



## FHA Purchase Product Profile: Correspondent

Newrez overlays are identified with yellow highlighting

FHA ELIGIBILITY MATRIX					
Units	Transaction Type	Credit Score	LTV	CLTV	DTI
<b>TOTAL Approve/Accept</b>					
1-4 <sup>1</sup>	Purchase	580	96.5%	105%	Per AUS
<b>Refer and Manual Underwrite<sup>3</sup></b>					
1-4 <sup>1</sup>	Purchase	580	96.5%	105%	50% <sup>2</sup>
<sup>1</sup> 1-unit manufactured homes <sup>2</sup> DTI >31/43 requires compensating factors in accordance with FHA guidelines <sup>3</sup> Nontraditional Credit <ul style="list-style-type: none"> <li>• Credit Score is not applicable</li> <li>• Ratios cannot be greater than 31%/43%</li> </ul>					

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<b>1. Loan Terms</b>	<ul style="list-style-type: none"> <li>Fixed Rate: 10- to 30-year terms in annual increments</li> <li>ARMs: 30-year term</li> </ul>				
<b>2. Product Codes</b>	Y11	FHA Fixed Rate 10 Year	Y13	High-Balance FHA Fixed Rate 10 Year	
	O50	FHA Fixed Rate 15 Year	V50	High-Balance FHA Fixed Rate 15 Year	
	Y10	FHA Fixed Rate 20 Year	Y12	High-Balance FHA Fixed Rate 20 Year	
	O51	FHA Fixed Rate 30 Year	V44	High-Balance FHA Fixed Rate 30 Year	
	GG3	FHA 5/1 Hybrid ARM (45 day look-back) 1/1/5 Cap	GG5	High-Balance FHA 5/1 Hybrid ARM (45 day look-back) 1/1/5 Cap	
<b>3. Eligible Programs</b>	203(b) 1-4 Family Home Mortgage Insurance program				
<b>4. ARM Information</b>	Index	One Year Treasury Bill per the Wall Street Journal			
	Margin	2.00%			
	Life Cap	5%			
	Life Floor	The Floor is the Margin			
	Interest Rate Caps	<b>Product</b>	<b>First</b>	<b>Subsequent</b>	<b>Lifetime</b>
		5/1	1%	1%	5%
	Change Date	5/1	The first Change Date is the 61 <sup>st</sup> payment due date. Subsequent Change Dates are every twelve months thereafter		
	Conversion Option	Not available			
<b>5. Temporary Buydown</b>	<p>Permitted for the following:</p> <ul style="list-style-type: none"> <li>Fixed Rate</li> </ul> <p>Not permitted with the following:</p> <ul style="list-style-type: none"> <li>ARMs</li> </ul> <p>Eligible Buydown Plans</p> <ul style="list-style-type: none"> <li><b>1-0:</b> payment will be calculated at 1.00% below the Note rate for payments 1-12</li> <li><b>1-1:</b> payment will be calculated at 1.00% below the Note rate for the first two years</li> <li><b>2-1:</b> payment will be calculated at 2.00% below the Note rate for payments 1-12 and 1.00% below the Note rate for months 13-24</li> <li><b>3-2-1:</b> payment will be calculated at 3.00% below the Note rate for payments 1-12 and 2.00% below the Note rate for months 13-24 and 1.00% below the note rate for months 25-36</li> </ul>				

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<b>6. Net Tangible Benefit (NTB)</b>	<ul style="list-style-type: none"> <li>• Non-Delegated Clients: CO requires NTB state specific forms for purchase transactions</li> <li>• Refer to Refinances: Net Tangible Benefit Policy &amp; Procedure</li> </ul>		
<b>7. Loan Amount</b>	<ul style="list-style-type: none"> <li>• Base Loan Amount cannot exceed the <a href="#">FHA Statutory Mortgage Limits</a> for each county</li> <li>• Total Loan Amount with financed UFMIP may exceed the maximum statutory loan amounts</li> <li>• Min loan amounts for the FHA High Balance products will be based on the Base Loan Amount and not the Total Loan Amount that includes financed UFMIP</li> <li>• Total Loan Amount must be rounded down to the nearest \$1.00</li> <li>• Max Base Loan Amount is calculated as the Adjusted Value multiplied by the appropriate LTV factor</li> </ul>		
<b>8. Eligible AUS Decision</b>	<ul style="list-style-type: none"> <li>• Accept</li> <li>• Approve/Eligible</li> </ul> <p>Note: Sponsored originations with Newrez should be reflected in AUS findings</p>		
<b>9. Ineligible AUS Decisions</b>	<ul style="list-style-type: none"> <li>• Approve/Ineligible</li> <li>• Refer with Caution</li> <li>• Caution</li> </ul>		
<b>10. Manual Underwrite</b>	<ul style="list-style-type: none"> <li>• All loans must be submitted to AUS</li> <li>• If a Refer decision or loan is manually downgraded, manually underwrite in accordance with FHA guidelines</li> <li>• Refer to Chapter 2E of the Underwriting Guide for details on when an approve eligible must be downgraded and manually underwritten.</li> </ul>		
<b>11. Qualifying Rate</b>	Note rate, including temporary buydowns		
<b>12. Qualifying Ratios</b>	<b>Decision</b>	<b>Ratios</b>	<b>Compensating Factors</b>
	AUS Accept	Follow AUS	None
	Refer and Manual Underwrite	31/43	<ul style="list-style-type: none"> <li>• No compensating factors required</li> <li>• Energy Efficient Homes that exceed IECC standards may qualify for stretch ratios 33/45</li> </ul>
		31/43	Borrowers with no credit score may not exceed 31/43 ratios
	37/47	One of the following: <ul style="list-style-type: none"> <li>• 3 months PITI for 1-2 units or 6 months PITI for 3-4 units (includes standard reserve requirements)</li> <li>• New total mortgage payment not more than \$100 or 5% higher than previous total housing payment, whichever</li> </ul>	

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			<p>is less, AND 1x30x12 month housing history (cash-out 0x30x12). Must have housing payment history to use as a comp factor</p> <ul style="list-style-type: none"> <li>Residual income per <a href="#">VA Table of Residual Incomes by Region</a></li> </ul>
		40/40	<p>The borrower has no discretionary debt based on the following:</p> <ul style="list-style-type: none"> <li>The housing payment is the only open account with an outstanding balance that is not paid off monthly</li> <li>The credit report shows established credit lines in the borrower’s name open for at least six months</li> <li>The borrow can document that these accounts have been paid off in full monthly for at least the past six months</li> </ul>
		40/50	<p>Two of the following:</p> <ul style="list-style-type: none"> <li>3 months PITI for 1-2 units or 6 months PITI for 3-4 units (includes standard reserve requirements)</li> <li>New total mortgage payment not more than \$100 or 5% higher than previous total housing payment, whichever is less, and 1x30x12 month housing history (cash-out 0x30x12)</li> <li>Significant additional income not considered effective income (must verify and document that the income has been received for at least one year and likely to continue AND if included as income, would reduce the qualifying ratios to not more than 37/470)</li> <li>Residual income per <a href="#">VA Table of Residual Incomes by Region</a></li> </ul>
<b>13. Types of Financing</b>	<ul style="list-style-type: none"> <li>Purchase mortgage</li> <li>Single Close Construction to Permanent Financing (Delegated Clients only)</li> <li>Building on Own Land (Two-Close)</li> </ul>		
<b>14. Subordinate Financing</b>	Permitted		
<b>15. Occupancy</b>	Primary residence		
<b>16. Eligible Property Types</b>	<ul style="list-style-type: none"> <li>1-4 units</li> </ul>		

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	<ul style="list-style-type: none"> <li>• 1 unit with an ADU</li> <li>• Condos               <ul style="list-style-type: none"> <li>○ Must be reviewed by PRD for Non-Delegated Clients</li> <li>○ Must be unexpired on FHA's approved list</li> <li>○ Site condos do not require project approval</li> <li>○ <b>Newrez will not issue a DELRAP approval</b></li> </ul> </li> <li>• Leasehold estates</li> <li>• Manufactured housing</li> <li>• Modular homes</li> <li>• PUDs</li> </ul>
<b>17. Ineligible Property Types</b>	<ul style="list-style-type: none"> <li>• Condo hotels</li> <li>• Co-ops</li> <li>• Non-warrantable condos</li> </ul>
<b>18. State Requirement</b>	Minimum Loan Amount \$10,000 in the state of Michigan
<b>19. Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• U.S. citizens</li> <li>• Permanent resident alien</li> <li>• Non-permanent resident alien</li> <li>• Inter vivos revocable trust: Trust must be reviewed by Newrez legal</li> </ul>
<b>20. Co-Borrower</b>	<ul style="list-style-type: none"> <li>• Cannot be the seller, builder, real estate agent, etc., unless the co-borrower is a family member</li> <li>• Income, assets, and debts from all borrowers are used in qualifying</li> </ul>
<b>21. Non-Occupant Co-Borrower</b>	<ul style="list-style-type: none"> <li>• Must be either a U.S. citizen or have a primary residence in the U.S.</li> <li>• Max 75% LTV if               <ul style="list-style-type: none"> <li>○ Not a family member</li> <li>○ Parent is seller and non-occupant co-borrower</li> </ul> </li> <li>• If a family member with an LTV greater than 75% the property must be single family</li> </ul>
<b>22. Credit</b>	<ul style="list-style-type: none"> <li>• Nontraditional credit is permitted               <ul style="list-style-type: none"> <li>○ Qualifying ratios for borrowers with no credit score are calculated using occupying borrower's income only</li> <li>○ Non-occupant co-borrower income may not be included</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Inclusive of all liens regardless of position</li> <li>• Applies to all mortgages on all financed properties</li> </ul>

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<b>23. Housing Payment History</b>	<b>TOTAL Accept</b>		<b>Refer and Manual Underwrite</b>	
	<b>Housing Payment</b>		<b>Housing and Installment Payment</b>	<b>Revolving Payment</b>
	<p>Follow AUS</p> <ul style="list-style-type: none"> <li>• The mortgage must be downgraded to a Refer and manually underwritten if any mortgage trade line, including mortgage line-of-credit payments, during the 12 months prior to the case number assignment reflects               <ul style="list-style-type: none"> <li>○ 3x30; or</li> <li>○ 1x60 plus 1x30; or</li> <li>○ 1x90 or greater</li> <li>○ Fewer than three (3) consecutive payments since completion of a forbearance plan; or</li> <li>○ Undisclosed mortgage debt not on credit report and not considered by AUS, if as of case number assignment date reflect any of the following:                   <ul style="list-style-type: none"> <li>▪ A current delinquency</li> <li>▪ Any delinquency within 12 months of the case number assignment date; or</li> <li>▪ More than two (2) 30-day late payments within 24 months of the case number assignment date</li> </ul> </li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• 0x30 in most recent 12 months</li> <li>• 2x30 in most recent months 13-24</li> </ul>	<ul style="list-style-type: none"> <li>• 2x60 or 0x90 in most recent 12 months</li> </ul>

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	Rental payment history is not required	For borrowers living rent-free, the property owner must verify borrower has been living rent free and length of residency	
<b>24. Borrower Contribution</b>	<ul style="list-style-type: none"> <li>Minimum down payment is 3.5% of the sale price or appraised value, whichever is less</li> <li>The down payment requirement cannot be met by borrower paid closing costs, prepaid expense, commitment fees or discount points or premium pricing</li> </ul>		
<b>25. Down Payment Assistance</b>	<ul style="list-style-type: none"> <li>Federal, state, local government agencies, charitable organizations and FHA Approved non-profit agencies considered by FHA to be an instrumentality of the government may provide funds for down payment, closing costs and prepaid expenses</li> <li>Must be approved by Newrez for Non-Delegated Clients</li> </ul>		
<b>26. Seller Contributions</b>	6% of the purchase price		
<b>27. Reserves</b>		<b>TOTAL Accept</b>	<b>Refer and Manual Underwrite</b>
	1-2 units	None	1 month PITI
	3-4 units	3 months PITI	3 months PITI
	1 unit subject with ADU	2 months PITI when the ADU rental income is used for qualifying	2 months PITI when the ADU rental income is used for qualifying
	Gifts	Permitted	Not permitted
<b>28. IRS Form 4506-C</b>	<ul style="list-style-type: none"> <li>Prior to Underwriting (Newrez underwritten loans) <ul style="list-style-type: none"> <li>Signed 4506-C for each borrower whose income must be documented with tax returns and used for qualification (self-employment, rental income, etc.)</li> </ul> </li> <li>At Closing (all loans) <ul style="list-style-type: none"> <li>4506-C for each borrower whose income is used to qualify (regardless of income type) must be signed at closing</li> <li>4506-C for the business tax return transcript(s) must be signed at closing when the business returns are used for qualification</li> </ul> </li> </ul>		
<b>29. Tax Transcripts</b>	<p>For loans underwritten by Newrez, W-2, or tax transcripts, as applicable, must be obtained when:</p> <ul style="list-style-type: none"> <li>Handwritten paystubs are used as verification of income</li> <li>There is a non-arm's length transaction</li> <li>At the underwriter's discretion</li> </ul>		
<b>30. Number of Financed Properties</b>	Borrower may own no more than one FHA-insured primary residence		

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<b>31. Appraisals</b>	A new appraisal completed by an appraiser on the FHA Appraiser Roster
<b>32. Power of Attorney</b>	Permitted. See Operations Guide
<b>33. Principal Curtailment</b>	Principal curtailment eligible due to an excess Premium Pricing Credit
<b>34. Escrow Waivers</b>	Not permitted
<b>35. Mortgage Insurance Premium</b>	Required for all loans: See below Mortgage Insurance Premium Table
<b>36. Resources</b>	<p>Access Mortgagee Letters, National HOC Reference Guide, HOC Letters, Handbooks</p> <ul style="list-style-type: none"> <li>• <a href="#">HOC National Reference Guide</a></li> <li>• <a href="#">FHA Maximum County Limits</a></li> <li>• <a href="#">FHA Connection</a></li> <li>• <a href="#">HUD Forms, Handbook &amp; Mortgagee Letters</a></li> </ul>
<b>37. Ineligible Programs</b>	<ul style="list-style-type: none"> <li>• 203(h) Mortgage Insurance for Disaster Victims</li> <li>• 203(k) Rehabilitation Mortgage</li> <li>• Good Neighbor Next Door</li> <li>• Graduated Payment Mortgage (GPM)</li> <li>• Growing Equity Mortgage (GEM)</li> <li>• Hope for Homeowners</li> <li>• HFA Programs</li> <li>• HUD REO \$100 Down Program</li> <li>• Indian Reservations (Section 248)</li> <li>• Section 247 Hawaiian Homelands</li> </ul> <p>In addition to the above, the following are ineligible for Non-Delegated Clients</p> <ul style="list-style-type: none"> <li>• Energy Efficient Mortgages (EEM)</li> <li>• Single-Close transactions</li> <li>• Solar and Wind Technologies</li> <li>• Weatherization</li> </ul>

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38. Mortgage Insurance Premium Table					
Mortgages Endorsed on or after March 20, 2023					
LTV	Loan Term	Base Loan Amount ≤ \$726,200		Base Loan Amount > \$726,200	
		UFMIP	Monthly	UFMIP	Monthly
> 95% LTV	>15 years	1.75%	55 bps	1.75%	75 bps
≤ 95% LTV			50 bps		70 bps
> 90% LTV	≤ 15 years	1.75%	40 bps	1.75%	65 bps
≤ 90% LTV			15 bps	NA	NA
> 78% & ≤ 90% LTV		NA	NA	1.75%	40 bps
≤ 78% LTV					15 bps

Duration of Annual MIP based upon amortization term and LTV ratio at origination

- LTV ≤ 90%: 11 years
- LTV > 90%: loan term

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Section	Update	Date
Housing Payment History	Updates to this section for clarity	1-30-2024
Reserves	Added Clarification	
Manual Underwrite	Added Refer to Chapter 2E for details on when an approve eligible must be downgraded and manually underwritten.	
Eligibility Matrix	Removed West Virginia: Maximum 50% DTI	7-30-2024
Qualifying Ratios	Removed West Virginia: Maximum 50% DTI	
Ineligible Programs	Removed Section 184	08.06.2024

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