

# FHA OVERLAYS

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## FHA STANDARD

<b>Minimum Credit Score</b>	620 for all borrowers
<b>Maximum DTI</b>	55%
<b>Maximum DTI/Credit in NJ and NY for 3-4-unit property</b>	55% with a 640 minimum credit score
<b>Income Documentation</b>	<ul style="list-style-type: none"> <li>• A 4506-C, signed at application and closing, is required for all transactions</li> <li>• A P&amp;L statement and balance sheet is required 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 2 year average of tax returns, an audited P&amp;L or signed quarterly tax return must be obtained from the IRS.</li> <li>• The following income types are ineligible for qualifying:             <ul style="list-style-type: none"> <li>○ Income or assets derived from the production or sale of marijuana and bitcoin or other cryptocurrencies</li> </ul> </li> <li>• Tax transcripts are required for all borrowers whose income is used to qualify and is derived from self-employment, rental or other income sources (i.e. dividend interest, capital gains, alimony, etc.) or if the borrower is employed by family members. The number of years provided must be based on the AUS Findings. If only W-2 and/or 1099 fixed income are used to qualify, transcripts are not required. When tax transcripts are provided, they must support the income used to qualify. 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.</li> </ul>
<b>Credit</b>	<p>Each borrower must have at least one credit score to be eligible.</p> <p>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.</p>

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<b>Verification of Employment</b>	For salaried employees the verbal verification of employment must be completed within 10 calendar days prior to the note date. For self-employed borrowers the verbal verification of employment must be completed within 120 calendar days prior to the note date.
<b>Borrower Eligibility</b>	<ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• Permanent resident aliens, with proof of lawful permanent residence</li> <li>• Nonpermanent resident alien immigrants, with proof of lawful residence</li> </ul>
<b>Property Eligibility</b>	<ul style="list-style-type: none"> <li>• Single Family Detached</li> <li>• Single Family Attached</li> <li>• 2–4 Unit Detached/Attached</li> <li>• PUDs</li> <li>• Low-rise and High-rise Condominiums (must be FHA eligible)</li> <li>• Rural Properties (in accordance with agency Guidelines, loans must be residential in nature)</li> </ul>
<b>Loan Purpose</b>	<p><b>Purchase</b></p> <p><b>Rate term/Limited cash-out</b></p> <ul style="list-style-type: none"> <li>• Proceeds can be used to pay off an FHA or non-FHA first mortgage regardless of age</li> <li>• 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 a FHA Rate &amp; 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.</li> <li>• Pay related Closing Costs and Prepaid items</li> <li>• Disburse cash out to the Borrower in an amount not to exceed \$500</li> <li>• Max LTV is 85% if Borrower has occupied or owned the subject Property as their Principal Residence for fewer than 12 months prior to the application date; or if owned less than 12 months</li> </ul> <p><b>Cash-out</b></p> <p>The Property securing the cash-out refinance must have been owned and occupied by at least one Borrower as their Principal Residence for the 12 months prior to the date of case number assignment.</p> <p>Exception:</p> <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ If the Borrower rents the Property following inheritance, the Borrower is not eligible for cash-out refinance until the Borrower has occupied the Property as a Principal Residence for at least</li> </ul>

	<p>12 months.</p> <ul style="list-style-type: none"> <li>• Borrower must be 0x30x12 on the subject mortgage history</li> <li>• If a property was recently listed, the listing must have expired or been withdrawn prior to the application date</li> <li>• 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.</li> <li>• Income from a non-occupant co-borrower may not be used to qualify for a cash-out refinance.</li> <li>• All refinances' transactions must present a tangible benefit to the borrower. Cash-out loans where effective interest of proceeds is clearly more costly than alternative financing may be deemed ineligible.</li> </ul>
<b>Age of Documents</b>	<ul style="list-style-type: none"> <li>• Credit documents must be no more than 120 days old on the disbursement date, including credit reports and employment, income and asset documents.</li> <li>• Preliminary Title Policies must be no more than 120 days old on the date the Note is signed</li> </ul>
<b>Secondary financing</b>	<p>Secondary financing from family members and all other sources must meet FHA's requirements. Maximum CLTV is 96.5%.</p>
<b>Appraisals</b>	<ul style="list-style-type: none"> <li>• A full appraisal is required for all submissions</li> <li>• Appraisers may perform an update of a previously completed appraisal using the Fannie Mae Form 1004D/Freddie Mac Form 442/March 2005 when requested</li> <li>• Appraiser must comply with the FHA Appraisal Independence Policy</li> </ul>
<b>Geographic restrictions</b>	<ul style="list-style-type: none"> <li>• New York: CEMA not transactions are not allowed</li> <li>• Texas 50 (a) (6)</li> </ul>
<b>Ineligible features</b>	<ul style="list-style-type: none"> <li>• Loans with deed restrictions</li> <li>• Texas Home Equity Loans</li> <li>• Prepayment penalties</li> <li>• Balloon Terms</li> <li>• Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. Unacceptable transactions of this type may have some or all of the following characteristics:             <ul style="list-style-type: none"> <li>○ Gift of equity from the seller</li> <li>○ Large amount of seller credits</li> <li>○ Family member remaining in the home and on title after the "purchase"</li> <li>○ Seller unable to qualify for a cash-out transaction of their own</li> </ul> </li> </ul>

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<b>Ineligible Products</b>	<ul style="list-style-type: none"> <li>• Economic Life/ Section 223 (e) loans</li> <li>• Energy efficient mortgages</li> <li>• Loans to Non-Profit organizations</li> <li>• Reverse Mortgages</li> <li>• 203K loans</li> <li>• 203(h) loans</li> <li>• HUD \$100 down</li> <li>• FHA Back to Work</li> <li>• Texas Home Equity Loans</li> <li>• Texas 50 (a) (6)</li> <li>• Good Neighbor Next Door</li> <li>• 3/1,7/1 and 10/1 CMT ARMs are not allowed</li> </ul>
<b>Ineligible Collateral</b>	<ul style="list-style-type: none"> <li>• Manufactured home</li> <li>• Mobile homes</li> <li>• Singlewides</li> <li>• Co-ops, Commercial or industrial properties</li> <li>• Leaseholds</li> <li>• Condotels, Hotel Condominiums</li> <li>• Properties in Redemption</li> <li>• Timeshares</li> <li>• Working Farms and Ranches</li> <li>• Geodesic Domes and others Unique or non-traditional types of structures</li> <li>• Unimproved Land and property currently in litigation</li> <li>• Properties listed for sale</li> </ul>
<b>Escrows</b>	<p>All loans must have escrow for taxes/insurance.</p>
<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• The POA must be either a Statutory Form Power of Attorney or specific to the loan transaction. If using a specific POA, the individual acting as Attorney-in-Fact must have a familial or fiduciary relationship with the borrower or a personal relationship with an ownership interest in the subject property.</li> <li>• POA usage not permitted on Cash out Refinances or any loan where the Attorney-In-Fact is an employee of the Lender, Broker, Title or Realtor.</li> <li>• POA only allowed in extenuating circumstances where the borrower cannot attend closing.</li> </ul>
<b>Loan Limits</b>	<p>FHA mortgage limits for all areas: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a>.</p>
<b>HPML</b>	<p>A&amp;D Mortgage will not originate High-Cost loans. HPML are allowed for fixed rate only.</p>



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**Broker Conflict of Interest**

Broker may submit loans on a property where he/she has direct or indirect ownership or relatives of the Broker (i.e., spouse, child, or other dependent, or by any other individual who is related to the Broker by blood, marriage, adoption, or legal guardianship). However, no underwriting, guideline or credit single loan variances of any kind will be allowed. In addition, the Broker cannot be involved in taking or processing the application. Broker may not act as the mortgage loan officer on his/her own loan. Brokers may not submit loans they are originating for their own employees.

## FHA STREAMLINE

<b>Credit Score</b>	640 credit score requirement
<b>Occupancy</b>	Primary Residence
<b>Units</b>	1-4 Units
<b>Loan Terms</b>	Fixed Rate: 30Y.
<b>Mortgage history</b>	0x30x12
<b>Income Documentation</b>	<ul style="list-style-type: none"> <li>• The following Income and Employment documentation are required at a minimum:             <ul style="list-style-type: none"> <li>• Salaried borrowers require a Verbal Verification of Employment (VVOE)</li> <li>• Self-employed borrowers require verification of the business through a 3rd party source</li> <li>• Retired borrowers aged 60 and older do not require a VVOE</li> </ul> </li> <li>• A fully executed 4506-C is required</li> </ul>
<b>Appraisal</b>	Not required for stick-built properties
<b>Texas Home Equity 50(a)(6)</b>	Not eligible
<b>HPML Transactions</b>	Not permitted. Higher Priced Mortgage Loans (HPML) are defined as any owner-occupied loan with an APR 1.5% above the Average Prime Offer Rate (APOR) on the day the loan is locked.
<b>Rebuttable Presumption</b>	Eligible
<b>CEMA</b>	<ul style="list-style-type: none"> <li>• 1-4 Unit Properties</li> <li>• eMortgages are ineligible</li> <li>• Lost Note Affidavits (LNAs) are not allowed for prior or current notes</li> </ul>
<b>Bankruptcy</b>	<p>Must not currently be in bankruptcy</p> <ul style="list-style-type: none"> <li>• Loans amounts above \$715,000 may not have foreclosure/bankruptcy in last 5 years.</li> </ul>
<b>Temporary buydowns</b>	Ineligible (not allowed on refinance transactions)

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<b>Ineligible Collateral</b>	<ul style="list-style-type: none"><li>• Co-ops,</li><li>• Condotels,</li><li>• Indian Reservations, and</li><li>• Manufactured Homes including Manufactured Homes as accessory units</li></ul>
<b>Properties listed for sale</b>	Not eligible