



Table of Contents

Product Description

1. Product Codes	2
2. AUS	2
3. Qualifying	2
4. Ineligible Transactions	2
5. Max Loan Amount/LTV Calculations	3
6. Cash Back Requirements	3
7. Net Tangible Benefit	4
8. Mortgage Insurance Premium	4
9. Upfront MIP Refunds	5

Doc Expiration	5
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Credit

1. Credit Score	5
2. Credit History	5
3. Adding/Deleting Borrowers	5

Income

1. Employment	6
2. Income Documentation Requirements	6
3. Rental Income	7

Assets	7
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Property

1. Occupancy	8
2. Ineligible Properties	8
3. Seasoning Requirements	8
4. Appraisal Requirements	8
5. Condo	9
6. PUD	10



STREAMLINE WITH/WITHOUT APPRAISALS

Product Description

Rate and term refinance program offered by FHA for existing FHA loan holders.

Product Codes

- 3101 30-Year Fixed
- 3102 15-Year Fixed
- 3103 25-Year Fixed
- 3101 HC 30-Year Fixed High Cost

AUS

- Must be manual underwritten
- Loans should not be ran through Total Scorecard (AUS)
 - Non- credit qualifying streamline transaction inadvertently run through Total Scorecard is permitted, and documentation of values is not required.

Qualifying

- Max ratios: 31/43
- Refer to Income and Employment section of these Guidelines for documentation requirements

Ineligible Transaction

- Loans in modification or for which foreclosure proceedings have been started
- Modified loans or loans involving any FHA Loss Mitigation
- FHA Secure loans that were delinquent at the time of loan financing
- Short refinances
- Recently listed properties:
 - If LTV < 70%, property must have been off the market for at least one day prior to application; investor approval required
 - If LTV = 70% or higher, property must have been off the market for at least 3 months prior to application

Max Loan Amount/ LTV Calculations

The maximum loan amount before addition of the financed upfront mortgage insurance premium is the lesser of the following calculations (NOTE: all loan amounts must be rounded down to the nearest whole dollar):

- **Without Appraisal:**
 - Existing principal balance (including existing balance for first lien and amount of interest charged by the servicing lender with the payoff will not likely be received on the first day of the month – may not include delinquent interest, late charges, escrow shortages or any other fees and charges) minus MIP refund (use the lesser of the UFMIP refund or the new UFMIP): **OR**
 - FHA’s statutory loan limit for the county in which the property is located
 - <https://entp.hud.gov/idapp/html/hicostlook.cfm>
 - CLTV – Existing or modified subordinate financing only (new subordinate financing not permitted):
 - 125% of original appraised value shown on the refinance authorization screen in FHA Connection
 - If the subordinate lien is a line of credit, the CLTV is calculated using the maximum accessible credit limit and not the outstanding principal balance

- **With Appraisal:**
 - 97.75% of the appraised value; **OR**
 - Existing principal balance (including existing balance for first lien and amount of interest charged by the servicing lender with the payoff will not likely be received on the first day of the month – may not include delinquent interest, late charges, escrow shortages or any other fees and charges) plus allowable closing costs (may not include discount points), plus prepaids minus MIP refund (use the lesser of the UFMIP refund or the new UFMIP) ; **OR**
 - FHA’s statutory loan limit for the county in which the property is located
 - <https://entp.hud.gov/idapp/html/hicostlook.cfm>
 - CLTV – Existing or modified subordinate financing only (new subordinate financing not permitted):
 - 125% of original appraised value
 - If the subordinate lien is a line of credit, the CLTV is calculated using the maximum accessible credit limit and not the outstanding principal balance

Cash Back

- Cash back at closing may not exceed \$500 and may only be the result of minor adjustments at closing
- A principal reduction is required if cash back to borrower is more than \$500



Net Tangible Benefit

The loan must provide a Net Tangible Benefit to the borrower. FHA Refinance Net Tangible Benefit Worksheet, is required. (See State Specific)

- Reduction of the loan term, in and of itself, is not a net tangible benefit
- The number of months required to recapture the borrower-paid closing costs shown in sections 800, 1100 and 1200 of the Good Faith Estimate and HUD-1 Settlement Statement may not exceed 48 months.
- New P&I plus annual MIP must be at least 5% lower than existing P&I plus annual MIP for the following transactions:
 - Fixed rate to fixed rate or hybrid ARM
 - 1-year ARM to 1-year ARM
 - Hybrid ARM during fixed period to fixed rate or hybrid ARM
 - Hybrid ARM during adjustable period to 1-year ARM
- New interest rate must be at least 2% lower than current interest rate for the following transactions:
 - Fixed rate to 1-year ARM
 - 1-year ARM to hybrid ARM
 - Hybrid ARM during fixed period to 1-year ARM
 - Hybrid ARM during adjustable period to hybrid ARM
- New interest rate may not exceed the existing rate by more than 2% for the following transaction:
 - 1-year ARM to Fixed
- New interest rate may not exceed the existing rate by more than 2% AND the new payment may not increase by more than 20% for the following transaction:
 - Hybrid ARM during adjustable period to fixed rate
- The number of months required to recapture the borrower-paid closing costs shown in sections 800, 1100 and 1200 of the Good Faith Estimate and HUD-1 Settlement Statement may not exceed 48 months
- In addition to meeting the investor’s requirement above, the loan must meet the applicable benefit requirement listed below is also met. Reduction of the borrower’s loan term is NOT, in and of itself, the net tangible benefit

	To Fixed Rate	To 1-year Arm	To Hybrid
From Fixed Rate	New principal and interest plus new annual MIP must be at least 5% lower than the current principal and interest plus the current annual MIP	New ARM interest rate must be at least 2% lower than the current fixed interest rate	New principal and interest plus new annual MIP must be at least 5% lower than the current principal and interest plus the current annual MIP

From 1-Year ARM	New fixed interest rate may not exceed the current ARM interest rate by more than 2%	New principal and interest plus new annual MIP must be at least 5% lower than the current principal and interest plus the current annual MIP	New ARM interest rate must be at least 2% lower than the existing ARM interest rate
From Hybrid ARM in initial Fixed Period	New principal and interest plus new annual MIP must be at least 5% lower than the current principal and interest plus the current annual MIP	New ARM interest rate must be at least 2% lower than the current ARM interest rate	New principal and interest plus new annual MIP must be at least 5% lower than the current principal and interest plus the current annual MIP
From Hybrid ARM in Adjustable Period	New fixed interest rate may not exceed the current ARM interest rate by more than 2%	New principal and interest plus new annual MIP must be at least 5% lower than the current principal and interest plus the current annual MIP	New ARM interest rate must be at least 2% lower than the current ARM interest rate

STATE SPECIFIC

- Colorado: Requires Net Tangible Benefit state specific form to be signed with loan documents (add condition PTF)

Mortgage Insurance Premium (MIP)

CASE NUMBERS ASSIGNED APRIL 18,2011 – APRIL 8,2012- ALL LOAN PURPOSES

Loan Terms >15 Years			
BASE LOAN AMOUNT	LTV	UP-FRONT MIP	ANNUAL (MONTHLY) MIP
All Loan Amounts	≤ 95%	1.00%	1.10%*
All Loan Amounts	> 95%	1.00%	1.15%*
Loan Terms <15 Years			
BASE LOAN AMOUNT	LTV	UP-FRONT MIP	ANNUAL (MONTHLY) MIP
All Loan Amounts	>78% - 90%	1.00%	.25%**
All Loan Amounts	> 90%	1.00%	.50%**

*Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, provided the borrower has paid the premium at least five years



**Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, even if the borrower has been paying the premium less than five years

CASE NUMBERS ASSIGNED APRIL 9, 2012 – JUNE 10, 2012 – ALL LOAN PURPOSES

Loan Terms >15 Years			
BASE LOAN AMOUNT	LTV	UP-FRONT MIP	ANNUAL (MONTHLY) MIP
All Loan Amounts	≤ 95%	1.75%	1.20%*
All Loan Amounts	> 95%	1.75%	1.25%*
Loan Terms <15 Years			
BASE LOAN AMOUNT	LTV	UP-FRONT MIP	ANNUAL (MONTHLY) MIP
All Loan Amounts	>78% - 90%	1.75%	.35%**
All Loan Amounts	> 90%	1.75%	.60%**

*Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, provided the borrower has paid the premium at least five years

**Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, even if the borrower has been paying the premium less than five years

CASE NUMBERS ASSIGNED ON OR AFTER JUNE 11, 2012 – EXCLUDING STREAMLINES OF LOANS ENDORSED PRIOR TO JUNE 1, 2009

Loan Term > 15 Years			
BASE LOAN AMOUNT	LTV	UP-FRONT MIP	ANNUAL (MONTHLY) MIP
≤ \$625,500	≤ 95%	1.75%	1.20%
≤ \$625,500	> 95%	1.75%	1.25%
> \$625,500	≤ 95%	1.75%	1.45%
> \$625,500	> 95%	1.75%	1.50%
Loan Term < 15 Years			
BASE LOAN AMOUNT	LTV	UP-FRONT MIP	ANNUAL (MONTHLY) MIP
≤ \$625,500	≤ 95%	1.75%	.35%
≤ \$625,500	> 95%	1.75%	.60%
> \$625,500	≤ 95%	1.75%	.60%
> \$625,500	> 95%	1.75%	.85%

*Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, provided the borrower has paid the premium at least five years

**Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, even if the borrower has been paying the premium less than five years

CASE NUMBERS ASSIGNED ON OR AFTER JUNE 11, 2012 – STREAMLINE REFINANCES OF LOANS ENDORSED PRIOR TO JUNE 1, 2009 ONLY

Loan Term > 15 Years		
LTV	Up-Front MIP	Annual (Monthly) MIP



All LTVs	.01%	.55%
Loan Term ≤ 15 Years		
LTV	Up-Front MIP	Annual (Monthly) MIP
>78%	.01%	.55%

*Annual mortgage insurance is not required for LTVs ≤ 78%

**Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value,

provided the borrower has paid the premium at least five years

***Cancellation of the annual (monthly) premium will occur when the LTV reaches 78% of the original appraised value, even if the borrower has been paying the premium less than five years

UFMIP Refunds

If the Streamline refinance is within the first 3 years of the existing loan term, the borrower is eligible for a refund of a portion of the UFMIP paid on the loan being refinanced. The amount of this refund is used in the maximum mortgage refund calculation.

- Amount of refund is found in the Refinance Authorization screen in FHA Connection
 - Use the unearned up-front mortgage insurance premium refund for the month the new loan funds, not the month the loan closes

Doc Expiration

- Credit reports must be dated within 60 days of underwriting and must be dated within 120 days of the note
- If streamline with appraisal:
 - Ordered after the case received date unless
 - Appraisal was originally ordered for a conventional loan that subsequently converted to an FHA loan
 - Documentation of prior-non-FHA loan type required
 - Valid for period of 120 days
- Assets: All verifications of funds must be dated within 45 days of the loan application and within 90 days of the note for existing construction.

Credit

Credit Score Overlay

- Loan Amounts below \$417K: **640**
- Loan Amounts of \$417K and above: **660**
- Requires 3 trade lines (joint borrower's: joint account can be used as one)

Credit Score

- 3 scores (use the middle)

- 2 scores (use the lowest)
- 1 score (use that score)

Credit History

- Non-traditional credit is not acceptable
- If mortgage payment history on existing loan is less than 12 months, all mortgage payments must have been made within the month due
- 0 x 30 late in most recent 12 months

Adding/Deleting Borrowers (Credit Qualifying)

- Borrowers may be added to the loan without credit qualification provided the original borrower(s) also remain on the loan
- Borrowers may only be deleted from the existing loan without credit qualifying if one of the following requirements is met:
 - An assumption of the mortgage that does not contain a due-on-sale clause occurred more than 6 months prior to the application and the assumptor can document that s/he has made the mortgage payments since assumption; **OR**
 - Following assumption of a mortgage in which a due-on-sale clause was not triggered (ie: property transfer resulting from divorce) and the assumption occurred more than 6 months prior to application and the remaining owner-occupant can demonstrate s/he has made the payment since assumption
- If deleting a borrower will cause any of the following, the borrower must be credit qualified:
 - Deletion of the borrower will trigger a due-on-sale clause
 - The borrower assumed a mortgage that did not contain a due-on-sale clause but limited assumptions only to creditworthy borrowers and the assumption occurred less than 6 months previously
 - The borrower assumed a mortgage that did not contain a due-on-sale clause but the property was assumed less than 6 months prior to application as a result of divorce, devise or descent
- Credit qualifying Streamlines require evaluation all of the following:
 - Income documentation
 - Credit history/liabilities
 - Debt-to-income ratios
 - Transaction may be completed with or without appraisal

Income

Employment

- Verification of Employment required
- 1003 must include current employer's name, address, phone number, borrower's job title, length of time on job

Income Documentation Requirements

- Self-employed or Partnership income: copy of a current valid business license or evidence of the business' existence through Lexis Nexis
- Rental income as borrower's only source of income: copy of current lease(s)
- Pension income: a bank statement documenting direct deposit of the borrower's pension income or a copy of the borrower's pension award letter
- IRA or 401(k) Distribution income: copy of the borrower's written distribution plan from the investment company or 3 months' bank statements identifying the consistent monthly deposit
- Child Support or Alimony: a current friend-of-the-court letter or copy of the borrower's divorce decree or support order and the most recent 3 months' bank statements showing consistent deposits in the amount of the support or alimony
- Disability income or Social Security income if borrower is under 62 years of age: a bank statement documenting direct deposit of income or a copy of the borrower's social security award letter or a copy of the borrower's disability award letter
- Social Security income if borrower is 62 years of age or older: no verification required
- Seasonal Employee currently receiving Unemployment income: proof the borrower is currently receiving unemployment income and a verbal VOE evidencing the borrower has been employed in a seasonal position for at least 2 years
 - If the climate in which the borrower works indicates the borrower should currently be employed in his or her seasonal position but the borrower is receiving unemployment, the unemployment income cannot be used

Rental Income Calculation

If the loan is a credit qualifying Streamline, rental income for 2-unit properties is calculated as follows:

- LTV < 90%
Rental income from the non-owner occupied units is permitted, subject to all of the following documentation:
 - Property acquired in current calendar year:
 - A fully executed lease agreement
 - A 25% vacancy factor will be applied to the lesser of the appraiser's estimate of rent or the actual monthly rent stated on the lease agreement
 - If the non-owner occupied units are not currently leased, rental income may not be used for qualification
 - Property acquired in previous calendar years:
 - Rental income from the units the borrower does not occupy is calculated using Schedule E of IRS Form 1040. Lease agreements may not be used to calculate rental income from properties acquired in previous calendar years
- LTV 90% - 97.75%
 - The borrower must qualify with the full PITI. Rental income from the units the borrower does not occupy may not be used, regardless of acquisition date
 - FHA requires the property to be self-sufficient – The monthly PITI divided by the net rental income after applying FHA's vacancy factors may not exceed 100%
 - Santa Ana HOC – 15%
 - Philadelphia HOC – 15%
 - Atlanta HOC – 15%
 - Denver HOC
 - 10% - Colorado, Iowa, Minnesota, Montana, Wisconsin



- 15% - Kansas, Louisiana, Missouri, Nebraska, New Mexico, North Dakota, South Dakota, Texas, Wyoming
- 20% - Arkansas, Oklahoma, Utah
- Three months' reserves required

Assets

- Two most recent months bank statements (if the bank statements do not show the previous month's ending balance, three bank statements are required)
- When one or more of the bank account owners is not a borrower on the loan, the non-borrowing joint account owner(s) must provide a letter stating the borrower has access to the funds. However, if the account is joint with a non-borrowing spouse and there are no additional joint account owners, an access letter is not required
- All large deposits must be verified, regardless of whether the funds are required for closing. "Large deposits" are designated on a case-by-case basis and are non-payroll deposits that are unusual and high for the borrower's income and obligations

Property

Occupancy

- Owner occupancy required on all Streamlines

Ineligible Properties

- Manufactured Homes
- Property that is not residential in nature (no farms, orchards, commercial, etc.)
- Properties with deed restrictions
- Properties located in a FEMA-declared disaster area within 1 year of the disaster declaration date unless inspection from licensed appraiser, home inspector or FHA Fee inspector can verify the following:
 - Improvements are still standing and in acceptable condition
 - Neighborhood condition
 - Photograph of the subject property is required

Seasoning Requirements

- FHA will not assign a Streamline refinance case number until the loan being refinanced meets all of the following:
 - 210 days have passed since the closing date of the FHA loan being refinanced; **AND**
 - The borrower has made at least six consecutive payments on the existing FHA loan; **AND**

- At least six full months have passed since the first payment due date of the FHA loan being refinanced
- NOTE: FHA does not permit ordering a case number as a rate and term refi to circumvent these requirements, nor will FHA revise a case assigned as a rate & term or cash-out refi to a Streamline
- If the subject property was previously the borrower's investment property and the borrower has re-occupied the property within 12 months of the loan application, the maximum LTV is 85%

Appraisal Requirements

- The property addresses on the appraisal, case number assignment, flood cert, security instrument and note must all be identical
- The appraisal effective date must be after the case received date
- All appraisals are valid for a period of 120 days
 - The validity period of an appraisal may be extended for up to 120 days, provided all of the following requirements are met:
 - FNMA Form 1004D or FHLMC form 442 – Appraisal Update Completion Form must be completed by the original appraiser
 - The original appraiser must be an FHA roster appraiser in good standing at the time of the update
 - A new FNMA form 1004MC – Market Conditions Addendum must be provided with the update form
 - If the update was ordered by any lender other than the original lender indicated on the initial appraisal, the original appraisal must also be attached
 - Summary updates are not permitted for loans having any one (or more) of the following characteristics:
 - The original appraisal expired prior to the effective date on the update
 - An underwriter extended the original appraisal for 30 days
 - Property has declined in value
 - Building improvements to the property cannot be observed from the street or public way
 - Exterior inspection of the property reveals deficiencies or other significant changes that did not exist at the time of the original appraisal
- If an appraisal is ordered, loan cannot be changed to a streamline without appraisal
- Streamlines with appraisal must be underwritten and closed as credit-qualifying Streamline refinances only
 - Value is based on appraised value regardless of seasoning

Condo

- This is the only type of refinance that can be secured by a condo in a development that is no longer FHA-approved
- HO-6 policy in the amount of at least 20% of the appraised value is required if the master hazard policy does not have “walls in” coverage.
 - The coverage amount on Line A (real property or building coverage) on the HO6 (condo unit owners policy) must be at least 20% of the total appraised value.

- If flood insurance is required, an NFIP policy must be obtained by the homeowner's association. Borrower purchased flood insurance is not permitted unless the property is a site condominium. Loans must be denied if the HOA does not maintain adequate flood insurance, regardless of FHA condominium approval status
- Master Policy:
 - The insurer's minimum liability per accident under boiler and machinery coverage must equal the insurable value of the building housing such boiler or machinery or \$2 million whichever is less.
 - Deductibles **may not** exceed 5 percent of the applicable amount of coverage. Funds for such deductibles must be included in the associations' reserves and be so designated. The Investor will also accept blanket insurance covering all units in the Condos as well as insurable common areas and property, if called for in the condos constituent documents. Such coverage must meet the requirements applicable to each PUD unit and those applicable to insurable common areas and property. Deductibles are allowed under this blanket coverage provided that the deductible for losses to an individual does not exceed the lower of \$1,000 or 1 percent of the unit's insurable value. Funds for any deductibles must be included in the association's reserves and be so designated.
 - The PUD's insurance policy must name the insured in substantially the same language indicated below:
 - "Association of Owners of the ...Condominium for the use and benefit of the individual owners (designated by name, if required by law or the constituent documents)."
- The condominium owner's association must maintain blanket "all risk" coverage for the following:
 - General and limited common elements within the condominium
 - Fixtures, machinery, equipment, and supplies maintained for the service of the condominium
 - Fixtures, improvements, alterations, and equipment within the individual units
- Coverage must be for 100 percent of the insurable value of the common elements or property described above and provide for loss or damage settlement on a replacement cost basis.

PUD

- Requirements for 1-4 family and multifamily properties apply to similar residential properties within a planned unit development (PUD). The unit owners' own Homeowner's Policy (if not covered by the Master Policy) must follow the same criteria as 1-4 family properties. Borrowers must show evidence of hazard insurance coverage for all properties with attached units that cover fixtures, equipment, and other personal property inside individual units if they will be financed by the mortgage. Borrowers must show evidence of a "walls-in" coverage policy unless they can document that the master policy provides the same interior unit coverage. The master policy must include replacement of improvements and betterment coverage to cover any improvements that may have made to the unit.
- Master Policy:
 - The insurer's minimum liability per accident under boiler and machinery coverage must equal the insurable value of the building housing such boiler or machinery or \$2 million whichever is less.
 - Deductible:
 - Deductibles may not exceed the lower of \$10,000 or 1 percent of the applicable amount of coverage. Funds for such deductibles must be included in the association's reserves and be so designated.
 - Accept blanket insurance covering all units in the PUD as well as insurable common areas and property, if called for in the PUD's constituent documents. Such coverage must meet the requirements applicable to each PUD unit and those applicable to insurable common areas and property. Deductibles are allowed under this blanket coverage provided that the deductible for losses to an individual does not exceed the lower of \$1,000 or 1 percent of the unit's insurable



value. Funds for any deductibles must be included in the association's reserves and be so designated.

- The PUD's insurance policy must name the insured in substantially the same language indicated below:
 - "Association of Owners of the ... Planned Unit Development for the use and benefit of the individual owners (designate by name, if required by law or the constituent document.)"