



## FHA 203(b)

PROGRAM SPECIFICATIONS	
<b>Description</b>	Section 203(b) is the centerpiece of FHA's single family mortgage insurance programs. It provides mortgage insurance for a person to purchase or refinance a principal residence.
<b>Channels</b>	<ul style="list-style-type: none"> <li>• Broker</li> <li>• Correspondent               <ul style="list-style-type: none"> <li>○ Table Funded</li> <li>○ Non-Delegated UW</li> <li>○ Delegated UW</li> </ul> </li> </ul>
<b>FICO</b>	Minimum Qualifying Credit Scores: <ul style="list-style-type: none"> <li>• Consumer Direct: 580</li> <li>• Broker: 580</li> <li>• Correspondent               <ul style="list-style-type: none"> <li>○ Table Funded: 580</li> <li>○ Non-Delegated UW: 580</li> <li>○ Delegated UW: 580</li> </ul> </li> </ul> <b>Reminder:</b> AFR does not permit Refers or Manual underwrites <620
<b>UW Method</b>	<ul style="list-style-type: none"> <li>• TOTAL Scorecard               <ul style="list-style-type: none"> <li>○ Desktop Underwriter (DU)</li> <li>○ Loan Prospector (LP)</li> </ul> </li> </ul>
<b>AUS Recommendation</b>	<ul style="list-style-type: none"> <li>• Approve/Eligible – DU</li> <li>• Refer/Eligible - DU</li> <li>• Accept – LP</li> <li>• Refer - LP</li> </ul>
<b>Eligible Terms</b>	<ul style="list-style-type: none"> <li>• 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fixed</li> <li>• 5/1 Hybrid ARM</li> </ul>
<b>Eligible Transaction Types</b>	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Rate/Term Refinance</li> <li>• Cash Out Refinance               <ul style="list-style-type: none"> <li>○ <b>Note:</b> The Property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment.</li> </ul> </li> <li>• Simple Refinance</li> </ul>
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>• 1-2 Unit Primary Residence</li> <li>• Manufactured Housing               <ul style="list-style-type: none"> <li>○ Single-width, Multi-width, MH Condo Projects</li> </ul> </li> <li>• FHA HRAP Approved Condos</li> <li>• PUDs</li> </ul>
<b>Maximum LTV/CLTV/HCLTV</b>	<ul style="list-style-type: none"> <li>• Purchase 96.50%</li> <li>• Rate/Term 97.75%</li> <li>• Cash-Out 85%</li> </ul>
<b>Maximum DTI</b>	<ul style="list-style-type: none"> <li>• Approve/Eligible - Follow AUS</li> <li>• Refer/Eligible or Manual Underwriting - 31/43%</li> </ul>
<b>Geographic Restrictions</b>	<ul style="list-style-type: none"> <li>• Hawaii               <ul style="list-style-type: none"> <li>○ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions.</li> </ul> </li> </ul>
<b>Guidelines</b>	<a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1</a>
<b>Forms</b>	See FORMS Section in the Resource Center
OVERLAYS	
<b>Borrower</b>	<ul style="list-style-type: none"> <li>• AFR does not permit nonprofit organizations and state and local government agencies to purchase rental properties</li> <li>• AFR does not permit unrelated borrowers as non-occupant co-borrowers; they must be related by blood, marriage or law.</li> </ul>

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**Revised**  
**04/24/18**



	<ul style="list-style-type: none"> <li>• A borrower may not own more than 4 financed properties</li> <li>• AFR requires each MyLoanCenter account (borrower, co-borrower, spouse, third party, etc.) to have a unique email address regardless of their marital status.</li> </ul>
<p><b>Credit</b></p>	<ul style="list-style-type: none"> <li>• 1 credit score required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores. Lowest representative score from all borrowers will be used for qualification purposes.</li> <li>• AFR does not permit &lt;620 FICOs on Refers or Manual Underwrites.</li> <li>• Any FHA loan that requires a manual underwrite (Refer/Eligible AUS Recommendation or Underwriting Downgrade) will have a maximum debt-to-income (DTI) of <b>31/43%</b>. Reminder: If the loan requires a manual underwrite and the income ratios are 31/43% or less, you must still follow the FHA 4000.1 to meet the additional compensating factors as required by FHA.</li> <li>• Mortgage Credit Rejects, Mortgage Sanctions and defaulted CAIVRS are not permitted</li> <li>• Non-traditional credit is not permitted with the exception of Correspondent Delegated UW transactions that have an AUS Approve/Eligible or Accept recommendation.</li> <li>• Housing History 0x30 for 12 months:             <ul style="list-style-type: none"> <li>○ AFR will allow a 1x30 on a Rate and Term Refinance (R/T) transaction if the late was over 3 months prior to the date of the case number on Approve/Eligible or Accept AUS loans only. (Rate and Term Refinances Transactions with a Refer or Manual Downgrade will require a 0x30 12 month housing history.</li> <li>○ DU must be an Approve/Eligible. If the AUS does not recognize the mortgage history such as in situations where the mortgage is not reporting on credit or if the underwriter manually downgrades the file, mortgage late payments within the previous 12 months is not allowed. Regardless of the AUS decision, an application with a recent mortgage late payment is subject to the DE Underwriter's approval.</li> <li>○ As a reminder, if the DE Underwriter feels the applicant does not have the ability or willingness to repay the loan, they can deny the file even if the application meets the written guidelines.</li> <li>○ <b>Reminder:</b> Purchase, Streamline Refinance and Cash-Out Refinance transactions requires a 0x30 housing history.</li> </ul> </li> <li>• AFR will permit a private VOR only if 12 months cancelled checks are provided to support documentation.</li> <li>• AFR will be following the guidance announced in ML 2016-08 dated 4/13/16 on calculating student loans.</li> <li>• New secondary financing not permitted</li> <li>• Refinancing of a Reverse Mortgage (HECM) is not permitted</li> </ul>
<p><b>Property</b></p>	<ul style="list-style-type: none"> <li>• Automatic extensions (30 days) on FHA appraisals are not permitted. The appraisal validity period is 120 days beginning on the day the home is inspected by the FHA- approved appraiser.             <ul style="list-style-type: none"> <li>○ Appraisal Validity period can only be extended if client provides a Value update on Appraisal form FNMA 1004D completed PRIOR to the expiration date of the original appraisal, which will extend appraisal expiration for an additional 90 days (Maximum validity period is 210 days)</li> </ul> </li> <li>• AFR requires a disaster report completed by a licensed appraiser on all properties and all transactions types in a Presidentially Declared Disaster Area up to 60 days from the date of the disaster declaration.</li> <li>• Escrow holdbacks not permitted with the exception of cold weather (adverse weather) related repairs.</li> <li>• Non-traditional heating methods (solar, wood burning stoves, etc.) <u>without</u> a heating back up source are not permitted.</li> <li>• AFR does not permit the use of a plat mat in lieu of a survey if a survey is required</li> <li>• AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3<sup>rd</sup> party for document preparation and require 48 hours for both title review and to generate a closing package.</li> <li>• AFR has a maximum \$1000 Deductible for Homeowners Insurance</li> <li>• AFR will not permit a property with an individual residential water purification system</li> <li>• The following property types are not permitted:             <ul style="list-style-type: none"> <li>• 3 Units</li> <li>• 4 Units</li> <li>• DELRAP Approved Condominiums</li> </ul> </li> </ul>





	<ul style="list-style-type: none"> <li>• Co-Ops</li> <li>• Mixed- Use</li> <li>• Manufactured Housing that has been moved and/or traded</li> <li>• Properties with commercial influence are subject to additional review. <ul style="list-style-type: none"> <li>▪ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable</li> </ul> </li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• All loans that have a purchase money grant/silent (or soft) second <b>must</b> get an approval from the AFR Title Review prior to underwriting approval/AFR purchase</li> <li>• AFR does not permit gift funds from a close friend with the exception of gift funds being provided by a <u>documented</u> fiancé or domestic partner</li> <li>• AFR only permits family member to provide a gift of equity, in-laws are not permitted if the spouse is not part of the transaction</li> <li>• Trade Equity not permitted</li> <li>• Sweat Equity not permitted</li> <li>• Trade-Ins not permitted</li> <li>• Private Savings Clubs or Pooled Savings Accounts are not permitted</li> <li>• Cash on hand is not permitted</li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>• Employer Assistance Plans not permitted</li> <li>• Employer Differential Payments not permitted</li> <li>• AFR requires a minimum of 2 years for the length of self-employment to use as income.</li> <li>• AFR does not permit voluntary agreements for child support, maintenance and alimony.</li> <li>• AFR requires 2 years receipt of OT and Bonuses to be used as qualifying income; anything less than 2 years will not be eligible for income.</li> <li>• Marijuana income is unacceptable income regardless of state law</li> <li>• AFR does not permit amended tax returns if they are dated 90 days of application date. All amended tax returns must be more than 90 days of the application date and acknowledged (stamped and signed by the IRS or with the transcripts)</li> <li>• On a 2-unit purchase, owner occupied property where rental income on the rent unit is being used to qualify and when an Operating Income Statement from the Appraiser is being used to determine the market rent for each unit, AFR will use the lower of the 2 market rents for qualifying purposes.</li> </ul>
<b>Programs</b>	<ul style="list-style-type: none"> <li>• AFR does not participate in the following Programs: <ul style="list-style-type: none"> <li>• Texas Equity Section 50(a)(6) Program</li> <li>• Energy Efficient Mortgage Program</li> <li>• Hope for Homeowners (H4H) Program</li> <li>• Negative Equity Positions Program (Short Refi)</li> <li>• Indian Land Program (Section 248)</li> <li>• Indian Home Loan Guarantee Program (Section 184)</li> <li>• Home Equity Conversion Mortgage (HECM) Program (Section 255)</li> <li>• Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs) Program (Section 245(a))</li> <li>• Single Family Cooperative Program (Section 203(n))</li> <li>• Home Mortgage Insurance for Outlying Areas Program (Section 203(i))</li> <li>• HUD Section 8 Homeownership Program</li> <li>• Government Assistance Programs</li> <li>• Housing Assistance Program</li> <li>• Back to Work Program</li> </ul> </li> <li>• AFR permits CEMA transactions on NY properties <ul style="list-style-type: none"> <li>○ No prior CEMA's allowed.</li> <li>○ AFR requires an approved closing attorney in NY to conduct all NY settlements. You or the borrower may choose from the list below: <ul style="list-style-type: none"> <li>▪ Richard H. Lovell, Esq. - (Closing all transactions, including CEMA)</li> <li>▪ Gregory J. Felber, Esq. - (CEMA Approved)</li> </ul> </li> </ul> </li> </ul>
<b>Ownership Types</b>	<p>The following are ineligible for submitting/delivery to AFR:</p> <ul style="list-style-type: none"> <li>• Life Estate</li> <li>• Blind Trusts</li> <li>• Irrevocable Trusts</li> <li>• 1031 Exchanges</li> <li>• LLCs, Corporations and Partnerships</li> </ul>





	<ul style="list-style-type: none"> <li>Community Land Trusts</li> </ul> <p>Vesting on the title commitment must remain unchanged/unaltered through the life of the loan. Any title transfer must be completed/recorded prior to the application.</p>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>AFR's Net Tangible Benefit Policy/Recoupment Policy               <ul style="list-style-type: none"> <li>See AFR Resource Center for AFR Policy/State Requirements/Forms</li> <li>When a state has a more restrictive recoupment policy, this policy must be met</li> </ul> </li> <li>All NY Loans must be tested the time the commitment is prepared.               <ul style="list-style-type: none"> <li>If the APR at the time of commitment cannot be determined AFR will not proceed with or purchase a Correspondent (Table Funded, Non-Delegated UW or Delegated UW loan.</li> </ul> </li> <li>Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied <u>and</u> must meet Residual Income requirements. AFR follows FHA Residual Income requirements found in the 4000.1. <b>Note:</b> The residual income requirements are not applicable on Correspondent Delegated UW transactions.</li> <li>Any loan that is classified as a Higher-Priced Mortgage Loan (HPML) must have <u>all</u> HPML provisions applied. AFR follows Regulation Z requirements for Higher-Priced Mortgage loans.               <ul style="list-style-type: none"> <li>Loans must have an ability to repay (loan must be full income/credit qualifying transaction)</li> <li>Loan must have an established escrow account (with the exception of Condos and PUDs where the consumer must participate in a governing association that is required to purchase a master policy insuring all dwellings) – see the TILA HPML Escrow Rule for more guidance.</li> <li>Loan cannot have a prepayment penalty (AFR does not permit prepayment penalties)</li> </ul> </li> <li>File remains subject to all Qualified Mortgage (“QM”) and Ability-to-Repay (“ATR”) underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM.</li> <li>All loans must provide evidence of the borrower’s compliance of QM/ATR with a compliance report. <b>Note:</b> Correspondent Delegated UW transactions must have a compliance report evidencing compliance.</li> <li>All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. <b>Note:</b> Correspondent Delegated UW transactions must have a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements.</li> <li>AFR will not originate loans as a high cost or predatory mortgage loan</li> <li>AFR will comply in all respects with CFPB’s Rule on TILA-RESPA Integrated Disclosures. AFR will not originate, close, fund, or purchase any loan that does not adhere to the Rule.</li> </ul>
<b>Miscellaneous</b>	<ul style="list-style-type: none"> <li>Escrow Waivers not permitted</li> <li>Temporary Interest Rate Buydowns not permitted</li> <li>Gap Letters for Title are not permitted</li> <li>Prepayment penalties are not permitted</li> <li><b>Maximum Cash Out:</b> For Approve/Eligible AUS recommendations, follow findings; for Refer AUS recommendations or manual underwrites \$100,000.</li> </ul>
<b>Disclaimer</b>	All overlays herein are subject to change by AFR without notice. Where AFR is silent the UW must follow FHA guidelines outlined in the 4000.1

