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FHA Matrix

Maximum LTV/FICO Requirements					
Purchase		No Cash Out Refinance		Cash Out Refinances	
LTV	Minimum FICO	LTV/CLTV	Minimum FICO	LTV/CLTV	Minimum FICO
96.50%	580 including Manual Underwrite	97.75%	580 including Manual Underwrite	80%	580 including Manual Underwrite
See FHA Streamline Product Profile for Streamline Requirements					
See Down Payment Assistance and Secondary Financing Section for CLTV limitations					
See HUD REO section for HUD REO LTV/CLTV Exceptions					

FHA Streamline Matrix

Occupancy	Minimum FICO
Owner Occupied	580
Second Home	
Investment	

FHA Manufactured Home Matrix

Maximum LTV/FICO Requirements					
Purchase		No Cash Out Refinance		Cash Out Refinances	
LTV	Minimum FICO	LTV/CLTV	Minimum FICO	LTV/CLTV	Minimum FICO
96.50%	580	97.75%	580	80%	580
See FHA Streamline Product Profile for Streamline Requirements					
See Down Payment Assistance and Secondary Financing Section for CLTV limitations					
See HUD REO section for HUD REO LTV/CLTV Exceptions					

Ability To Repay and Qualified Mortgage Rule

- For loans subject to the ATR/QM rule, Keystone will only fund loans that comply with the ATR/QM requirements.
- Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements and are subject to the applicable points and fees threshold.
- Brokers are responsible for providing evidence of compliance with the ATR/QM rules.

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- Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.

Age of Documents

- Credit documents must be no more than 120 days old on the disbursement date, including credit reports and employment, income, and asset documents.
- Preliminary Title Policies must be no more than 180 days old on the date the note is signed.

Appraisals

- A full appraisal (e.g., form 1004 or equivalent) is required for all loans.
- Appraisers may perform an update of a previously completed appraisal using the Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005 when requested by the Mortgagee.
- Properties with unpermitted secondary kitchens may be eligible if:
 - it is common for the area,
 - no negative impact on marketability, and
 - Appraiser comments on quality of construction, any health/safety issues, any soundness issues, which must meet FHA requirements.
- Properties with additions and converted living space may be acceptable when the property meets FHA's requirements. See 4000.1 II.D.3.c for complete details. In general:
 - The appraiser must treat room additions and garage conversions as part of the GLA of the dwelling, provided that the addition or conversion space:
 - is accessible from the interior of the main dwelling in a functional manner;
 - has a permanent and sufficient heat source; and
 - was built in keeping with the design, appeal, and quality of construction of the main dwelling
 - Room additions and garage conversions that do not meet the criteria listed above are to be addressed as a separate line item in the sales grid, not in the GLA.
 - The appraiser must address the impact of inferior quality garage conversions and room additions on marketability as well as contributory value, if any.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.

FHA Streamlines

- Not required for stick build properties
- Manufactured homes – See Manufactured Home Section

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AUS/Underwriting Method

- All loans must be submitted through FHA TOTAL Mortgage Scorecard utilizing DU or LPA. Loans receiving a Refer recommendation or loans that require a downgrade may be manually underwritten in accordance with Keystone overlays and FHA manual underwriting requirements.
- See FHA's Handbook 4000.1 II.A.4.a.v for scenarios that require downgrades to manual underwriting.

Borrower Eligibility

- U.S. citizens
- Permanent resident aliens, with proof of lawful residence
- Non-permanent resident alien immigrants, with proof of lawful residence
- DACA recipients are eligible with proof of legal status, including but not limited to a valid Employment Authorization Document card. See Non-U.S. Citizen Documentation Requirements.
- Keystone allows Mortgage Credit Certificates (MCCs) in accordance with FHA policy (can be considered as acceptable income or used to offset the mortgage payment, before calculating the qualifying ratios). Include a copy of the MCC and broker's documented calculation in the file.
- Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income.
- Borrowers with an existing FHA insured mortgage on their on their own Principal Residence may qualify as a non-occupying co-borrower on other FHA-insured mortgages.
- Occupant borrower and non-occupant co-borrower must share a family relationship that meets the definition under FHA guidelines, and does not involve the following:
 - A family member selling to a family member who will be a non-occupying co-borrower; or
 - The property is a 2-4-unit property
 - If family relationship requirements are not met, the maximum LTV for the transaction is 75%

FHA Streamline – Borrower Requirements

- All borrowers must have a valid social security number
- A Borrower on the subject mortgage may be removed from title and new mortgage in cases of divorce,
- legal separation or death when:
 - the divorce decree or legal separation agreement awarded the Property and responsibility for payment to the remaining Borrower, if applicable; and

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- the remaining Borrower can demonstrate that they have made the mortgage Payments for a minimum of six months prior to case number assignment. In cases of divorce, the payment must be from the remaining borrower's sole account.
- Borrower on the mortgage to be paid may be removed from title and new mortgage in cases other than death or divorce when:
 - at least one borrower from the existing mortgage remains as a borrower on the new mortgage, and
 - mortgage is credit qualified and meets manual FHA requirements, with the exception of LTV and appraisal requirements.
- Borrower(s) can be added as long as the existing borrowers remain on the note and deed. Credit qualifying is not required to add a borrower.

Condominiums

- Must be located in an FHA approved Condominium Project
- HUD REOs do not require FHA Condominium Project approval
- Condominiums involved in minor litigation subject to DE approval and in accordance with FHA requirements.
 - Condo Single-Unit Approvals are ineligible
 - DELRAP Condo Approvals are ineligible
- Copies of applicable insurance policies must be provided, including:
 - Master Insurance Policy must specify 100% replacement cost coverage, guaranteed replacement cost coverage or provide a replacement cost estimate for the entire condominium association.

Credit

- Each borrower must have at least one credit score to be eligible.
- Frozen Credit: No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and the AUS rerun with the updated credit
- Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying

FHA Streamline

To be refinanced FHA loan mortgage history:

- The borrower must have made all mortgage payments within the month due for the 6 months prior to case number assignment
- The borrower may not have more than 1x30 for months 7-12 prior to case number assignment
- The Borrower must have made the payments for all mortgages secured by the subject property within the month due for the month prior to mortgage disbursement.

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Derogatory Credit

- 2 years elapsed since completion or discharge of Ch. 7 or Ch. 13 Bankruptcy, to case number assignment date.
- 3 years elapsed since completion of Foreclosure, Deed in Lieu or Short Sale, to case number assignment date.
- Purchase or Rate/Term refinances require manual downgrade if payment history for any mortgage, including HELOCs, reflect 3x30x12, or 1x60x12 plus 1x30x12, or 1x90x12 within the most recent 12 months prior to case assignment or if the borrower has made less than three consecutive payments since completion of a mortgage forbearance plan. In addition, where a mortgage has been modified, the borrower must have made at least six payments under the modification agreement to be eligible for a no-cash refinance.
- Cash-Out refinance requires manual downgrade if payment history for any mortgage, including HELOCs, reflects current delinquency; any delinquency within 12 months of case number assignment; or the borrower has made less than 12 consecutive monthly payments since completion of a mortgage forbearance plan.
- All transactions: Undisclosed mortgage debt may not be currently delinquent, have more than 0x30 for 12 months prior to case number, or have more than 2x30x24 prior to case number.

Collections:

- If the total outstanding balance for all borrowers is less than \$2,000, a capacity analysis is not required to be performed.
- If the total outstanding balance for all borrowers is equal to or greater than \$2,000 at time of underwrite, broker must perform a capacity analysis. Capacity analysis includes:
 - Payment in full of collection accounts, prior to or at closing, along with documentation of acceptable source of funds,
 - Borrower makes payment arrangements, and provides proof of arrangement with payment included in DTI, or
 - 5% of the outstanding balance of each collection account is included as monthly payment in DTI.
- Non-borrowing spouse collection accounts ARE included in cumulative balance in community property states.
- Medical collections and charge offs are excluded.

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

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Disputed accounts

- If the credit report utilized by TOTAL Mortgage Scorecard indicates that the borrower has \$1,000 or more collectively in disputed derogatory credit accounts, the mortgage must be downgraded to a Refer and manually underwritten.
- Cumulative outstanding balance of disputed derogatory accounts less than \$1,000: Manual downgrade NOT required.
- Disputed medical accounts and disputed derogatory accounts resulting from identity theft may be excluded from the \$1,000 limit. Identity theft documentation must be provided. Disputed derogatory accounts are defined as:
 - Disputed charge-off accounts,
 - Disputed collection accounts, and
 - Disputed accounts with late payments in the last 24 months.
- The following disputed non-derogatory accounts are not included in the \$1,000 limit:
 - Disputed accounts with \$0 balance,
 - Disputed accounts with late payments 24 months or older, or
 - Disputed accounts that are current and paid as agreed.

Tax liens

- Tax liens may remain unpaid if the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.
- Broker must provide proof of satisfactory payment agreement, and minimum of three months timely payments.
- Broker must include the payment amount in the agreement in the calculation of the borrower's Debt-to-Income (DTI) ratio.

Disaster Policy

- Keystone may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Keystone disaster policy located in the Broker's Guide for full details.
- Disaster inspections may not be completed by the Broker. Acceptable inspection providers include, but are not limited to, the original appraiser or a post-disaster inspection company.

Documentation Type

- Follow TOTAL Scorecard and FHA requirements.

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- The broker must obtain a year-to-date Profit and Loss (P&L) statement and balance sheet if more than a calendar quarter has elapsed since date of most recent calendar or fiscal year-end tax return was filed by the borrower. A balance sheet is not required for self-employed borrowers filing Schedule C income. If income used to qualify the borrower exceeds the two-year average of tax returns, an audited P&L or signed quarterly tax return must be obtained from the IRS.
- Additionally, if income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from IRS are required.
- A 4506-C, signed at application and closing, is required for all transactions
 - For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date.
 - VODs are not acceptable for asset documentation
 - Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible
 - For salaried employees the verbal verification of employment must be completed within 10 business days prior to the note date.
- Private mortgages may be verified with cancelled checks or bank statements.
- Income or assets derived from the following sources are ineligible for qualifying:
 - The production or sale of marijuana
 - Bitcoin or other cryptocurrencies

Down Payment Assistance and Secondary Financing

- Down Payment Assistance (DPA) programs are permitted in accordance with FHA's guidelines.
 - No maximum CLTV when the second is provided by a government entity.
- Secondary financing from family members allowed in accordance with FHA's guidelines. Maximum CLTV is 100%.
- All other sources of secondary financing must meet FHA's requirements. Maximum CLTV is 96.5%.
- Please refer to the FHA Handbook for complete FHA secondary financing requirements.

Escrow Account

Escrow impound accounts must be established for taxes and insurance premiums for all loans.

Escrow Holdbacks

Escrow holdbacks are allowed in accordance with FHA guidelines, including but not limited to:

- A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements.
- A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements.

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- A copy of the escrow agreement (HUD 92300 on FHA loans) will be required that states how the escrow account will be managed and how the funds will be disbursed.
 - New Construction only
 - Weather related repairs only
 - Keystone must administer escrow account and disbursement of funds
 - 150% of repair estimate to be escrowed
- Not allowed on Manufactured Homes.

Financing Concessions

Financing concessions cannot exceed 6% of the sales price.

High-Cost / Higher Priced

- Keystone will not fund High-Cost Loans
- Higher Priced Mortgage Loans (HPML) transactions are eligible for funding. HPML guidelines require:
 - Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence.
 - Must meet all applicable state and/or federal compliance requirements.

HUD REO Transactions

- Owner-occupied and Non-owner-occupied transactions allowed
 - Investment properties (Delegated only) eligible up to maximum 75% LTV
- Approve/Ineligible due to LTV/CLTV is acceptable for owner-occupied transactions only.
- 110% of the estimated cost of the repairs, not to exceed \$11,000, may be included in the mortgage amount. See 4000.1 II.A.8.o for full details.
- Title policy is not required
- 1004D or CIR HUD 92051 required to confirm repairs are completed, which may be provided post-funding.

Note: Keystone allows HUD's \$100 Down and Good Neighbor Next Door programs.

Not eligible for Manufactured Homes

Identity of Interest Transaction

- Generally, the maximum LTV percentage for Identity-of-Interest transactions on Principal Residences is restricted to 85%, see 4000.1 II.A.2.b.ii (A) for exceptions.
- An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members.

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- Business Relationship refers to an association between individuals or companies entered into for commercial purposes.
- Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:
 - Child, parent, or grandparent;
 - a child is defined as a son, stepson, daughter, or stepdaughter;
 - a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent;
 - spouse or domestic partner;
 - legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption;
 - foster child;
 - brother, stepbrother; sister, stepsister;
 - uncle; aunt; or
 - son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the borrower.

Loan Limits

FHA mortgage limits for all areas: <https://entp.hud.gov/idapp/html/hicostlook.cfm>. Refer to Rate Sheet for High Balance price adjustments.

Loan Purpose

Limited Cash-Out/Rate & Term Refinance

- Includes Simple Refinances meeting FHA requirements
- Proceeds can be used to pay off an FHA or non-FHA first mortgage regardless of age
- Proceeds can be used to pay off any junior liens related to the purchase of the subject property, or that are seasoned at least 12 months. Exception: A partial claim may not be paid off with loan proceeds from an FHA Rate & Term Refinance and must be paid from a borrower's own funds. A partial claim may only be paid off using loan proceeds when it's a cash-out transaction.
 - Pay related closing costs and prepaid items
 - Disburse cash out to the borrower in an amount not to exceed \$500

Cash-Out

- The property securing the cash-out refinance must have been owned and occupied by all borrowers whose income is being used to qualify as their Principal Residence for the 12 months prior to the date of case number assignment.

Exception:

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- In the case of inheritance, a borrower is not required to occupy the property for a minimum period of time before applying for a cash-out refinance, provided the borrower has not treated the subject property as an Investment Property at any point since inheritance of the property.
- If the borrower rents the property following inheritance, the borrower is not eligible for cashout refinance until the borrower has occupied the property as a Principal Residence for at least 12 months.
 - Borrower must be 0x30x12 on the subject mortgage history
 - Non-occupant co-borrowers may not be added in a cash out refinance transaction in order to meet FHA's credit underwriting guidelines for the mortgage. Any co-borrower or co-signer being added to the note must be an occupant of the property.
 - Income from a non-occupant co-borrower may not be used to qualify for a cash-out refinance.
- Borrowers may not have multiple cash-out transactions within the prior 12 months on the same property. Closing Disclosures (CDs), or other supporting documentation, from all subject property refinances in the prior 12 months are required to confirm the previous transactions were no cash-out. The subject cash-out transaction is excluded if the borrower is receiving no cash in hand, or is receiving less than the incidental limit allowed by the Agency. Loans with LTV/CLTVs of 75% or less are excluded from this requirement.

Notes:

- Removing or adding borrowers will not make the transaction eligible.
- When a HELOC is paid through closing, the current transaction is only considered cash out for this requirement if there were any draws in the last 12 months.
- Loan may be defined as cash-out by the Agency and be excluded from this requirement.
- To meet Ginnie Mae seasoning requirements: the borrower must have made at least six consecutive payments on the loan being paid off and the first payment due date of the new loan must be at least 210 days after the first payment due date of the refinanced loan.
- To meet Ginnie Mae seasoning on modified loans:
 - The borrower has made at least six consecutive monthly payments on the modified loan being refinanced, beginning with the payment made on the first payment due date as of the modification date.
 - The first payment due date of the new loan may not occur earlier than 210 days after the first payment due date of the modified loan paid off through the transaction.

Loan Purpose: Ineligible Transaction

Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bonafide purchase transactions and therefore not eligible for funding by Keystone. Unacceptable transactions of this type may have some or all of the following characteristics:

- Gift of equity from the seller
- Large amount of seller credits.
- Family member remaining in the home and on title after the "purchase"

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- Seller unable to qualify for a cash-out transaction of their own

Texas Refinances are ineligible.

Manufactured Homes

Appraisals

- Full 1004C/70B appraisal required. The property condition rating should be C4 or better.
- Cost approach is required for initial sale from retailer transactions.
 - Retailer's invoice with the retail purchase price of the subject must be included with the appraisal when the subject is new construction.
- Cost approach not required for manufactured housing over a year old or title has been re-conveyed after initial sale.
- Structural modifications or additions that are attached to the subject unit:
 - Inspection by a state agency to approve modifications is required, if the state requires such inspection.
 - If there is no state requirement, then the structural modification must be inspected and be deemed structurally sound by a third party who is regulated by the state and is qualified to make the determination. In all cases, the satisfactory inspection report must be retained in the mortgage loan file.
- Standard
 - Minimum of 2 similar manufactured home comparables
 - Third comparable may be site built or modular home
 - Photos required, in addition to standard photos:
 - HUD Data Plate (paper document located on the interior).
 - HUD Certification Label (two by four inch aluminum plate on the exterior)
- MH Advantage or CHOICEHome (expires with appraisal effective dates on or after 12.31.22) :
 - Can use MH Advantage/CHOICEHome comps when available/
 - Supplemental comps may be site built homes with detailed justification to support the comp selection
 - Photos required, in addition to the standard photos
 - MH Advantage or CHOICEHome sticker
 - HUD data plate,
 - HUD certification label,
 - Site showing driveways, sidewalks, any detached structures.
 - The presence of a driveway leading to the home (or to the garage or carport, if one is present). The driveway must consist of blacktop, pavers, bricks, concrete, cement, or gravel (gravel must have a minimum depth of four inches), and;
 - The presence of a sidewalk connecting either the driveway, or a detached garage or carport, to a door or attached porch of the home. The sidewalk must consist of blacktop, pavers, flagstone, bricks, concrete, or cement.
- If the HUD data plate cannot be obtained, a copy of the IBTS report is acceptable.

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- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponic equipment, are ineligible.
- The property must be complete with the Certificate of Occupancy (C of O) or other equivalent documentation by the time of close

FHA Streamlines

Manufactured Homes require:

- 1 unit only
- 2055 or BPO required. The property condition must be average or better.
- Max LTV of 110% based on current value
- Foundation certificate
 - Any alterations or additions permanently attached to the subject must be addressed in the foundation certificate.
 - May provide the certification from original loan subject to the above.
- Prelim to confirm the subject is a permanently affixed manufactured home.
- Tax Sheet to confirm subject is taxed as land plus improvements.
- Subject must be permanently affixed to the foundation for a minimum of 12 months prior to case number assignment
- ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required.
- Affidavit of affixation, or state equivalent document, required
- Manufactured Home Power of Attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval.
- Leasehold ownership is ineligible
- Transactions in mobile home parks are ineligible
- Ineligible for ARMs
- Owner Occupied only

Flood Zone – Manufactured Homes

Flood Zone requirements: The finished grade level beneath the manufactured home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling, related structures or equipment essential to the property value and subject to flood damage for both new and existing manufactured homes are located within an SFHA, the Property is not eligible for FHA mortgage insurance unless the mortgagee obtains:

- a FEMA issued LOMA or LOMR that removes the property from the SFHA; or
- 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, and insurance under the NFIP is obtained.

Foundation

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- Foundation Certification: Obtain a certification from an engineer licensed/registered in the subject property's state that the foundation is in compliance with the Permanent Foundation Guide for Manufactured Housing (PFGMH)
- PFGMH can be found at https://www.hud.gov/program_offices/administration/hudclips/guidebooks/4930.3G.
- If the appraiser notes additions or alterations to the manufactured housing unit, the mortgagee must ensure the addition was addressed in the foundation certification.
- If the additions or alterations were not addressed in the foundation certification, the mortgagee must obtain:
 - an inspection by the state administrative agency that inspects manufactured housing for compliance; or
 - certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors.

Title Requirements – Manufactured Homes

- A minimum of 12-month chain of title must be provided. Chain of title must be reviewed for any undisclosed identity of interest transactions.
- Loans with private transfer fee covenants are ineligible. Transfer fee covenants exempted from this requirement are fees paid to any homeowner associations, condominiums, cooperatives, and certain tax-exempt organizations that use such private transfer fee proceeds to benefit the property. Fees that do not directly benefit the property are subject to the above rule, and would disqualify mortgages on the property from being purchased by Pennymac. (FHFA Final Ruling 12 C.F.R. Part 1228)
- Title policy required.
- ALTA Endorsement 7, or 7.1, or 7.2, or equivalent state form required.
- The loan must be secured by both the manufactured home and the land on which it is situated, and both the manufactured home and the land must be legally classified as real property under applicable state law.
- A mortgage, deed of trust, or security deed must be recorded in the land records and must identify the encumbered property as including both the home and the land. A manufactured home rider will be acceptable to meet this requirement.
 - The property description section of the security instrument must include a description of the manufactured home and the land. The description must be identical to the descriptions recorded on the affidavit of affixture and receipt of surrender of title, to include:
 - Year,
 - Make
 - Serial or Vehicle Number (VIN)
 - Legal Description
- Evidence the manufactured home is considered real property, including as applicable, but not limited to:
 - Evidence of no certificate of title,
 - Surrender of the certificate of title,

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- Certificate of title with the land ownership indicated
- Affidavit of Affixture, including make, model, vehicular identification number, and verbiage confirming permanently affixed and attached to the land and is part of the real property
- Manufactured home power of attorney required unless an affidavit of affixation and evidence of vehicular title surrender is provided prior to final approval.

Manual Ratios and Required Compensating Factors

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratio (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not Applicable – Minimum Credit Score is 580
580 and above	31/43	No compensating factors required.
580 and above	37/47	One of the Following: <ul style="list-style-type: none"> ● Verified and documented cash reserves; ● Minimal increase in housing payment; or ● Residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	Two of the following: <ul style="list-style-type: none"> ● Verified and documented cash reserves; ● Minimal increase in housing payment; ● Significant additional income not reflected in Effective Income; and/or ● Residual Income.

Maximum Loan Amount – FHA Streamline

For owner-occupied Principal Residences and HUD-approved Secondary Residences (see definition in Occupancy Section below), the maximum Base Loan Amount for Streamline Refinances is:

- The lesser of:
 - the outstanding principal balance of the existing mortgage as of the month prior to mortgage disbursement; plus:
 - interest due on the existing mortgage and MIP due on existing Mortgage;
 - late charges;
 - escrow shortages and
 - MIP due on existing Mortgage; or
 - the original principal balance of the existing mortgage (including financed UFMIP); less any refund of UFMIP (if financed in original mortgage).
- For Investment Properties, the maximum Base Loan Amount for Streamline Refinances is:the lesser of:

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- the outstanding principal balance of the existing mortgage as of the month prior to mortgage Disbursement; or
- the original principal balance of the existing mortgage (including financed UFMIP);
- less any refund of UFMIP (if financed in original mortgage).

Mortgage Products, Eligible

- Fixed Rate: 10, 15, 20, 25 & 30 year terms. (FHA High Balance allowed on all terms)
- Section 203(b) Basic with ADP code of 703
- Section 234 (c) Condominiums with ADP codes of 734
- Simple Refinances allowed in accordance with FHA's guidelines.
- For Streamline Refinance transactions, please refer to the FHA Streamline Refinance Product Profile.

FHA Streamline – Eligible Products

- FHA to FHA refinance
- Fixed Rate: 10, 15, 20, 25 & 30-year terms (FHA High Balance allowed on all terms)
- The maximum term is the lesser of
 - 30 years, or
 - 12 years beyond the remaining term of the existing loan.

Mortgage Products, Ineligible

Any FHA programs/mortgage types identified in the FHA Handbook that are not specifically allowed in the Eligible Mortgage Types above, including but not limited to Energy Efficient Mortgages, Weatherization, Solar and Wind, GPM, and One Time Close Construction to Permanent CP.

Net Tangible Benefit – FHA Streamline

From	To	
	Fixed Rate – New Combined Rate *	Hybrid ARM – New Combined Rate *
Fixed Rate	At Least .50% pointes below the prior Combined Rate*	At least 2 percentage points below the prior Combined Rate
ARM	No more than 2 percentage points above the prior Combined Rate*	At Least 1 percentage point below the prior Combined Rate.

NTB may also be met when all of the following are met:

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- The remaining unpaid mortgage term is reduced by a minimum of three years, and
- On a Fixed Rate to Fixed Rate: the new combined interest rate* is below the prior combined interest rate, and
- The combined PI+MIP payment of the new mortgage does not exceed the combined PI+MIP of the refinanced mortgage by more than \$50.00 Notes applicable to all transactions
- Combined Rate* refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium (MIP) rate
- When the existing loan has been modified, the net tangible benefit will be based on the modified payment/interest rate.

Occupancy

- Owner-occupied
- Investment: FHA Streamline Only. See HUD REO section – Not allowed on Manufactured Homes

FHA Streamline

Occupancy is determined by the current use of the subject property, not the use at origination of the existing loan.

Owner-occupied

- Occupancy must be documented per FHA requirements.

Secondary Residences

- Secondary Residence refers to a dwelling that a Borrower occupies in addition to their Principal Residence, but less than a majority of the calendar year. A Secondary Residence does not include

Vacation Home.

- Secondary Residences are only permitted with written approval from the Jurisdictional HOC. See 4000.1 II.A.1.b.iii (B) for additional information on Secondary Residences
- Manufactured home not eligible

Non-Owner Occupied

- FHA Streamline Only
- Manufactured home not eligible

Property, Eligible Types

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- Single Family Detached
- Single Family Attached
- 2–4 Unit Detached/Attached**
- PUDs
- Low-rise and High-rise condominiums (must be FHA eligible)
- Rural Properties (in accordance with Agency guidelines, loans must be residential in nature)
- Manufactured Homes- refer to the FHA Manufactured Home Product Profile for all requirements. The more restrictive of the loan program guidelines apply.

****2-4 Unit Properties Using Subject Rent to Qualify must meet the following criteria:**

- AUS Approve/Eligible
- FICO ≥ 680
- DTI $\leq 50\%$
- Min of 6 months Liquid reserves (not 40k1)

Manufactured Homes

- Multiple-width manufactured home with a minimum square footage of 700 feet.
- All homes must be attached to a permanent foundation and legally classified as real property
- The unit must not have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit.
- The towing hitch, wheels, and axles must be removed
- Fee Simple land ownership only
- New Construction: never been occupied and completed less than one year from the date of the issuance of the Certificate of Occupancy or equivalent:
 - a copy of the CO (or equivalent); or
 - a final inspection performed by the local authority with jurisdiction over the property or an ICC certified RCI or CI; or
 - in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the property is located

Property, Ineligible Types

- Mobile Homes
- Single-width manufactured home
- Cooperatives
- Condotels
- Hotel Condominiums
- Timeshares

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- Working Farms and Ranches
- Unimproved Land and property currently in litigation
- Properties located in lava zone 1 or 2
- Leaseholds not allowed for Manufactured Homes
- Manufactured homes not affixed to the land or not real property
- Manufactured homes located in a mobile home park
- Manufactured homes that were moved from their original location

Property Flipping Policy

- Properties resold 90 days or fewer following the date of acquisition by the seller are not eligible for FHA financing unless the loan meets the exceptions set forth in 4000.1 II.A.1.b.iv (A)(3). The date of acquisition is defined as date of settlement on the seller's purchase of the property. The resale date is defined as the date of execution of the sales contract by a buyer intending to finance the property with an FHA-insured loan.
- Properties resold between 91 and 180 days after acquisition require a second appraisal by a different appraiser if the resale price is 100% or more over the price paid by the seller when the property was acquired.

Qualifying

- Fixed rate qualify at the note rate.

Ratios

- Per AUS or FHA Manual Underwriting requirements

FHA Streamline

DTI ratios are not calculated, unless the transaction is credit qualified.

Recently Listed Properties

- No Cash-Out Transaction - Allowed when the property is listed for sale. The property and the borrower must be eligible and qualified for the refinance.
- Cash-Out Transaction - the listing must have expired or been withdrawn prior to the application date.

Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.

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Reserves

- All assets submitted to the AUS (FHA TOTAL Scorecard) must be verified and documented. This includes the assets that exceed the amount required for closing i.e. Reserves
- 3-4 Unit Properties: the equivalent of at least three months PITIA after closing must be verified and documented for 3-4 unit properties.

Seasoning

Please refer to the Keystone Seasoned Loan Policy located in the Keystone Broker Guide for requirements and loan-level price adjustments.

State Restrictions

- Texas 50 (a)(6) refinance mortgages are ineligible

FHA Streamline

On the date of the FHA case number assignment:

- the Borrower must have made at least six payments on the 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.

Note: FHA Streamlines must also meet Ginnie Mae seasoning, see APM 17-06. By meeting FHA seasoning requirements as of the case number assignment date, Ginnie Mae seasoning requirements are also met.

Tax Transcripts

- Tax transcripts for the most recent one year are required for all self-employed borrowers whose income is used to qualify. If only non-self-employed income is used to qualify, transcripts are not required.
- When tax transcripts are provided, they must support the income used to qualify.
- A properly executed 4506-C is required for all transactions except when the loan file contains tax transcripts.

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- If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing “No record of return filed” is required along with documented acknowledgement receipt (such as IRS officially stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous year.

Temporary Interest Rate Buydowns

Allowed subject to the following:

- Max total interest rate reduction of 3%, max increase per year of 1% (only 1/0, and 2/1 buydowns allowed)
- Maximum 3 years to reach standard note rate
- Fixed Rate only
- Minimum 680 FICO
- Owner Occupied only
- Purchase only
- Must qualify at the standard note rate without benefit of the buydown
- Must meet all other applicable FHA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.

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