



FHA PRODUCT GUIDE CORRESPONDENT

PROGRAM OVERVIEW	
The Federal Housing Administration (FHA) provides mortgage insurance on loans made by FHA-approved lenders throughout the U.S. FHA mortgage insurance provides lenders with protection against loss as the result of homeowners defaulting on their mortgage loans. FCM does not currently offer EEMs.	
Purchase Loans	
PROGRAM TERMS	
TERM	<ul style="list-style-type: none"> • 15/30 year terms available
LOAN TYPE	<ul style="list-style-type: none"> • Fixed Rate
OCCUPANCY TYPE	<ul style="list-style-type: none"> • Primary Residence Only
LOAN-TO-VALUE	<ul style="list-style-type: none"> • For the most recent FCM Credit Score/LTV Matrix please reference the link below: FCM Credit Score/LTV Matrix • Non-Arms Length Purchase: 85%/85% (underwriter exception basis only)
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • FHA requires both a Monthly MIP and Up-Front MIP. Information on the latest MIP factors can be found at the following link: FHA MIP CHART • Partial financing of the Up-Front MIP is not allowed. The Up-Front MIP must be 100% financed into the mortgage or paid entirely in cash.
MAXIMUM LOAN AMOUNT	<p>The FHA national low-cost area mortgage limits, which are set at 65 percent of the national conforming limit of \$510,400 for a one-unit Property, are, by property unit number, as follows:</p> <ul style="list-style-type: none"> • One-unit: \$331,760 • Two-unit: \$424,800 • Three-unit: \$513,450 • Four-unit: \$638,100 <p>The FHA Statutory Mortgage Limits can be found at the following website: FHA STATUTORY MORTGAGE LIMITS</p>
ESCROWS	<ul style="list-style-type: none"> • Escrows are required.
SECONDARY FINANCING	<ul style="list-style-type: none"> • The borrower may receive secondary financing to cover the entire cash investment requirement from the following sources (see 4155.1 5.C.2 for more detailed information regarding secondary financing limits): <ul style="list-style-type: none"> ◊ Federal, state or local government agencies ◊ FHA Approved Non-Profit agencies that are considered instrumentalities of government ◊ Borrower may also receive secondary financing from FHA Approved non-profit agencies NOT considered instrumentalities of government provided the borrower makes a cash down payment of at least 3.5% of the sales price. A list of these HUD-approved non-profit agencies is maintained here: HUD-APPROVED NON-PROFIT AGENCIES ◊ 100% of funds for down payment, closing costs, prepaid expenses and discount points may be from an unsecured loan from a family member
BORROWER ELIGIBILITY	

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GENERAL	<ul style="list-style-type: none"> • Valid social security number. (additional restrictions apply for Permanent and Non-Permanent Resident Aliens) • Non-occupant co-borrowers are permitted with the following restrictions for loans over 75% LTV: <ul style="list-style-type: none"> ◊ Subject must be a one-unit property ◊ Non-occupant co-borrower must be a family member as defined by HUD Handbook 4000.1 II.2. A (1)
EMPLOYMENT & INCOME	<ul style="list-style-type: none"> • DTI Restrictions: <ul style="list-style-type: none"> ◊ Max DTI determined by AUS with AUS approval ***Effective with all locks on or after 3/16/2020, Max DTI on all Non-Delegated (FCM provides credit decision) FHA loans with a credit score of 600-639 is 50%. All delegated FHA loans will follow AUS approvals.*** ***For loans locked on or after December 2, 2019, FCM will require a minimum credit score of 620 for all non-delegated FHA loans underwritten by FCM.*** ◊ AUS Refer max DTI is 31/43% unless the borrower has compensating factors. <ul style="list-style-type: none"> ◊ 37/47: One compensating factor required: Verified and documented *cash reserves; minimal housing payment increase; or residual income. ◊ 40/40: No discretionary debt. ◊ 40/50: Two compensating factor required: Verified and documented *cash reserves; minimal housing payment increase; residual income, or significant income not in Effective Income. <p style="color: red; text-align: center;">The following overlays apply to FHA loans underwritten by FCM as an Authorized Agent or Sponsored Originator when the credit score is between 620-639:</p> <p style="color: red; text-align: center;">(1) AUS Approval – no manual underwrites</p> <ul style="list-style-type: none"> • 4506-T Requirements: A 4506T must be signed for each tax return type where income from that return was used in qualification • Tax Transcripts: <ul style="list-style-type: none"> ◊ Are not required for those borrowers qualifying with W-2 income and 1099 fixed income (SS and Pensions). ◊ Income derived from Self Employment, Commissions greater than 25%, Rental Income, Interest and Dividends, Trust Income etc. are required to be supported by tax transcripts matching each year of income used for qualifying.
ASSETS & RESERVES	<ul style="list-style-type: none"> • The minimum down payment is 3.5% of sale price or appraised value, whichever is less • Gift Funds are permitted for down payment, closing costs and prepaids. Donors must meet all FHA donor requirements. • Minimum Reserve Requirement for 1-2 unit properties: None with AUS approval, 1 mo PITI on manual; 3-4 unit properties: 3 mo PITI on all
CREDIT	
MINIMUM CREDIT SCORE	<ul style="list-style-type: none"> • For the most recent FCM Credit Score/LTV Matrix please reference the link below: FCM Credit Score/LTV Matrix
CREDIT REPORT REQUIREMENTS	<ul style="list-style-type: none"> • Non-traditional Credit is not allowed • Borrower must have at least one valid credit score
CAIVRS	<ul style="list-style-type: none"> • Clear CAIVRS, LDP and GSA are required on all files

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MORTGAGE/RENTAL HISTORY	<ul style="list-style-type: none"> • Housing Delinquencies <ul style="list-style-type: none"> ◊ AUS Approval - loans are ineligible if there is one or more housing delinquency that is 1x60 or greater within 12 months of the date of the credit report ◊ AUS Refer - loans are ineligible if there is one or more housing delinquency that is 1x30 or greater within 12 months of the date of the credit report • FCM limits the maximum number of properties financed for FHA borrowers with all lenders at four. The maximum number of four financed properties includes the subject property along with any other financed mortgages, conventional or government.
GENERAL CREDIT	<ul style="list-style-type: none"> • Manual underwrites and downgrades that meet FHA Underwriting guidelines are acceptable. • Non-Occupant Co-Borrowers are not allowed on Manual Underwrites.
AGE OF CREDIT DOCS	<ul style="list-style-type: none"> • All credit docs (credit report, income, assets, etc) must be dated within 120 days of the note date.
PROPERTY	
GEOGRAPHICAL RESTRICTIONS	<ul style="list-style-type: none"> • No restrictions other than FCM's standard lending footprint.
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 1 to 4 unit • Townhomes/PUDs • Condominiums (Single Unit Approved Condos are eligible) • Manufactured Homes
MANUFACTURED HOME REQUIREMENTS	<p>Manufactured Homes are eligible for financing under the FHA program. The following list of restrictions and requirements are in addition to regular program underwriting requirements:</p> <ul style="list-style-type: none"> • 640 minimum Credit Score • 30 Year Fixed Rate Only • No FHA Jumbo • Non-Occupant Co-Borrowers allowed at LTVs ≤ 80% • Purchase, Rate and Term, Streamlines and Cash Out. (on Cash Out Refinances, the manufactured home must have been onsite for 12 months prior to the case number assignment.) • Properties up to 10 acres • Approve/Accept/Eligible only (Exceptions: Streamlines are manually underwritten) • Delegated Underwriting Only • Structural engineer report meeting HUD guidelines and to be done before appraisal inspection. • Properties with an unexpired right of redemption are ineligible • Repair escrows are ineligible. • No Single Wide • No subordinate financing allowed

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	<p>Property Requirements:</p> <ul style="list-style-type: none"> • Home must have been manufactured in 1994 or newer. • Appraiser must be able to verify that the subject has not been removed from original installation site. Verification of wheels, axles, tongue and running lights have been removed. • A structural engineer report must be completed and verification that the property meets all HUD guidelines is required. • If the manufactured home is de-titled prior to underwriting, nothing further is required. • If the manufactured home is not de-titled, a copy of the original certificate of title will be required prior to closing; the de-title process will be required at closing. • New construction is eligible if the manufactured home will be sold as real estate (de-titled and classified as Real Estate by dealer/seller) and vested in fee simple ownership prior to closing and reflected as real property on title commitment.
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Co-ops
APPRAISAL REQUIREMENTS	<ul style="list-style-type: none"> • Must be completed by an FHA approved appraiser with State Certification • Appraisal Forms: <ul style="list-style-type: none"> ◊ 1 unit single family dwellings: Uniform Residential Appraisal Report (Fannie Mae Form 1004) ◊ 2-4 unit dwellings: Small Residential Income Property Appraisal Report (Fannie Mae Form 1025) ◊ Condominium units: Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073) • Appraisals are valid for 120 days from the date of inspection. See the full guidelines for information on extension requirements. • The effective date of appraisal cannot be before the FHA case number assignment unless the appraisal was originally completed for a conventional underwrite, HUD REO or government guaranteed loan but was performed by an FHA Roster Appraiser and is being converted to an FHA insured mortgage.
NEW CONSTRUCTION REQUIREMENTS	<ul style="list-style-type: none"> • The following documents are required on new construction loans: <ul style="list-style-type: none"> ◊ Builder's Certification of Plans, Specifications and Site (Form HUD-92541) ◊ Builder's One Year Warranty (HUD-92544) ◊ Required inspections ◊ Building Permit and Certificate of Occupancy ◊ Soil treatment documents (Form HUD-NPMA-99A and Form HUD-NPMA99-B)
REFINANCES	
SECONDARY FINANCING	<ul style="list-style-type: none"> • For Fully Qualifying Rate/Term Refinances: <ul style="list-style-type: none"> ◊ Existing subordinate financing not used to purchase the property must be seasoned twelve months to be included in the loan amount. If disbursements from an equity line exceed a total of \$1,000 within the past twelve-month period and the funds were used for purposes other than repairs and rehabilitation of the property, the amount in excess of the \$1000 cannot be included in the new mortgage. • New subordinate financing is not allowed.
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> • FHA Cash-Out:

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	<ul style="list-style-type: none"> The borrower must have made at least six consecutive monthly payments on the existing loan. The first payment due date of the new loan must be at least 210 days after the first payment due date of the loan being refinanced.
ESCROWS	<ul style="list-style-type: none"> Tax and Insurance escrow required
BORROWER ELIGIBILITY	
GENERAL	<ul style="list-style-type: none"> ◇ Simple Refinances are allowed in accordance with FHA Guidelines. ◇ For Cash Out Refinances: <ul style="list-style-type: none"> • Non-Occupying co-borrowers are not allowed on cash out transactions. ◇ For Fully Qualifying Rate/Term Refinances: <ul style="list-style-type: none"> • Non-occupant co-borrowers are permitted on fully qualifying rate/term refinances with the following restrictions for loans over 75% LTV: <ul style="list-style-type: none"> ◇ Subject must be a one-unit property ◇ Non-occupant co-borrower must be a family member as defined by HUD Handbook 4000.1 II.2. A (1)
ASSETS & RESERVES	<ul style="list-style-type: none"> • Minimum Reserve Requirement <ul style="list-style-type: none"> ◇ 1-2 unit properties: None with AUS approval, 1 mo PITI on manual UW ◇ 3-4 unit properties: 3 months PITI (AUS approval and manual)
CREDIT	
MINIMUM CREDIT SCORE	<ul style="list-style-type: none"> • For the most recent FCM Credit Score/LTV Matrix please reference the link below: FCM Credit Score/LTV Matrix
MORTGAGE/RENTAL HISTORY	<ul style="list-style-type: none"> • Housing Delinquencies <ul style="list-style-type: none"> ◇ With AUS Approval <ul style="list-style-type: none"> • Rate/Term Refinance: no 60 day or greater mortgage lates in the most recent 12 months • Cash Out/Streamline Refinance: no 30 day or greater mortgage lates in the most recent 12 months • If the subject property was purchased less than one year prior to loan application the maximum loan amount will be determined by using the lesser of the appraised value or the original sales price (plus the cost of any repairs or rehabilitation, with proper documentation). • FCM limits the maximum number of properties financed for FHA borrowers with all lenders at four. The maximum number of four financed properties includes the subject property along with any other financed mortgages, conventional or government. • Additional Restrictions for Cash Out Refinances: <ul style="list-style-type: none"> ◇ 12 month seasoning requirement for all cash out refinances.
PROPERTY	
GEOGRAPHICAL RESTRICTIONS	<ul style="list-style-type: none"> • No restrictions other than FCM's standard lending footprint.
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 1 to 4 unit • Townhomes/PUDs

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	<ul style="list-style-type: none"> • Manufactured Homes • Condominiums on FHA approved list
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Co-ops
HIGH BALANCE PURCHASE AND REFINANCE	
OVERVIEW	FCM offers a High Balance Transaction program for loan amounts above the standard loan limit "Ceiling" and where the FHA Statutory Mortgage Limit for the particular county allows.
BORROWER ELIGIBILITY	<ul style="list-style-type: none"> • Two months reserves are required • Non-occupant co-borrowers are not permitted
SECONDARY FINANCING	<ul style="list-style-type: none"> • New secondary financing and re-subordinated existing financing is allowed
CREDIT	<ul style="list-style-type: none"> • Max DTI is determined by AUS • Minimum Credit Score is 620 • Twelve-month mortgage and/or rental history required • No Bankruptcy or Foreclosures allowed in the most recent 3 years • AUS Approve only, AUS Refer is not allowed
PROPERTY ELIGIBILITY	<ul style="list-style-type: none"> • Maximum loan amount is limited to the FHA Statutory Mortgage Limit by County • Owner-occupied only
ADDITIONAL TERMS	<ul style="list-style-type: none"> • 30 Year Fixed Only • Seller funded down payment Assistance Programs are not allowed • Loan amounts greater than \$1,000,000 require a full appraisal and desk review. The lesser of the two values will be used to determine the LTV
STREAMLINE REFINANCES	
TERM	<ul style="list-style-type: none"> • Special Note: The maximum term of a streamline refinance without an appraisal is limited to the lesser of the remaining term of the existing mortgage plus 12 years OR 30 years.
LOAN TYPE	<ul style="list-style-type: none"> • Fixed Rate
OCCUPANCY TYPE	<ul style="list-style-type: none"> • Primary Residence • Investment Properties
LOAN-TO-VALUE	<ul style="list-style-type: none"> • LTV is calculated using the Original Appraised Value from FHA Connection Refinance Authorization • For the most recent FCM Credit Score/LTV Matrix please reference the FCM Credit Score/LTV Matrix.
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • FHA requires both a Monthly MIP and Up-Front MIP. Information on the latest MIP factors can be found at the FHA MIP CHART • Partial financing of the Up-Front MIP is not allowed. The Up-Front MIP must be 100% financed into the mortgage or paid entirely in cash.
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Calculating the Maximum Mortgage Amount: <ul style="list-style-type: none"> ◊ The maximum insurable mortgage cannot exceed the outstanding principal balance minus the applicable refund of the UFMIP plus the new UFMIP that will be charged on the refinance. The new loan may also include MIP due on existing mortgage.

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	<p>◇ Note that the outstanding principal balance may include interest charged by the servicing lender when the payoff is not received on the first day of the month but may not include delinquent interest, late charges or escrow shortages.</p>	
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> • On the date of the new FHA case number assignment: <ul style="list-style-type: none"> ◇ the Borrower must have made at least six payments on the FHA insured Mortgage that is being refinanced; ◇ at least six full months must have passed since the first payment due date of the Mortgage that is being refinanced; ◇ at least 210 Days must have passed from the Closing Date of the Mortgage that is being refinanced; and ◇ if the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption. • In addition to these seasoning requirements, the loan must also meet GNMA requirements: <ul style="list-style-type: none"> ◇ the borrower made at least six consecutive monthly payments on the loan being refinanced, referred to hereinafter as the Initial Loan, beginning with the payment made on the first payment due date; and ◇ the first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the Initial Loan 	
GENERAL DOCUMENTATION	Documentation	Requirement
	1003	Abbreviated 1003: Borrower Information, Employer and Mortgage Liability. Assets only if cash is required to close, and only the subject property in the REO section. Declarations and HMDA need to be completed. (Income, other debts and other REO schedule should not be completed)
	Credit Report	Should be a mortgage only credit report with scores and should be updated to show payment received through month of closing. Mortgage history must show 1X30 for months 7-12 prior to case number assignment.
	VOE	A Verbal Verification of Employment needs to be obtained, no income information should be provided.
	Assets	Cash to close exceeding the new monthly mortgage payment must be verified in accordance with HUD Manual Underwriting Requirements. 2 Months Bank Statements or VOD and 1 Month Bank Statement or Quarterly Asset Statement. Large Deposits exceeding 1% of Original Appraised Value will need to be documented.
	FHA Connection	A New Case # needs to be assigned and validated. A refinance authorization will need to be obtained as part of the case # assignment.
	WORKSHEETS	FHA Loan Amount Worksheet should be completed prior to underwriting. Closing Costs cannot be included in loan amount. Net Tangible Benefit worksheet should be completed and signed by borrower prior to underwriting.
	Other Documents	Copy of Social Security Card Current Mortgage Statement HUD-1 from Loan being refinanced Current Note Payoff good through Funding Utility Bill to verify occupancy – if borrower cannot provide documentation of occupancy the loan must be processed as an investment property
NOT Required	Appraisal Tax Transcripts	

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	Paystubs W2
SECONDARY FINANCING	• New secondary financing is not allowed

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