FHA 100% CLTV Combo Program Guidelines

Initial 10/17/2023 rev. 100

(Click the link to go straight to the section)

Section 1 Program Summary

Plaza's FHA 100% CLTV Combo program is designed to increase homeownership opportunities for low-to moderate income individuals and families by offering 100% financing in the form of an FHA first lien at 96.5% and a second lien of up to 3.5% to cover down payment and/or closing costs. There is no borrower income cap and borrowers do not need to be first-time homebuyers in order to qualify. Plaza's FHA 100% CLTV first lien and second lien products must be closed concurrently under this program. This program is offered in all states except New York and Washington. All loans must meet Plaza and FHA Guidelines. Refer to the FHA Single Family Housing Policy Handbook 4000.1 for FHA Requirements.

AllRegs Version of FHA Single Family Housing Policy Handbook 4000.1
PDF Version of FHA Single Family Housing Policy Handbook 4000.1

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
FHA 100% CLTV Combo First 30 Year Fixed	FHA300ZD	360
FHA 100% CLTV Combo Second 10 Year Fixed	SFFHA120ZD	120

Section 3 Program Matrix

Conforming Balance – Primary Residence				
Purpose	**LTV**	**CLTV**	**Min Credit Score**	**Max DTI**
Purchase	96.5%	100%	600	Per AUS

Section 4 Occupancy

Primary Residence Only:

A primary residence is a property that will be occupied by the borrower the majority of the calendar year and meets the following criteria:

- At least one borrower must occupy the property and sign the Note and security instrument for the property to be considered owner-occupied.
- The borrower must occupy the property within 60 days after the loan closes with continued occupancy for at least 1 year. The only exceptions allowed are due to hardship or extenuating circumstances.
- Military Personnel stationed elsewhere are considered occupant-borrowers and are eligible for maximum financing provided a member of the immediate family will occupy the property as a principal residence.

Additional FHA-insured Mortgage on a New Principal Residence:

A Borrower may be eligible to obtain a second FHA-insured Mortgage without being required to sell an existing property covered by an FHA-insured Mortgage if the Borrower:

- Is relocating or has relocated for an employment-related reason to an area more than 100 miles from the Borrower's current Principal Residence, or
- Has an increase in family size, or
- Is vacating a jointly owned property, or
- Was a non-occupying co-borrower.

Refer to **4000.1.II.A.1.c-Exceptions to the FHA Policy Limiting the Number of Mortgages per Borrower**.

Section 5 Transactions

Purchase transactions only

Section 6 Property Flips/ Resale Requirements

Property flipping is a practice whereby a property recently acquired is resold for a considerable profit with an artificially inflated value.

To address the issue of property flipping, FHA has placed certain time restrictions and additional documentation requirements on purchase transactions involving the resale of an existing property.

Property eligibility is based upon the time that has elapsed between the date the seller obtained legal ownership of the property (based upon the date of settlement) and the date the buyer and seller execute the sales contract that will result in the FHA mortgage insurance (the re-sale date).

If uncertain about property eligibility, check with the local Homeownership Center (HOC).

Resale Less Than or Equal to 90 Days: If the re-sale date is 90 days or less following the date of acquisition by the seller, the property is not eligible for a mortgage to be insured by FHA.

Transactions involving one of the following exemptions are not subject to the time restrictions on resale mentioned above:

- FHA REO properties sold by FHA.
- Resale of properties purchased by an employer or relocation agency in connection with employee relocation. What FHA intends to exempt is bona fide relocation agencies that contract with employers to handle relocations of their employees. A relocation agency DOES NOT include individual real estate agents that advertise themselves as relocation experts and who purchase properties from persons who are relocating from the area.
- A builder selling a newly built home or building a home for a homebuyer wanting to use FHA-insured financing. Example: A builder selling to another builder prior to the completion of a home would be exempt from the time restrictions.
- Property inherited by the property seller. The property seller will not be required to hold title to that property for 90 days before he/she can sell it with FHA insured financing. The property seller must still be the owner of record but the 90 day ownership period will not be required. Further, since there was no previous sale of the property because it was inherited, there is no previous sales price that might trigger the second appraisal requirement set forth in the flipping rules. The underwriter must include the documentation evidencing the inheritance in the case binder when submitting the case for insurance.
- Sales of properties by state and federally charted financial institutions and Government Sponsored Enterprises (GSE) (e.g. Fannie Mae and Freddie Mac). **Note:** Mortgage Insurance companies are not considered a state or federally chartered financial institution and are not qualified as a GSE.
- Sales of properties by nonprofits approved to purchase HUD-owned single family properties at a discount with resale restrictions.
- Sales of properties by local and state government agencies.
- Sales of properties within Presidentially-Declared Disaster Areas, upon FHA's announcement of eligibility in a mortgagee letter specific to said disaster.

Resale Greater Than 90 Days: Loans with resale dates greater than 90 days and up to 180 days are generally eligible for a mortgage insured by FHA but may require supplemental documentation, including an additional appraisal.

- If the resale price is greater than or equal to 100% over the property seller's acquisition price, a second FHA appraisal from a new appraiser is required. The second appraisal cannot be provided by or paid for by the borrower. If the resale price is less than 100% of the property seller's acquisition price, then no additional appraisal documentation is required.

Unexpired Redemption Period: Foreclosed properties that are located in a state where a redemption period is allowed, including Fannie Mae and Freddie Mac owned or HUD REO are not eligible until all of the following are met:

- The redemption period has expired. **AND**
- The foreclosure sale has been confirmed. **AND**
- Clear and marketable title is obtained.

Refer to **4000.1.II.A.1.b-Restrictions on Property Flipping**.

Section 7 Identity of Interest

The terms Identity of Interest and Non-Arm's Length describe certain transactions between parties with family or business relationships that may pose increased risk and warrant additional precautions when evaluating that risk.

Refer to **4000.1.II.A.2.b-Limitations Based on Identity of Interest**.

Conflicts of Interest:

Participants that have a direct impact on the mortgage approval decision are prohibited from having multiple roles or sources of compensation, either directly or indirectly, from a single FHA-insured transaction. These participants are:

- Underwriters
- Appraisers
- Inspectors
- Engineers

Indirect compensation includes any compensation resulting from the same FHA-insured transaction, other than for services performed in a direct role. Examples include, but are not limited to:

- Compensation resulting from an ownership interest in any other business that is a party to the same FHA-insured transaction; or
- Compensation earned by a spouse, domestic partner, or other Family Member that has a direct role in the same FHA-insured transaction.

Participants that do not have a direct impact on the mortgage approval decision may have multiple roles and/or sources of compensation for services actually performed and permitted by HUD, provided that the FHA-insured transaction complies with all applicable federal, state, and local laws, rules, and requirements.

Section 8 Loan Limits

Loan amounts cannot exceed the standard conforming loan limit. High Balance loan amounts are ineligible.

For most single-family mortgage insurance programs, the maximum insurable amount is the lesser of:

- The **Nationwide Mortgage Limit** for the area, usually a county or metropolitan statistical area (MSA), or
- The applicable LTV limit, determined by a fixed percentage of the lesser of the sales price or the appraised value.

Maximum Base Loan Amount		
Unit	**Contiguous States**	**Hawaii**
1	$726,200	$1,089,300
2	$929,850	$1,394,775

Maximum base loan amounts are county specific and may be lower in a particular county. HUD's website contains a complete schedule of FHA **Nationwide Mortgage Limits**.

Section 9 Subordinate Financing

This program provides a concurrent second mortgage of up to 3.5% to cover down payment and/or closing costs. The second mortgage is sponsored by National Homebuyers Fund (NHF).

Second Mortgage:

- 10-year fully amortized second mortgage (monthly payment required)
- Note rate of second mortgage is 2.0% greater than the note rate of the FHA first mortgage
    - The second mortgage does not need to be locked by the client
    - Plaza will lock the second lien when the first lien is locked
    - All second liens are priced at par
- Proceeds may be used for down payment and/or closing costs
- There must be no cash back to the borrower in the transaction
- No additional subordinate financing is allowed

Loan File / Documents:

- Separate first lien and second lien loan files are required
- 2nd lien specific URLA required
- 2nd lien must be fully disclosed (LE, COC, CD, state specific disclosures, etc.)
- NHF Registration Confirmation (obtained by Plaza prior to the note date)
- NHF Program DPA Funding Commitment Notice (obtained by Plaza prior to the note date)
- Homebuyer Education Certificate (see info in Borrower Eligibility section below)
- Separate appraisal is not required for the second lien
- Title policy is not required for the second lien

Fees:

- No originator or lender fees can be charged on the second
- Only settlement costs related to closing the second lien are allowed

Refer to **4000.1.II.A.4-Secondary Financing (TOTAL)**.

Section 10 Borrower Eligibility

Eligible Borrowers:

- U.S. citizens
- Permanent resident aliens
- Non-permanent resident aliens
- Deferred Action for Childhood Arrivals (DACA) program recipients
- Non-occupant co-borrowers

Homebuyer Education is Required:

- Homebuyer's Education for at least one borrower is required.
- Education to be provided by a Fannie Mae or Freddie Mac or HUD approved non-profit counseling agency.
- For information on housing counseling and to find a counselor: **http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor** or call HUD's interactive voice system at 1-800-569-4287.

Non-permanent Resident Aliens:

- Must be principal residence
- Have a valid Social Security number
- Are eligible to work in the United States as evidenced by an Employment Authorization Document (EAD) issued by the USCIS
  - A Social Security card cannot be used as evidence of work status.

Occupying and Non-occupying Borrowers and Co-borrowers:

- Must take title to the property at settlement
- Are obligated on the mortgage Note
- Must sign all security instruments

Non-occupant Borrowers:

- For Non-Occupying Borrower Transactions, the maximum LTV is 75%. The LTV can be increased to a maximum of 96.5% if the Borrowers are family members as defined in **4000.1.II.A.2.B-Maximum LTV for Non-Occupying Borrower Transaction**, provided the transaction does not involve:
  - A family member selling to a family member who will be a non-occupying Co-Borrower; **OR**
  - A transaction on a 2-unit property
- When there are two or more borrowers, but one or more will not occupy the property as a principal residence, the maximum mortgage is limited to 75% LTV, however; maximum financing is available for borrowers related by blood, marriage or law (family). All borrowers, regardless of occupancy status, must sign the security instrument and mortgage Note. If a parent is selling to a child, the parent cannot be the co-borrower with the child on the new mortgage unless the LTV is 75% or less. See **4000.1.II.A.2-LTV Limitations Based on Non-Occupying Borrower Status** for additional details and requirements.
- Loans with LTVs greater than 75% are limited to 1-unit properties.
- Any co-borrower being added to the Note must be an occupant of the property.

Deferred Action for Childhood Arrivals (DACA) program recipients:

- Must be borrower's principal residence;
- Borrower must have a valid Social Security Number (SSN), except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD;
- Borrower must be eligible to work in the U.S. as evidenced by the Employment Authorization Document issued by USCIS, and
- The borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.

The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal based on information from the USCIS.

A borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained.

First-Time Home Buyers: A first time homebuyer is defined as a borrower who has had no ownership interest, sole or joint, in a principal residence during the 3 year period preceding the date of purchase of the subject property. Borrowers do not need to be first-time homebuyers.

Valid Social Security Number:

Eligible borrowers must provide evidence of a valid Social Security number on all FHA loans. Evidence includes a copy of the borrower's:

- Social Security card. Tax Identification numbers (TINs) are not allowed.
- Paystub, W-2 or other government-issued card that includes the borrower's Social Security number.
- FHA requires validation of Social Security numbers for consistency with the borrower's name through FHA Connections.

Ineligible Borrowers:

- Charitable organizations
- Non-profit agencies
- State or local government agencies
- Foreign Nationals

Section 11 Underwriting Method

All loans must be AUS approved through DU or LPA.

Manual Underwriting is not eligible.

Section 12 Credit

Credit report required in the first lien loan file. Second lien loan file does not require a credit report.

Minimum Credit Score: 600

Qualifying Credit Score:

- A tri-merge credit report is required on all loans
- Qualifying score:
  - Where three scores are reported, the middle score is the qualifying score
  - Where two scores are reported, the lowest score is the qualifying score
  - Where only one score is reported, that score is the qualifying score
- Where the Mortgage involves multiple Borrowers, the lowest qualifying score of all borrowers is used
- Each borrower must have a minimum of one credit score

Housing Payment History: Per AUS

Revolving and Installment Accounts: Per AUS

Bankruptcy: Borrowers with a previous Chapter 7 or Chapter 13 bankruptcy must meet the requirements in **4000.1.II.A.4-Bankruptcy (TOTAL)**.

Foreclosures, Deed in Lieu, Pre-foreclosures and Short Sales: Borrowers must meet the requirements in **4000.1.II.A.4-Foreclosure and Deed in Lieu of Foreclosure (TOTAL)**.

Collections, Judgments & Charge-offs:

- **Explanation:** No documentation or letter of explanation is required for loans run through TOTAL Mortgage Scorecard receiving an "Accept/Approve" despite the presence of collection accounts, charge-offs or judgments. These accounts have been already taken into consideration in the borrower's credit score.
- **Including payment:** Regardless of the Accept/Approve/Refer recommendation by TOTAL Mortgage Scorecard, the lender must include the payment amount in the calculation of the borrower's DTI ratio. Payment amounts for charge-offs are not included.
- **Refer:** Loans that receive a Refer are ineligible.

Payoff Requirements for Judgments and Collection Accounts:

Judgments:

Judgments must be paid prior to or at closing. 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. If exception is made the payment must be included in the calculation of the DTI ratio.

Judgments of a non-purchasing spouse in a community property state must be paid in full or meet the exception guidance for judgments.

Collection Accounts:

If the total outstanding balance for all borrowers is less than $2,000, a capacity analysis is not required. However, if the total outstanding balance of all collection accounts for all borrowers is equal to or greater than $2,000, the underwriter must perform a capacity analysis. Collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance.

Medical collections and charge off accounts are excluded from this guidance and do not require resolution.

Tax Liens:

Tax liens may remain unpaid if:

- The Borrower has entered into a valid repayment agreement with the lien holder to make regular payments on the debt. **AND**
- The Borrower has made timely payments for at least 3 months of scheduled payments.
- The Borrower cannot prepay scheduled payments in order to meet the required minimum of 3 months of payments.
- The lien holder must subordinate the tax lien to the FHA-insured Mortgage.

Capacity Analysis for the Payment/Payoff of Collections, Judgments and Disputed Accounts:

- At the time of or prior to closing, payment in full of the collection account, verification of acceptable source of funds required.
- The borrower makes payment arrangements with the creditor. A credit report or creditor letter verifying the monthly payment is required and the monthly payment must be included in the DTI ratio.
- If evidence of a payment arrangement is not available, the underwriter must calculate the monthly payment using 5% of the outstanding balance of each collection, and the monthly payment included in the DTI ratio.

Disputed Accounts:

The existence of potentially inaccurate information on a borrower's credit report resulting in a dispute must be reviewed by an underwriter. Accounts that appear as disputed on the borrower's credit report are not considered in the credit score utilized by TOTAL Mortgage Scorecard in rating the application.

If the credit report indicates that the borrower is disputing derogatory credit accounts, the borrower must provide a letter of explanation and documentation supporting the basis of the dispute.

Disputed derogatory credit accounts are defined as follows:

- Disputed charge-off accounts.
- Disputed collection accounts, and
- Disputed accounts with late payments in the last 24 months.
- Disputed derogatory credit accounts of a non-purchasing spouse in a community property state are not included.

Disputed Derogatory Credit Accounts greater than or equal to $1,000	If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is equal to or greater than $1,000, the mortgage application must be downgraded to a Refer and will be ineligible for this program.
Disputed Derogatory Credit Accounts less than $1,000	If the cumulative outstanding balance of disputed derogatory credit accounts of all borrowers is less than $1,000, a downgrade is not required.
Excluded Accounts	• Disputed medical accounts are excluded from the $1,000 limit and do not require documentation. • Disputed derogatory credit accounts resulting from identity theft, credit card theft, or unauthorized use are also excluded from the $1,000 limit. However, the lender must provide in the case binder a credit report, letter from the creditor, or other appropriate documentation to support the dispute, such as a police report disputing the fraudulent charges.

Non-derogatory Disputed Accounts:

- Non-derogatory disputed accounts are excluded from the $1,000 cumulative total.
- Non-derogatory disputed accounts include the following types of accounts:
    - Disputed accounts with zero balance.
    - Disputed accounts with late payments aged 24 months or greater. **AND**
    - Disputed accounts that are current and paid as agreed.

If a borrower is disputing non-derogatory accounts, or is disputing accounts which are not indicated on the credit report as being disputed, the underwriter is not required to downgrade the application to a Refer, However; the underwriter must analyze the effect of the disputed accounts on the borrower's ability to repay. If the dispute results in the borrower's monthly debt payments utilized in computing the DTI ratio being less than the amount indicated on the credit report, the borrower must provide documentation of the lower payments.

Section 13 Income and Employment

Income and employment documents are required in the first lien loan file. Second lien loan file does not require income and employment documents.

Refer to **4000.1.II.A.4-Income Requirements (TOTAL)**

Verbal Verification of Employment:

- Required on all loans.
- VOE must cover the most recent 2-year period.
- Must be performed within 10 days of the loan closing.

Verbal VOE for Self Employed Borrowers:

- Must verify the existence of the borrower’s business within 30 days prior to the funding date.
- Verify from a third party, such as a CPA, regulatory agency or the applicable licensing bureau and by verifying a phone listing and address for the borrower’s business using a telephone book, the Internet or directory assistance.
- Verify and document the name and title of the person that confirmed the employment and the date of the call.
- The Telephone Verification of Employment form must also include the name and title of the Plaza associate that performed the verification.

Rental Income from Retained Residence:

In order to use rental income from the property being vacated by the borrower:

- Borrower must be relocating to an area more than 100 miles from the borrower’s current Principal Residence.
- Borrower must provide a lease agreement of at least 1 year’s duration after the Mortgage is closed.
- Borrower must provide evidence of the payment of the security deposit or first month’s rent.
- Borrower must have at least 25% equity in the property being vacated as evidenced by an appraisal. The appraisal must also provide market rent. The appraisal is not required to be completed by an FHA Roster Appraiser.

IRS Form 4506-C:

- All transactions require a signed and dated IRS Form 4506-C for all borrowers completed prior to closing.
- Refer to Plaza’s **Credit Guidelines** to determine if transcripts are required.

Section 14 Qualifying Ratios

Debt Ratios: Per AUS approval.

Qualifying Rate: Qualify based on the Note rate.

Installment Debt:

- Payments on all installment debts with 10 months or more of remaining payments must be included in the DTI.
- Installment debts may be excluded if they will be paid off within 10 months and the cumulative payment of all such debts are less than or equal to 5% of the borrower’s gross monthly income.
- Installment accounts cannot be paid down to 10 months in order to be excluded.

Auto Lease: Payment must be included in the DTI regardless of the remaining number of payments.

Revolving Debt: If the account shown on the credit report has an outstanding balance and is not reporting a minimum monthly payment, the monthly payment for qualifying purposes must be calculated at the greater of 5% of the balance or $10.

30-Day Accounts:

- In order to exclude payment in the debt ratio, the borrower must have paid the outstanding balance in full on every 30-day account each month for the past 12 months.
- If there are any late payments in the last 12 months, a payment of 5% of the outstanding balance must be used.
- Sufficient funds to pay off the account, in excess of funds required to close and for reserves, must be documented.

Deferred Obligations: Deferred obligations (excluding Student Loans) must be included in the borrower's liabilities. Written documentation of the deferral including the outstanding balance and terms of the deferred liability must be obtained from the creditor.

- The actual monthly payment (after deferral) must be used when available.
- If the payment is not known, the greater of the terms of the debt or 5% of the outstanding balance must be used.

Student Loans:

- All Student Loans must be included in the borrower's liabilities regardless of payment type or status of payments.
- The amount included in the liabilities must be:
  - the payment amount reported on the credit report or the actual documented payment, when the payment is above zero, or
  - 0.5% of the outstanding loan balance, when the monthly payment reported on the borrower's credit report is zero
- Student loan debt may be excluded from the monthly debt calculation where written documentation from the student loan program, creditor, or student loan servicer indicates that the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.

Authorized User: Payments on accounts for which the borrower is an authorized user must be included in the debt ratio, unless:

- It can be documented that the primary account holder has made all required payments in the last 12 months, and
- At least 3 payments have been required in the last 12 months

401(k) Loans: Repayment of debt secured by 401(k) funds is not included in the qualifying DTI.

Paying off Debt: Installment debt and revolving debt may be paid off to qualify.

Co-signed Obligations: Refer to **4000.1.II.A.4-Contingent Liabilities (TOTAL)**.

Section 15 Down Payment / Gifts

Asset documentation, if applicable, is required in the first lien loan file. Second lien loan file does not require Asset documentation.

Down Payment:

- The 3.5% down payment is covered by the concurrent second lien.
- All funds that are used for the purpose of qualifying for or closing a Mortgage must be documented, including closing costs and funds to satisfy debt or pay costs outside of closing.
- The existence of and amounts in the borrower's checking and savings accounts must be documented and verified.
- For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value, documentation of the deposits must be obtained and it must also be verified that no new debts were incurred.

Gift Funds:

Gifts Funds, including gifts of equity are allowed. Refer to **4000.1.II.A.4-Gifts (Personal and Equity) (TOTAL)**.

An outright gift of the cash investment is acceptable if the donor is:

- The borrower's family member
- The borrower's employer or labor union
- A charitable organization (see below)
- A governmental agency or public entity that has a program to provide homeownership assistance to low- and moderate-income families or first-time homebuyers.
- A close friend with a clearly defined interest in the borrower.

Unacceptable Gift Funds:

The donor of the gift may not be a person or entity with an interest in the sale of the property, such as the seller, seller funded down payment assistance, real estate agent or broker, builder, or any entity associated with them. This restriction may be waived by the local FHA HOC, certain restrictions and requirements apply.

Gift Letter Requirements:

The gift letter must:

- Specify the dollar amount given.
- Be signed by the donor and the borrower.
- State that no repayment is required.
- Show the donor's name, address, telephone number, and relationship to the borrower.

Additionally, the gift letter must also contain language asserting that the funds given to the homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them.

Gift Transfer Documentation:

If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account.

If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.

Regardless of when the gift funds are made available to the homebuyer, the underwriter must be able to:

- Determine that the gift funds were not ultimately provided from an unacceptable source and were indeed the donor's own funds, and
- Trace the gift funds from the donor to the homebuyer.

When the transfer occurs at closing, the underwriter remains responsible for obtaining verification that the closing agent received funds from the donor for the amount of the purported gift and that those funds came from an acceptable source.

The full amount of the gift(s) received by the borrower and the source of the gift(s) must be accurately entered and identified in the AUS used to submit to TOTAL Scorecard in order to receive an accurate TOTAL Scorecard recommendation. All gift funds must be identified, regardless of whether or not they have been deposited into the borrowers account. If the dollar amount of the gift or the gift source in FHA Connection does not match the data provided to TOTAL Scorecard at the time of insuring the transaction is automatically rescored and a "REFER" recommendation is returned along with an error message that "TOTAL CASE RESCORED AS REFER; MANUAL UNDERWRITING REQUIRED; FHA INVALID".

Requirement for Federal Tax Identification:

Plaza must enter the Federal Tax Identification Number of NHF's into the CHUMS system in conjunction with secondary financing assistance. NHF's EIN is 42-1549314. Failure to do this will result in the loan not being insured by FHA.

Section 16 Reserves

Reserve Requirements: Per AUS

Asset documentation, if applicable, is required in the first lien loan file. Second lien loan file does not require Asset documentation.

Section 17 Interested Third Party Contributions

Interested Party Contributions are limited to 6%

Fees not included in the contribution limitation:

Fees typically paid by the property seller under local or state law, local custom such as real estate commissions, charges for pest inspections, fees paid for trustees to release a deed of trust, etc., are not considered contributions that must be counted in the 6% limit. The dollar limit for property seller contributions is calculated using Attachment A on the HUD-92900-PUR/HUD-92900WS.

Closing Costs Paid by Seller:

Closing costs normally paid by the borrower are considered contributions if paid by the property seller.

The property seller may not increase the sales price on a finalized purchase contract to cover closing costs. The LTV/CLTV must be recalculated based on the original sales price if there is evidence in the loan file that the sales price was increased to include the borrower's closing costs.

Real Estate Commissions:

- Sales commission consistent with the prevailing rate but not to exceed 6 percent. Anything exceeding this amount is considered a sales concession and that excess commission and/or bonus must be deducted from the sales price.
- The appraiser is required to disclose whether the purchase contract was reviewed and, if so, comment on any excessive sales commission. Any excessive sales commission should be taken into consideration when arriving at the final value.

Fees for Builder Forward Commitments:

- Fees for builder forward commitments that a builder obtains for blanket coverage before it enters into a contract with a borrower are not subject to contribution limits because they are not attributable to the specific mortgage transaction.

Refer to **4000.1.II.A.4-Interested Party Contributions (TOTAL)**.

Section 18 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- FHA-approved Condos
- Single Unit Approved (SUA) Condos
- Manufactured Housing (double-wide only)
- 2 Units

Single Unit Approved (SUA) Condos:

- A full project review must be completed by Plaza's Project Standards department
- **FHA Condominium Loan Level Single-Unit Approval Questionnaire (HUD-9991)** along with all documents required per the **FHA Single Unit Approval Document Checklist (FM-530)** must be sent to Plaza's Project Standards department for approval
- General SUA requirements are listed below. Refer to **Plaza's Project Standards** for full SUA requirements.
    - Must be an established project with 5+ units
    - Project with manufactured homes are not eligible
    - 50% or more owner occupancy required
    - Single Entity Ownership maximum of 10% for projects with 20+ units and maximum 1 unit for projects with fewer than 20 units
    - FHA Concentration maximum of 10% for projects with 20+ units and maximum 2 units for projects with fewer than 20 units

Approved/Unexpired Condos in FHA Connection:

- All FHA condos that are approved and unexpired in FHA Connection require an additional Loan Level review prior to Clear-to-Close.
- **FHA Condominium Loan Level Single-Unit Approval Questionnaire (HUD-9991)** along with all supporting documents must be sent to Plaza's Project Standards department for approval.
  - The case binder must include FHA Form 9991 with **Loan Level** Areas Completed (Sections 1-3) to confirm the existence of no material defects subsequent to the date of project approval in FHA connection
- **FHA Condo Certification Attachment C** must be signed and dated by the reviewer.
- Satisfactory Insurance Coverage and a review is required.

Manufactured Housing:

- Must be classified as Real Property
- Must be double-wide (single-wide are ineligible)
- Manufactured homes must have been built on or after June 15, 1976
- Leasehold properties are ineligible
- Condo projects, including site condos, comprised of manufactured homes are ineligible
- The manufactured home may not have been previously installed or occupied at another location
- All manufactured housing must meet FHA guidelines, restrictions in these Program Guidelines, and **Plaza's Manufactured Housing Guidelines**
- Manufactured housing not eligible in states of Hawaii and Rhode Island

New Construction – Refers to Proposed Construction, Properties Under Construction and Properties Existing Less than One Year: FHA treats the sale of an occupied Property that has been completed less than 1 year from the issuance of the Certificate of Occupancy or local authority equivalent as an "existing" Property.

- New Construction must comply with the minimum documentation requirements per Sections II.A.8.i.i-iv of the 4000.1 Handbook.
- Refer to **Plaza's FHA New Construction Documentation Requirements** document.

Ineligible Properties:

- 3-4 Unit properties
- Commercial property
- Cooperatives
- Condotels
- Geothermal homes
- Geodesic Domes
- Mobile homes
- Non-warrantable condos
- Timeshares
- Working farms, ranches, orchards

Section 19 Appraisal

Appraisal required in the first lien loan file. Second lien loan file does not require an appraisal.

Refer to **4000.1.II.D.1-Appraiser and Property Requirements**.

All appraisals for FHA loans must be completed by a HUD-approved appraiser.

Property Type	Form Name/Number
Single-Family Residence, including PUD	Uniform Residential Appraisal Form (#1004 / # 70)
Condominiums	Individual Condo Appraisal Report (#1073 / # 465)
2- Units	Small Residential Income Property Appraisal Report (# 1025 / # 72)
Manufactured Housing	Uniform Residential Appraisal Form (#1004C / # 70B)
All properties	Appraisal Updated and /or Completion Report 1004D/442

Plaza FHA Appraisal Transfer Policy:

Plaza will accept FHA appraisals from other lenders that meet the following criteria:

- Plaza must receive the original PDF and XML of the appraisal from the original lender
- The appraisal must include a Certificate of Compliance (COC) certifying the appraisal was ordered and completed in accordance with Appraiser Independence Requirements (AIR). The COC is normally issued by the AMC and accompanies the appraisal.
- Plaza must receive the last successful SSR from the original lender.
- FHA Connection must identify the appraiser who actually conducted the appraisal that is used for Insuring.
- Plaza's branch to confirm that the appraiser was on FHA active roster as of the effective date of the appraisal.
- The effective date of the appraisal must be after the FHA case number assignment date.
- For transactions that are brokered to Plaza the appraisal cannot be in the broker's name. This does not apply to Principal Authorized Agent Relationships or Correspondent loans sold to Plaza from FHA approved Lenders.
- Plaza may not request the appraiser to re-address the transferred appraisal. If Plaza finds deficiencies in the appraisal, a new appraisal must be ordered.
  - Both appraisals are to be retained in the loan file and case binder.
  - The file must be documented regarding why a second appraisal was ordered and retain the explanation in the case binder.
- The appraiser cannot be on Plaza's exclusionary list.

Section 20 Geographic Restrictions

State or geographic restrictions are identified here, however at this time Plaza may not be lending in all states listed. Properties are limited to those states where Plaza branches are currently authorized to originate loans.

Hawaii:

- Properties in Lava Flow Zones 1 or 2 are not allowed.
- Manufactured housing not eligible.

Iowa: An attorney's opinion of title is acceptable in lieu of a title policy, or a title policy may be ordered through the Title Guaranty Division (TGD) of the Iowa Financial Authority.

Massachusetts: Septic system inspection required when a property is transferred to a different owner (purchase money). All systems must be inspected within 2 years prior to the transfer of title to the property served by the system. Inspections conducted up to 3 years before the purchase may be eligible when accompanied by records demonstrating that the system was pumped at least once a year during that time.

Montana: Lot size of the property may not exceed 40 acres.

New York: Ineligible.

Rhode Island: Manufactured housing not eligible.

Washington: Ineligible.

Section 21 Max Financed Properties

Maximum Loans/Maximum Exposure:

Borrowers are limited to one FHA Insured mortgage. There is no limit to the number of non-FHA insured financed properties a borrower may own. See the section **Additional FHA-insured Mortgage on a New Principal Residence** for more information.

A maximum of four Plaza loans is permitted to one borrower.

Section 22 Mortgage Insurance Premiums

MIP is only required for the first lien.

- Up-front MIP: 1.75%
- Annual MIP: .55%

Section 23 Escrow Accounts

- Escrow/impound accounts are required for property taxes and insurance.
- The impound account will be established with the first lien.
- The amount must be included in qualifying ratios.

Section 24 Repair Escrow

Escrow holdbacks are not allowed.

Section 25 ARM Adjustments

Not applicable

Section 26 Temporary Buydowns

Not allowed

Section 27 Prepayment Penalty

Not allowed

Section 28 Insurance

First lien mortgagee clause required on insurance. Second lien mortgagee clause not required.

Attached PUD:

If the master or blanket policy does not provide interior unit coverage replacement of improvements and betterment coverage to cover any improvements that the borrower may have made, the borrower must obtain an HO-6 Policy or “walls-in” coverage, as determined by the insurer, which is sufficient to repair the attached PUD unit to its condition prior to a loss claim event.

Manufactured Housing:

Manufactured Homes located within a Special Flood Hazard Area are not eligible unless a FEMA National Flood Insurance Program (NFIP) Elevation Certificate **(FEMA Form 086-0-33)** prepared by a licensed engineer or surveyor stating that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation is provided, and flood insurance under the NFIP is obtained.

For all other insurance requirements refer to Plaza’s **Loan Closing Manual**.

Section 29 Additional Information

Maximum Fees:

- First Lien: Maximum 2% total in origination fees or discount points on borrower paid transactions.
- Second Lien: Only settlement costs related to closing the second lien are allowed. No other fees may be charged.

92900-LT: The secondary financing must be reflected on the 92900-LT. NHF’s EIN of 42-1549314 is to be used.