Project approval.</li> <li>Condominiums involved in minor litigation subject to CenterState approval and must be in accordance with FHA requirements.</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>See LTV/CLTV grid for minimum FICO scores.</li> </ul>

	<ul style="list-style-type: none"> <li>• A full tri-merge credit report is required for all borrowers on all transactions.</li> <li>• <u>Each borrower must have at least of one credit score to be eligible.</u></li> <li>• <u>Non-traditional credit not allowed.</u></li> <li>• Credit report inquiries must be reviewed per FHA guidelines.</li> </ul>
<p style="text-align: center;"><b>Derogatory Credit</b></p>	<ul style="list-style-type: none"> <li>• 2 years elapsed since completion or discharge of Ch. 7 or Ch. 13 Bankruptcy, to case number assignment date.</li> <li>• 3 years elapsed since completion of Foreclosure, Deed in Lieu or Short Sale, to case number assignment date.</li> <li>• <b>Collections</b> <ul style="list-style-type: none"> <li>○ If the total outstanding balance for all borrowers is equal to or greater than \$2,000           <ul style="list-style-type: none"> <li>▪ Payment in full of collection accounts, prior to or at closing, along with documentation of acceptable source of funds.</li> <li>▪ Borrower makes payment arrangements and provides proof of arrangement with payment included in DTI, or</li> <li>▪ 5% of the outstanding balance of each collection account is included as monthly payment in DTI.</li> </ul> </li> <li>○ Medical collections and charge offs are excluded.</li> </ul> </li> <li>• <b>Judgments</b> <ul style="list-style-type: none"> <li>○ Judgments must be paid prior to or at closing.</li> <li>○ An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. Provide a copy of the agreement and proof of 3 months payments made prior to credit approval. Borrowers may not prepay the scheduled payments to qualify.</li> </ul> </li> <li>• <b>Disputed Accounts</b> <ul style="list-style-type: none"> <li>○ If the credit report utilized by TOTAL Mortgage Scorecard indicates that the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, the Mortgage must be downgraded to a Refer and manually underwritten.</li> <li>○ Manual downgrade NOT required if cumulative outstanding balance of disputed derogatory accounts less than \$1,000.</li> </ul> </li> <li>• <b>Tax Liens</b> <ul style="list-style-type: none"> <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 months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.</li> <li>○ Proof of satisfactory payment agreement and minimum of three months timely payments required.</li> <li>○ Payment amount in the agreement must be included in DTI.</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Documentation</b></p>	<ul style="list-style-type: none"> <li>• AUS Approved – Follow Total Scorecard</li> </ul>
<p style="text-align: center;"><b>Down Payment Assistance</b></p>	<ul style="list-style-type: none"> <li>• Down Payment Assistance programs are permitted in accordance with FHA Guidelines.</li> </ul>
<p style="text-align: center;"><b>Escrow Accounts</b></p>	<ul style="list-style-type: none"> <li>• Escrow Impounds Accounts must be established for taxes and insurance premiums in accordance with FHA Guidelines.</li> </ul>

<p style="text-align: center;"><b>Escrow Holdbacks</b></p>	<ul style="list-style-type: none"> <li>• <u>Reviewed on a case-by-case basis and subject to CenterState approval prior to closing.</u></li> <li>• <u>Repairs or deferred maintenance items must be minor in nature and cannot affect the soundness and safety of the property. These items include but are not limited to the following:</u> <ul style="list-style-type: none"> <li>○ <u>Carpet installation, hardwood floor installation or repair</u></li> <li>○ <u>Minor interior/exterior painting</u></li> <li>○ <u>Minor exterior/interior plumbing leaks</u></li> <li>○ <u>Replacement of window glass or screens</u></li> <li>○ <u>Repair of rotted exterior wood</u></li> </ul> </li> <li>• <u>Ineligible Repairs</u> <ul style="list-style-type: none"> <li>○ <u>Swimming pool completion or installation</u></li> <li>○ <u>Roofing, including active roof leaks. Shingle repair is acceptable.</u></li> <li>○ <u>Completion of partially finished addition or renovation.</u></li> <li>○ <u>Well/Septic Repairs</u></li> <li>○ <u>Mold Remediation</u></li> <li>○ <u>Extensive Plumbing or Electrical Repair</u></li> <li>○ <u>Termite Damage</u></li> <li>○ <u>Environmental Hazards</u></li> </ul> </li> <li>• Contractor invoice estimating cost of repairs, start date and time frame of completion required prior to closing. Borrower will execute Escrow Agreement and 1.5x the cost of repairs will be held in escrow at closing.</li> <li>• Appraisal must be subject to repairs.</li> <li>• Lock must cover the repair period with maximum of one week after closing.</li> <li>• A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements.</li> <li>• A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements.</li> <li>• <u>Max allowable cannot exceed the lesser of 10% of the value of the property or \$5000.</u></li> </ul>
<p style="text-align: center;"><b>Financing Concessions</b></p>	<ul style="list-style-type: none"> <li>• Financing concessions cannot exceed 6% of the sales price.</li> </ul>
<p style="text-align: center;"><b>High Cost</b></p>	<ul style="list-style-type: none"> <li>• Not Eligible</li> </ul>
<p style="text-align: center;"><b>High Priced Mortgage Loans (HPML)</b></p>	<ul style="list-style-type: none"> <li>• Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase.</li> <li>• HPML guidelines require: <ul style="list-style-type: none"> <li>○ Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence.</li> <li>○ Must meet all applicable state and/or federal compliance requirements.</li> </ul> </li> </ul>

<p><b>HUD REO Transactions</b></p>	<ul style="list-style-type: none"> <li>• HUD REO transactions are eligible subject to the requirements below: <ul style="list-style-type: none"> <li>○ Principal residence transactions only.</li> <li>○ Maximum LTV is 96.5%.</li> <li>○ Loan must meet all FHA requirements.</li> <li>○ AUS Approve/Ineligible or Accept/Ineligible finding due to LTV/CLTV is acceptable if loan otherwise meets FHA guidelines.</li> <li>○ 1004D required to confirm repairs are completed, which may be provided post-funding.</li> </ul> </li> <li>• <u>HUD's \$100 Down not eligible.</u></li> </ul>
<p><b>Identity of Interest Transactions</b></p>	<ul style="list-style-type: none"> <li>• FHA defines an Identity of Interest transaction as a sale between parties with an existing business relationship or between family members and applies specific requirements to loan transactions where there is Identity of Interest. Generally, the maximum LTV percentage for Identity-of-Interest transactions on Principal Residences is restricted to 85%; see FHA Handbook II.A.2.b.ii (A) for exceptions.</li> <li>• Business relationship refers to an association between individuals or companies entered into for commercial purposes.</li> <li>• Family member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status: <ul style="list-style-type: none"> <li>○ child, parent, or grandparent; <ul style="list-style-type: none"> <li>▪ a child is defined as a son, stepson, daughter, or stepdaughter;</li> <li>▪ a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;</li> </ul> </li> <li>○ spouse or domestic partner;</li> <li>○ legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption;</li> <li>○ foster child;</li> <li>○ brother, stepbrother; sister, stepsister;</li> <li>○ uncle; aunt; or</li> <li>○ son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.</li> </ul> </li> </ul>
<p><b>Loan Limits</b></p>	<ul style="list-style-type: none"> <li>• FHA mortgage limits for all areas: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></li> </ul>

<p style="text-align: center;"><b>Loan Purpose</b></p>	<ul style="list-style-type: none"> <li>• <b>Purchase</b> <ul style="list-style-type: none"> <li>○ Mortgage history: Follow Total Scorecard for AUS Approved or Manual Underwriting section for manually underwritten loans.</li> </ul> </li> <li>• <b>Rate-Term Refinance</b> <ul style="list-style-type: none"> <li>○ Proceeds can be used to Pay off the FHA mortgage; any junior liens over 12 months; HELOCs for purposes of repairs and rehabilitation of the property; HELOCs with no draw &gt; \$1000 in the past 12 months; interest; late charges; escrow shortages; allowed costs include all Borrower paid costs associated with the new Mortgage; and Borrower-paid repairs required by the appraisal.</li> <li>○ Disburse cash out to the Borrower in an amount not to exceed \$500</li> <li>○ Mortgage history: Follow Total Scorecard for AUS Approved or Manual Underwriting section for manually underwritten loans.</li> </ul> </li> <li>• <b>Simple Refinance</b> <ul style="list-style-type: none"> <li>○ Proceeds can be used to Pay off the FHA mortgage; interest; late charges; escrow shortages; allowed costs include all Borrower paid costs associated with the new Mortgage; and Borrower-paid repairs required by the appraisal.</li> <li>○ Disbursed cash out to the Borrower cannot exceed \$500.</li> <li>○ Mortgage history: Follow Total Scorecard for AUS Approved or Manual Underwriting section for manually underwritten loans.</li> </ul> </li> <li>• <b>Cash-Out Refinance</b> <ul style="list-style-type: none"> <li>○ LTV is based on Appraised Value</li> <li>○ Mortgage history: Follow Total Scorecard for AUS Approved or Manual Underwriting section for manually underwritten loans.</li> <li>○ Income from a Non-Occupant Co-Borrower may not be used to qualifying</li> <li>○ The borrower must be current on the loan being refinanced for the month PRIOR to the month in which he/she closes the refinancing. These requirements apply even in the case of inheritance.</li> <li>○ If the loan being refinanced is currently an FHA, VA, or USDA loan: <ul style="list-style-type: none"> <li>▪ The borrower (or previous owner in case of inheritance) has made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date, and</li> <li>▪ The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the loan paid off through the transaction.</li> <li>▪ Exception: If the property is owned free and clear, these requirements do not apply.</li> </ul> </li> </ul> </li> </ul>
<p><b>Minimum Loan Amount</b></p>	<ul style="list-style-type: none"> <li>• \$50,000</li> </ul>
<p><b>Mortgage Products, Eligible</b></p>	<ul style="list-style-type: none"> <li>• Section 203(b) Basic with ADP code of 703</li> <li>• Section 234(c) Condominiums with ADP codes of 734</li> </ul>
<p><b>Mortgage Products, Ineligible</b></p>	<ul style="list-style-type: none"> <li>• <u>Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above, including but not limited to Energy Efficient Mortgages, Weatherization, Solar and Wind, GPM.</u></li> <li>• <u>Good Neighbor Next Door (GNND) is not allowed.</u></li> <li>• <u>HUD's \$100 Down</u></li> </ul>

<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Primary Residence</li> </ul>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• Power of Attorney must be approved by CenterState prior to closing.</li> <li>• For FHA requirements, see FHA Handbook II.A.I.a.i.(A)(3), III.A.6.a.xiii.(A) Use of Power of Attorney at Closing.</li> </ul>
<b>Property, Eligible Types</b>	<ul style="list-style-type: none"> <li>• Single Family Detached</li> <li>• Single Family Attached</li> <li>• 2–4 Unit Attached/Detached</li> <li>• PUDs</li> <li>• Low-rise and High-rise Condominiums (must be FHA eligible)</li> <li>• Rural Properties (in accordance with Agency Guidelines, properties must be residential in nature)</li> </ul>
<b>Property, Ineligible Types</b>	<ul style="list-style-type: none"> <li>• <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u></li> <li>• <u>South State Bank REO Properties</u></li> <li>• Mobile Homes</li> <li>• Cooperatives</li> <li>• Condotels</li> <li>• Hotel Condominiums</li> <li>• Timeshares</li> <li>• Working Farms and Ranches</li> <li>• Unimproved Land and property currently in litigation</li> </ul>
<b>Property Flipping</b>	<ul style="list-style-type: none"> <li>• The resale period is assessed by from the seller's date of acquisition (settlement date) to the new purchase date (execution date on the contract).</li> <li>• 90 Days: Properties resold within 90 days are not eligible for FHA insurance.</li> <li>• 91-180 Days: If the resale occurs between 91 and 180 days after the property seller acquired the property (and the resale price is 100% or more above the initial price paid) then the Lender must obtain a second appraisal to determine current market value. If second appraisal is &gt;5% lower, use lesser value.</li> </ul>
<b>Ratios</b>	<ul style="list-style-type: none"> <li>• DTI ≤ 50%: <ul style="list-style-type: none"> <li>○ follow program credit score and LTV maximum</li> </ul> </li> <li>• <u>DTI &gt; 50%:</u> <ul style="list-style-type: none"> <li>○ <u>Credit score ≥ 640</u></li> </ul> </li> </ul>
<b>Tax Transcripts</b>	<ul style="list-style-type: none"> <li>• A signed 4506-T must be obtained as required by FHA guidelines,</li> <li>• If all qualifying income is W-2 income and/or fixed-income typically reported on a 1099, tax and W-2 transcripts are not required.</li> <li>• <u>If all qualifying income is not W-2 income and/or the type of fixed-income typically reported on a 1099, a transcript must be obtained for each tax year covered by the income documentation used to qualify the borrower(s). If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.</u></li> </ul>