



FHA with CBC: Processing Tips

Loan File

1. FHA Loan Underwriting & Transmittal Summary (f/k/a MCAW)
 - a. Purchase – max LTV = 96.5%
 - b. R/T Refinance – use FHA refinance calculation worksheet (max 97.75% regardless)
 - c. Streamline – use FHA refinance calculation worksheet (max 97.75% regardless)
 - d. Cash out – max LTV = 85%
2. MIP Factors for 30-yr. FRM's (note: for case numbers pulled on or after 4/5/10, UFMIP = 2.25%)

Transaction	UFMIP	Monthly MIP
Purchase > 95% LTV	1.75%	.55%
Purchase ≤ 95% LTV	1.75%	.50%
R&T > 95% LTV	1.75%	.55%
R&T/Cash-out ≤ 95% LTV	1.75%	.50%
Streamline refi > 95% LTV	1.50%	.55%
Streamline refi ≤ 95% LTV	1.50%	.50%

3. FHA Docs
 - a. 92900A – need all 4 pages completed thoroughly
 - LO signs pages 1 & 4
 - Borrower signs pages 2 (in two places) & 4
 - b. Complete 1003
 - 2-year employment history
 - 2-year residential history
 - Assets disclosed
 - REO section completed accurately & entirely (if borrower owns other properties)
 - c. For Your Protection req'd on all FHA purchases
4. FHA Connection
 - a. Case Number Assignment Results to show CBC as the sponsor
 - b. Successful Validation
 - c. Clear CAIVRS
 - d. Correct SSN & DOB
 - e. DO NOT order a new case number if the borrower switches properties. Instead update existing case number and input new address
 - f. Streamline refinances should have netting authorization pulled. Will need previous case number in order to obtain. The netting authorization will provide the MIP refund amount.
 - g. Broker to hit SEND when done inputting case information & print results
 - h. Appraisal cannot pre-date the case number assignment date
 - i. If loan has been previously assigned to another lender, will need a copy of previous lender's underwriting decision
 - j. If an appraiser other than the original assignee completes appraisal, obtain letter from original assignee to confirm he/she never completed the order. If the original assignee DID complete an appraisal, this appraisal must be used (unless it is > 6 months old) and the 2nd appraisal ordered must be disregarded.

Refinances

1. Rate & Term = credit-qualifying with full documentation
2. Cash-out refinance = credit qualifying with full documentation + borrowers owning property for at least 12 months
3. R&T paying off HELOC – 12 months seasoning on last draw req'd or else it will be cash-out
4. Altered mortgage payments (i.e. forbearance, modification) cannot go Streamline unless the mortgage account has been brought current
5. 100% is the max CLTV limit on refinances where subordinate financing will remain in place. For streamline refinances without an appraisal, the CLTV will be based on the original appraised value of the property.
6. Streamline Refinances:
 - a. Seasoning – there must be a minimum of 6 months mortgage payments made
 - b. History –
 - For mortgages less than 12 months – no late payments permitted
 - For mortgage 12 months or greater – no more than 1x30 in the past 12 months and 0x30 in the most recent 3 months
 - c. B2B –
 - FRM → FRM (includes 3 & 5 year ARMS) – TOTAL PITI must be reduced by at least 5% (PITI includes HOA)
 - FRM → ARM – rate must be reduced by a min of 2% below current fixed rate
 - ARM → FRM – rate may not be greater than 2% of current ARM rate
 - Reduction in term – MAY NOT BE DONE AS A STREAMLINE. Must be done as a full credit qualifying rate & term refinance.
 - d. Employment/Verification of Employment – Employment must be verified. The status of borrower's current employment will be reviewed to see if it is similar to how borrower originally qualified (meaning if job change is significant, hours appear to have changed, etc. borrower must fully qualify).
 - For borrowers who earn passive income, the source of that income must be verified (awards letter, divorce decree, 1099).
 - For wage-earners – most recent YTD paystub will be required supporting income submitted on application.
 - For self-employed borrowers – most recent filed tax returns to support income submitted on application.
 - e. Assets – funds to close must be verified with a 30-day bank statement. Source and document all large deposits.
 - f. Max CLTV – HUD has capped at 125%. CBC will allow up to 110% max CLTV on a case-by-case basis only (since we only have one investor that will allow a CLTV over 100%, the file must pass CoreLogic). All HELOCs must be modified down to current balance.
 - g. 1003 – must be fully completed (as if a regular rate & term refinance)
 - h. Max Loan Amount Calculation (base loan amt) –
 - W/OUT Appraisal – Current principal balance (no longer original principal Balance) less MIP refund
 - With Appraisal – lesser of
 - ▶ 97.75% of appraised value
 - ▶ Payoff + closing cost & prepaids – MIP refund (this may NOT include Discount points, late charges, delinquent interest, escrow shortages. Assets will have to be verified to cover these charges).

- i. Full tri-merged credit report w/ 3 scores – credit will be reviewed to verify borrower does not show a disregard for credit. Accounts with past-due balances will not be accepted.

Credit

1. Paying off collections – req'd on a case-by-case basis
2. CBC requires 3 recent trade lines reporting on the credit report:
 - a. 1 trade line reporting for 24 months
 - b. 1 trade line reporting within the past 6 months
3. In a non-occupant co-borrower scenario, the occupant borrower must meet the minimum tradeline requirement on his own (thru traditional credit). The NO/CB cannot compensate for the OB's lack of credit.
4. Authorized user accounts are not counted as borrower's credit trade line or to validate score.
5. Student loans need to be verified in deferment for 12 months from date of closing not to be included in DTI.
6. Installment loans less than 10 months will still be included in DTI when monthly payment for the debt exceeds \$100 (this includes alimony and child support).
7. VORs are per underwriter's discretion despite DU findings – case-by-case depending on overall credit history, payment shock, & residual income. Max payment shock is 120%, although this may be overlooked per underwriter discretion depending on overall credit risk.
8. Must have consecutive 12 months of cancelled checks from another party/company when not counting a debt against a borrower. If the account is reporting the borrower as the primary account holder, the debt will still need to be included in DTI regardless.
9. CCCS is treated like a Chapter 13 Bankruptcy. Borrowers would need to be in CCCS for a minimum of 12 months in order to purchase or refinance. Must verify 12 months of timely payments in the program, provide a list of creditors included in CCCS, and obtain a letter from CCCS approving the new transaction.
10. Chapter 7 – minimum 2 years from discharge date with no lates after BK.
11. Chapter 13 – must be in program for at least 12 months. Verify timely payments have been made, provide list of creditors included in BK, and obtain a letter from Trustee approving the new transaction. No lates allowed while in BK.
12. Foreclosure – minimum 3 years from date of completion of foreclosure. Mortgages included in any type of BK are treated like foreclosures and require 3 years from discharge date.
13. Borrowers cannot have more than one FHA loan, except in the following circumstances:
 - a. Borrower is being relocated
 - b. Increase in number of members living in household and current FHA loan is $\leq 75\%$ LTV (documented by appraisal)
 - c. Vacating a jointly-owned property (must document)
 - d. Non-Occupant Co-Borrower may have an FHA-insured mortgage on their own primary residence

Assets

1. Source and DOCUMENT all large deposits ($\geq \$500$) that can't be contributed to normal payroll. Letters of explanation alone are not acceptable.
2. NSF's need to be addressed by the borrower via letter of explanation.
3. Gift documentation:
 - a. Fully-executed gift letter
 - b. Verify donor has withdrawn gift funds via bank statement or a signed letter from the bank stating donor had the ability to give (listing account # & donor's name). Cancelled check can be used for this purpose.

- c. Verify borrower's receipt of gift funds with proof that the funds have been deposited into their account. If bringing a cashier's check to closing, notify your u/w so she can stip accordingly. The cashier's check will need to show donor as the remitter and should be made payable to the borrower prior to closing.
- d. Gift funds can be from family members, fiancés, and close family friends (close family friends will need to document the relationship).
- e. There is no LTV restriction on gift funds.

Income

1. Provide most recent YTD paystubs covering a 30-day period dated within 30 days of loan application. Updated paystub(s) may be requested at underwriter's discretion if application is > 60 days old.
2. Provide 2 most recent year's W2's for ALL jobs (even if income from those jobs will not be considered). Make sure 1003 matches up with the W2s to cover the full 2-year employment history.
3. Job gap letters are required if the gap exceeds 90 days.
4. Pay attention to extra deductions, such as child support, loans, or garnishments. 401k loan repayments are not counted in the total DTI.
5. 1003 needs to reflect complete addresses and phone numbers for all employers over the 2-year period. Do not lump employment as 2 years when there is more than one W2 in the file. This will cause last minute turmoil in verifying and updating the employment.
6. Written VOE is required if using income other than base to qualify. Please note that paystubs will still be required when a written VOE is used.
7. Do not lump all income into DU as base when a borrower has overtime, bonus, or commission income as DU will return false findings.

Sales Contract

1. Fully-executed legible sales contract required, all pages. If fully-executed copy is not legible, provide a legible unsigned copy for clarification, which we will condition to be re-executed at closing.
2. All parties to sign FHA Amendatory Clause / FHA Real Estate Cert.
3. If personal property is to remain in the house, all parties need to execute a Personal Property Disclosure and attest that all items are of \$0.00 value.
4. Max seller contributions are 6% (this includes any and all allowances given by the seller). This can include up to 12 months of HOA dues paid by the seller. Be prepared for this to change sometime in the summer of 2010 to 3%.
5. Pay close attention to how the borrower's name is listed on the sales contract – this is how the borrower's name should appear on all documentation throughout the file (i.e. case number assignment, loan app, appraisal, title, hazard, closing docs, etc).

Appraisal /Property

1. If paying off a construction loan for which the lot has been owned for at least 12 months, the LTV can be based off of the appraised value. There is an FHA worksheet that will calculate the max loan amount. If the lot has been owned for less than 12 months, LTV will be based upon land value + documented cost of construction.
2. New construction property built within the past 12 months will require a Builder Cert, 99A, 99B, CO, Building Permit, & Warranty of Completion. These documents must be fully-completed and executed by all parties. The only exception to this is when the builder has been foreclosed on and the bank is selling the newly-constructed property.
3. If new construction is over 12 months, provide a CO to verify.

4. Properties on a septic or well will require the borrower to execute a hold harmless agreement at closing, unless the appraiser states something different. A certified plumber can issue a letter stating the septic or well is in working order and that there are no issues.
5. Vacant properties – appraiser must state that he/she has checked all systems (i.e. HVAC, water, electricity, & gas) and confirm they are in working order. Note: the property must have a stove at the very least, and the appraiser will need to comment on this.
6. If there is deferred maintenance, the underwriter will need to review the list to consider what is structural and what is cosmetic to determine what must be repaired prior to closing.
7. Some repairs may occur immediately after closing (up to u/w discretion). A check may be cut to the third party vendor on the HUD at closing, but the invoice must be provided as a prior-to-closing condition. The work order must be completed within 5 days of closing and an FHA final inspection will be required (fee for final inspection to be collected on the HUD at closing). Broker compensation check will not be disbursed until final inspection is received and cleared by the underwriter.
8. Escrow repairs are maxed out at \$5,000 (aggregate) and subject to management approval.
9. Appraiser must include photos of all 4 sides of the subject property. Angular shots capturing two sides simultaneously will not suffice.
10. Field Reviews may be needed on a case-by-case basis, and cannot be charged to the borrower.
11. Retaining current primary and turning it into a rental:
 - a. Relocations due to job transfers – permitted to use a 12-month lease plus a copy of the security deposit and/or 1st month's rent paid to the borrower
 - b. Sufficient equity in property – document with at minimum a 2055 appraisal dated within 6 months to verify borrower has at least 25% equity in current residence. If this is the case, then you may proceed using same documentation guidelines as a RELO.

Condos

1. Spot approvals are no longer permitted. Condo complex must be fully HRAP approved.
2. Provide current master condo dec page. If policy will expire within 60 days of closing, obtain renewal policy as well.
3. FHA does not allow for any types of special assessments outside of normal HOA dues.
4. If the condo is already FHA approved, provide printout from FHA connection with FHA Condo ID #.
5. The FHA Condo ID # needs to be input into the case number assignment.
6. Case number assignment must be input correctly to show the property as a condo.

Identity of Interest

1. Gift of equity may be given by family member (seller) to help the borrower purchase the subject property as a primary residence. LTV will depend upon the family member's/seller's current use of the property:
 - a. If the subject is the family member's/seller's current primary or 2nd home, max LTV is 96.5%.
 - b. If the subject is the family member's/seller's current investment property, max LTV is 85%. However, if the borrower has been a tenant in the subject property for at least 6 months, this LTV restriction can be waived. Document via 6 months cancelled checks.

Miscellaneous

1. FSBO – no special requirements, but the deal & value must make sense.
2. Lease/Purchases – if counting rent as part of the EM to be credited at closing, must obtain an operating income statement and rent comp schedule with appraisal. Appraiser will determine market rent. If borrower paid more than fair market rent, they can be credited the difference as EM; otherwise, no credit of rent will be allowed. Borrowers will need to provide copies of cancelled rent checks from the start of the lease/purchase transaction.

3. Non-occupant Co-borrowers – there are no limits to the number of loans parents can co-sign for multiple children, but this cannot be used as a tool for obtaining an investment portfolio.
4. For Brokers that are Authorized Agents/Full Eagle – loan will still close in CBC's name, but case number will need to be transferred to us after closing so that we may obtain the MIC.
5. Agent using their commission to contribute to the borrower's closing costs must provide a letter from their broker approving the dollar amount.
6. Max LTV on a duplex purchase is 96.5% and one of the units must be intended for use by the borrower as a primary residence. Max LTV on a duplex refinance will come from the max loan amount calculation worksheet.
7. For loans closed on or after 1/1/2001, FHA's annual MIP will be automatically cancelled under the following conditions:
 - a. For mortgages with terms > 15 years and with LTVs \geq 90%, the annual MIP will be cancelled upon the latter of A) the LTV reaches 78% or B) the borrower has paid the annual MIP for at least 5 years
 - b. For mortgages with terms \leq 15 years and with LTVs \geq 90%, the annual MIP will be cancelled when the LTV reaches 78%, regardless of how long the borrower has been paying annual MIPs
 - c. Mortgages with terms \leq 15 and with LTVs < 90% will not be charged annual MIP
 - d. Although the annual MIP will be cancelled as described, the contract of insurance will remain in force for the loan's full term. This MIP cancellation provision only applies to loans with an UFMIP.
8. Property Flipping:
 - a. Resales occurring \leq 90 days following acquisition – the property is not eligible security for an FHA-insured mortgage except in the following circumstances:
 - Sales by HUD of its own REO properties
 - Sales by other US Government agencies of single family properties
 - Sales of properties by nonprofits approved to purchase HUD-owned single family properties
 - Sales of properties that are acquired by the seller thru inheritance
 - Sales of properties purchased by employers or relo companies in connection with the relocation of employees
 - Sales of properties by state and federally chartered financial institutions and GSEs
 - Sales of properties by local and state government agencies
 - Sales of properties located in federal disaster areas
 - Sales of new construction
 - Temporary Property Flipping Waiver for Sales of Foreclosures within 90 days of acquisition:
 - The property in question must have been purchased out of foreclosure (i.e. Courthouse steps or bank REO) to be eligible. This does not include short sale purchases from individual owner.
 - All transactions must be arms-length with no "identity of interest" between the buyer and seller or other parties participating in the sale transaction
 - The seller must hold title to the property and be the foreclosure purchaser. There can be no interim title transfers (i.e. John Smith can not buy property in his name, then transfer to his company John Smith LLC and then sell to buyer)
 - If home is purchased in LLC name, LLC must be the seller and be a verifiable legitimate company
 - No pattern of previous flipping activity can exist for the subject

- The property must have been openly and fairly marketed, verified via the appraiser. Assignment of contracts are not eligible
- In cases in which the sales price of the property is 20% or more over and above the seller's acquisition cost, the following will be required:
 - 2 appraisals will be required (from separate appraisal companies). 2nd appraisal cant be paid for by buyer/borrower
 - Proof of significant, documentable rehab/repairs must be provided and,
 - Property inspection required with evidence inspection provided to buyer. Buyer can be charged for inspection. Inspector must be non-interested third party to transaction. At a minimum, the inspection must include:
 - The property structure, including foundation, floor, ceiling, walls and roof
 - The exterior, including siding, doors, windows, appurtenant structures including decks and balconies, walkways and driveways
 - The roofing, plumbing systems, electrical systems, heating and air conditioning systems
 - All interiors, and
 - All insulation and ventilation systems, as well as fireplaces and solid-fuel burning appliances
- b. Resales occurring between 91 and 180 days following acquisition – the broker is required to obtain a 2nd appraisal if the resale price is 100% or more over the price paid by the seller when the property was acquired. The cost of the 2nd appraisal may not be charged to the borrower.
- c. Resales occurring between 91 days and 1 year following acquisition – a second appraisal may be requested per underwriter's discretion if the resale price is 5% or more over the lowest price of the property during the preceding year. The cost of the 2nd appraisal may not be charged to the borrower.
- d. Date of property acquisition by the seller will be determined by the appraiser and provided in the appraisal report. Underwriter may rely on the information as long as no contradictory documentation is evident in the loan file.

CBC-specific overlays

1. CBC does not do 203K loans.
2. Minimum FICO = 640
3. Max DTI = 50% (regardless of AUS findings)
4. CBC can only accept FHA loans in the following states: AL, FL, GA, NC, SC, & TN.
5. CBC will require a Streamline VOE form to be completed by the broker to allow our processors to verify all borrowers' current employment.
6. Broker fees must be "reasonable and customary."
7. Occupant Borrower's housing ratio may not exceed 100% when a Non-Occupant Co-Borrower is being used for qualification.
8. CBC no longer manually underwrites FHA loans. All must be submitted with Approve or Accept/Eligible findings thru TOTAL Scorecard.