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## **DU User's Guide for FHA Loans**

**June 2008**



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# Foreword

## Introduction

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DU<sup>®</sup> for Government Loans is the component of Desktop Underwriter<sup>®</sup> (DU) that is used by DU licensees in conjunction with their underwriting of FHA and VA loan casefiles, the repayment of which are insured by FHA (Federal Housing Administration) or guaranteed by VA (U.S. Department of Veterans Affairs).

The use of DU for Government Loans (including the submission of loan casefiles to the pmiAURA<sup>SM</sup> risk model for VA loans), is governed by the Fannie Mae Software Subscription Agreement and the DU (Expanded Use Version) Schedule. FHA lenders that have not executed these documents should contact their Fannie Mae customer account team.

**Note:** From here on in this guide, DU for Government Loans is referred to as DU.

This guide provides detailed information on data entry requirements and system functionality for submitting FHA loan applications to DU. The instructions in this guide are provided to facilitate lenders' accurate submission of data to DU and are not intended to interpret, explain, or supersede FHA's guidelines or requirements.

## Definitions

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### DO/DU user interface

The Desktop Originator<sup>®</sup>/Desktop Underwriter (DO<sup>®</sup>/DU) user interface is Fannie Mae's online tool for entering data in the loan application, ordering credit reports, submitting loan casefiles to DU, and assisting lenders in managing the process of underwriting their loans in an automated fashion.

### FHA DE underwriter

To participate in FHA's mortgage insurance program, HUD requires that FHA lenders employ Direct Endorsement (DE) underwriters. It is each lender's responsibility to ensure that DE underwriters meet the qualifications outlined in HUD Handbook 4000.4 REV-1, Chg 2.

### Loan application

The term "loan application" refers to Fannie Mae's online version of the Uniform Residential Loan Application (Form 1003) in the DO/DU user interface. The online loan application is available in two formats: Quick 1003 and Full 1003. The Quick 1003 allows users to submit a loan casefile to DU with a minimal set of loan data. The Full 1003 allows users to complete all data fields. However, regardless of the format used (Quick 1003 or Full 1003), DU analyzes only the

required (minimal) data elements to provide an underwriting recommendation and evaluate the eligibility of a loan casefile for FHA insurance or VA guarantee.

## Loan application sections

Data entry instructions for FHA loan casefiles are provided in this guide for the following sections within the online loan application:

- Type of Mortgage and Terms of Loan
- Subject Property Address and Purpose of Loan
- Borrower Information
- Employment Information
- Monthly Income and Combined Housing Expense
- Assets
- Real Estate Owned
- Liabilities
- Details of Transaction
- Declarations
- Information for Government Monitoring Purposes
- Additional Data
- FHA Government Information

## Loan casefile

A loan casefile is a data file to which DO/DU has assigned a casefile ID and which may contain loan application data.

## About the FHA TOTAL Mortgage Scorecard

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When a DO or DU user identifies an FHA loan casefile in the online loan application, the loan is submitted through DU to FHA's *Technology Open To Approved Lenders* (TOTAL) Mortgage Scorecard.

The FHA TOTAL Mortgage Scorecard works with DU to assess FHA single-family loan applications and provide underwriting recommendations to help evaluate a loan's eligibility for insurance by FHA. The FHA TOTAL Mortgage Scorecard indicates that the borrower's credit and capacity for repayment are either acceptable to FHA, in which case the loan casefile receives an Approve recommendation, or it indicates that the loan should be reviewed by an FHA DE underwriter for further consideration, in which case the loan receives a Refer recommendation.

**Important:** Refer to the *FHA TOTAL Mortgage Scorecard User's Guide* for documentation relief in addition to any specific message that is issued, as the lender must follow current FHA guidelines for providing documentation. A DE underwriter **must** review the appraisal on **all** FHA loans, including loan casefiles submitted to DU. A DE underwriter **must** fully underwrite any loan casefile that receives a Refer recommendation from the FHA TOTAL Mortgage Scorecard.

The mortgage credit portion of a loan that receives an Approve/Eligible recommendation need not be reviewed by a DE underwriter. The DU



Underwriting Findings report will contain a message requiring the use of the CHUMS ID for DU on the FHA Loan Underwriting and Transmittal Summary (HUD-92900-LT).

ZFHA is the CHUMS ID assigned for FHA loan casefiles that receive an Approve/Eligible recommendation. The DU Underwriting Findings report becomes a required document and is to be placed in the FHA endorsement binder submitted to FHA for insurance purposes, right-side, top sheet, and a copy is to be retained in the lender's origination binder. Failure to provide these documents will result in the endorsement binder being returned to the lender by HUD. The DU Underwriting Findings report is required even if the loan application is referred to a DE underwriter for manual underwriting.

For information on HUD's requirements on the use of the FHA TOTAL Mortgage Scorecard, refer to the Final Rule (Docket No. FR-4835-F-03) published in the Federal Register on November 26, 2004. For additional information, including FHA Mortgagee Letters and recent publications, contact HUD.

For additional guidance, refer to the *FHA TOTAL Mortgage Scorecard User Guide*, which is published by FHA. Each lender remains accountable for compliance with all FHA guidelines, as well as for any FHA eligibility, credit, capacity, and documentation requirements that are not covered in this user's guide. All data entered into the DO/DU user interface, or downloaded or imported into the DO/DU user interface from a loan origination system (LOS), must be accurate and complete.

## What's new in the June 2008 edition

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This user's guide has been updated to include:

- information provided in the *DU for Government Loans Release Notes* dated January 11, 2006, August 16, 2006, and November 15, 2007,
- an update to Appendix B, which now includes errors related to DU, and
- references to the FHA Loan Underwriting and Transmittal Summary (HUD-92900-LT), which replaced the Mortgage Credit Analysis Worksheets (HUD-92900-PUR and HUD-92900-WS).

## Additional resources

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In addition to this guide, the following resources are available.

### Fannie Mae resources

#### *DU for Government Loans Release Notes*

Release Notes, which are available on eFannieMae.com, describe updates to DU for Government Loans.

### ***Fannie Mae's Customer Contact Center***

The Fannie Mae Customer Contact Center provides assistance with general questions about DU and the DO/DU user interface. To reach the Customer Contact Center, call **1-877-722-6757**. For additional information about the Customer Contact Center, including hours of operation and tips for calling, see the Single-Family Customer Contact Center page on eFannieMae.com.

### ***Training resources***

The Training & Education area on eFannieMae.com provides a number of training resources about submitting FHA loan casefiles to DU. Below are several examples of the resources that are available.

- **Quick Steps: Entering the data for an FHA loan**

This document provides step-by-step instructions for entering the data for an FHA loan casefile in the DO/DU user interface.

- **Practice Case for FHA Loans**

Practice Case 13 is specifically designed to provide hands-on experience with entering and submitting an FHA loan casefile to DU.

**Note:** To submit any FHA loan casefile to DU, including a practice case, enter a valid FHA Lender ID (and a valid FHA Sponsor ID if necessary). Practice Case 13 provides further instructions for doing this.

### ***Help Center***

To access Fannie Mae's online Help Center, click the **Help Center** link in the upper-left corner of any screen in the DO/DU user interface. The Help Center is also available from the logged-in view on eFannieMae.com.

The **Help Center** provides answers to frequently asked questions about the current screen in the DO/DU user interface. For example, below is a picture of the **Help Center** screen that is available from the FHA Government Information screen in the DO/DU user interface.

Help Center

[Live Web Chat](#)
[Contact Us](#)
[Share My Desktop](#)

Search

[Browse Content](#)
[Advanced Search](#)
[Recent Searches](#)

Example: How do I do business with Fannie Mae?

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[Where do I get my FHA Lender ID?](#)  
Contact your local HUD Homeownership Center (HOC).  
Solution ID: ko1656 (2K) - Apr 14, 2007

[Where do I get the FHA agency case number?](#)  
You obtain an Agency Case Number through HUD's FHA Connection.  
Solution ID: ko1661 (3K) - Apr 14, 2007

[Is there a document that explains how to enter data for an FHA loan?](#)  
Yes, a Quick Steps for entering the data for an FHA loan is available on eFannieMae.com.  
Solution ID: ko1957 (3K) - Apr 14, 2007

[Where can I get the CAIVRS number?](#)  
You get this number by using HUD's Credit Alert Interactive Voice Response System.  
Solution ID: ko1645 (3K) - Apr 14, 2007

## HUD resources

### ***FHA TOTAL Mortgage Scorecard User Guide***

The *FHA TOTAL Mortgage Scorecard User Guide* is provided by FHA to assist lenders using the FHA TOTAL Mortgage Scorecard in conjunction with various automated underwriting systems, including DU.

### ***HUD's Homeownership Centers***

HUD's Homeownership Centers insure single-family FHA mortgages and oversee the selling of HUD homes. The Homeownership Centers can assist with questions about the following subjects:

- the credit and capacity of the borrower,
- guidance on any Approve or Refer recommendations for FHA loan casefiles,
- documentation requirements,
- error messages related to the FHA Lender ID and FHA Sponsor ID fields, and
- FHA forms and guidelines.

For details about HUD's Homeownership Centers, call **1-800-CALL FHA**.

### ***HUD's Web site***

HUD's Web site provides information about HUD's Homeownership Centers, access to the FHA Mortgagee Letters, and a list of states with low and high average closing costs. For more information, visit [www.hud.gov](http://www.hud.gov) or [www.fha.gov](http://www.fha.gov).



# Chapter 1:

## Entering Data for FHA Loan Casefiles

All data entry instructions in this user's guide are provided specifically for the loan application for FHA loan casefiles in the DO/DU user interface for submission to DU.

**Important:** In addition to entering data in the loan application, lenders may be able to download the data into the DO/DU user interface from a loan origination system (LOS) or submit the loan data directly to DU from an LOS; however, lenders are responsible for determining that all appropriate data are properly transmitted to DU. Further, lenders are responsible for ensuring that all data submitted to DU are accurate and properly verified and documented.

For FHA's loan submission requirements, refer to the *FHA TOTAL Mortgage Scorecard Users Guide*, which is published by FHA.

### Data integrity

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Lenders must ensure that the data submitted to DU is complete and accurate, regardless of whether the information was entered directly into the online loan application in the DO/DU user interface or imported from a loan origination system (LOS). Lenders should confirm that the data submitted to DU matches information on the documents in the loan file.

### Credit report requirements

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Lenders must request a three-in-file merged credit report and FICO<sup>®</sup> scores for each borrower from one of the credit information providers listed on eFannieMae.com. The FICO credit scoring models are available from the three major credit repositories: Equifax<sup>®</sup>, TransUnion<sup>SM</sup>, and Experian<sup>®</sup>.

For all loan casefiles (including those with Approve recommendations), the lender must review the credit report to determine whether the evaluation was based on accurate data. Significant errors in the borrower's credit file could have an effect on the borrower's credit scores and the risk analysis of the loan casefile submitted to DU.

If there are significant errors (such as accounts that do not belong to the borrower) or omissions in the credit report, the lender must obtain appropriate documentation. If the errors or omissions are significant and/or derogatory in nature, the lender's DE underwriter should manually evaluate the borrower's credit history and ability to make the mortgage payments in conjunction with all other risk factors associated with the loan.

Lenders should maintain a printed copy of the credit report used in DU.

## Data entry

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**Note:** Most of the data fields described below are available in the Quick 1003. Required data fields that appear only in the Full 1003 are noted below.

### Borrower Information

Enter the borrower information and, if applicable, co-borrower information. FHA guidelines require a two-year residency history for each borrower; however, a two-year history is not required to submit the loan casefile to DU.

**Note:** If the borrowers have lived at their current address for less than two years, click **Previous Address Information** in the navigation bar to enter the data.

The Mailing Address fields are optional. Use these fields if the borrower receives mail at a different address (for example, a Post Office box).

Two individuals who are not married to each other should be entered on separate loan applications. To add another borrower to the loan casefile, click **Add More Borrowers**. The new borrower's information will appear below the first borrower's fields in the Quick 1003. However, the DO/DU user interface places the second borrower's data in a separate Form 1003 for printing.

### Type of Mortgage and Terms of Loan

#### *Is this a Pre-Approval?*

Use this optional field to indicate whether the FHA loan casefile is being submitted as a pre-approval.

#### *Mortgage Applied For*

To specify that this is an FHA loan casefile, select **FHA** in the Mortgage Applied For field.

#### *Loan Amount*

Enter the **base** loan amount. Do not include the upfront mortgage insurance premium (MIP) amount in the Loan Amount field. If the base loan amount changes, use this field to make the adjustment.

#### *Interest Rate (%)*

Enter the note rate.

**Note:** If *any* changes are made to the interest rate on the loan casefile after the first submission to DU, resubmit the loan casefile to obtain an underwriting recommendation based on the new interest rate.

#### *No. of Months*

Enter the loan term in months.

#### *Amortization Type*

Select **Fixed Rate** or **ARM**, as applicable.

### ***Lender Loan Number***

Enter a loan number for the loan casefile.

**Note:** The Lender Loan Number gives lenders a way to identify their loans in addition to the casefile ID that DU assigns to each loan casefile.

## **Subject Property Address and Purpose of Loan**

### ***Street, City, State/ZIP***

Enter the street address (number, street name, and unit if applicable), city, and ZIP Code for the subject property. Select the property state from the State field.

For a pre-approval, select the state where the subject property is located and leave the rest of the address fields blank. Some loan origination systems (LOSs) require an entry for the street address. If that is the case, enter “**prequal**” or “**tbd**” in that field for a pre-approval.

**Note:** A “standardized” property address is a valid property address in DU’s collateral assessment database. When a loan casefile is submitted to DU, the collateral assessment component in DU “reads” the subject property address on the online loan application and attempts to match that address to standardized property addresses in DU’s collateral assessment database. This comparison process will either locate the exact address or a similar address, or will determine that there is no match in the database.

**Note:** DU uses the standardized property address when identifying certain property-related Potential Red Flags messages that may appear in the DU Underwriting Findings report.

### ***No. of Units***

Select the number of dwelling units in the subject property.

### ***Purpose of Loan***

Select **Purchase** or **Refinance** as applicable. Do not select **Construction**, **Construction-Permanent**, or **Other**; these options are not currently available for FHA loan casefiles.

**Note:** For an FHA Construction-to-Permanent loan, select **Purchase** as the Purpose of Loan.

### ***Occupancy***

Select **Primary Residence**. Only primary residences are eligible for FHA loan casefiles submitted to DU.

### ***Estate Held In***

Select **Fee Simple** or **Leasehold**, as applicable.

### ***Down Payment Information***

If all or part of the borrower’s down payment is coming from a gift, the amount of the gift should be entered in the Amount field under Down Payment Information in the Type, Terms, and Property section in the Full 1003 view of the

online loan application, and **Cash-Gift** should be selected in the Source of Down Payment field.

***If Refinance Loan, Purpose of Refinance***

If the loan purpose is Refinance, select the appropriate option in the Purpose of Refinance field. For details on refinance options, refer to FHA's guidelines.

## **Employment Information**

***Current Employment Information***

Enter current employment information as appropriate. In the Self Emp field, select **Yes** or **No** to indicate whether each borrower is self-employed.

**Note:** The Self Emp field is required if any data is entered for a current job.

***Secondary/Previous Employment Information***

Use this section to enter secondary, part-time, and previous employment. Do not enter "homemaker," "full-time student," or "retired" in the Employer Name field. Only actual employment information should be entered in this screen.

**Note:** FHA guidelines require a two-year employment history to be included in the loan application by the final submission to DU; however, a two-year history is not required to submit the loan to DU.

## **Monthly Income and Combined Housing Expense**

***Gross Monthly Income fields***

In this section, enter non-military income that is considered acceptable for qualifying purposes under FHA's guidelines for borrowers and co-borrowers. Below are some specific guidelines.

- The Base Income field should include employment income, self-employment income, and income from a second job.
- The Other field is not editable. The system automatically populates this field based on the amounts entered in the Other Income section as described below.
- If the borrower has an existing rental property, the net rental income entered in the Real Estate Owned screen is automatically copied to the Net Rental field once the Real Estate Owned data is completed. Although the Net Rental field on this screen is editable, DU uses only the net rental amount in the Real Estate Owned screen for calculation purposes. The amount in the Net Rental field applies to net rental income received from rental property other than the subject property.

For details, see the [Real Estate Owned](#) section on page 13.



DU uses the following formula in calculating the net rental income:

$$(\text{gross rental income} \times 75\%) - \text{mortgage payment} - \text{insurance/maintenance/taxes} = \text{net rental income}$$

The lender should override DU's calculated net rental income on the Real Estate Owned screen if the lender's calculation is different from DU's calculation.

If the combined total net rental income for all rental properties is positive, DU adds the net rental income to the qualifying income. If the total is negative, DU treats the loss as a liability and includes it in the total expense ratio.

- If the transaction is a purchase of a two- to four-unit principal residence, the subject net cash flow must be calculated manually and entered in the Subject Net Cash field. Refer to current FHA guidelines for additional information about calculating projected rents on a purchase transaction.

**Note:** The DU Underwriting Findings report provides specific messages for each type of income entered.

### ***Other Income***

Enter the borrower name, description of income, and amount of income for each income type. A brief description of certain types of Other income is provided below. FHA guidelines apply for all income types.

**Note:** The Other field is not editable. DU automatically totals the rows of Other income and enters the amount into the Other field.

- Boarder Income – FHA guidelines allow boarder income to be used in qualifying in certain circumstances.

**Note:** Income from roommates in a single-family property to be occupied as the borrower's primary residence is not acceptable. Rental income from boarders is acceptable if the boarders are related by blood, marriage, or law. The rental income may be considered effective income if shown on the borrower's tax returns. Otherwise, the income may only be considered a compensating factor and must be documented adequately by the lender.

- Child Support Income – FHA allows the income to be “grossed-up” for qualifying purposes. For details, see FHA's Mortgagee Letter 2005-16.
- Trailing Co-Borrower Income – Because FHA does not generally allow this type of income to be used in qualifying, an Ineligible recommendation and a message will be returned if this income type is entered.
- Mortgage Credit Certificate – FHA guidelines allow the Mortgage Credit Certificate (MCC) amount to be used in qualifying the borrower. In accordance with FHA guidelines, DU reduces the principal and interest payment used for ratio calculations by the MCC amount.

**Note:** The MCC amount must be entered in the FHA Government Information screen for it to be used by DU for qualifying purposes. The MCC amount should *not* be entered in the Income screen. (If MCC is entered in the Income screen for an FHA loan, it is *not* used in qualifying

calculations, and DU returns an Ineligible recommendation and a message indicating that the MCC was entered incorrectly.)

The following table provides several examples that show how DU uses MCC amounts entered in the two different screens in the DO/DU user interface.

<b>MCC amount entered in the FHA Government Information screen</b>	<b>MCC amount entered as Other Income in the Income screen</b>	<b>MCC amount used by DU</b>
\$.00 or blank	\$50.00	\$.00
\$60.00	\$50.00	\$60.00
\$60.00	\$0.00 or blank	\$60.00
\$60.00	\$70.00	\$60.00

## Combined Housing Expenses

- **Current** – Enter the borrower’s and co-borrower’s current primary housing expenses in the Current column. If there are multiple borrowers, enter the current primary housing expense separately for each additional borrower.
- **Proposed** – DU calculates the amount in the First Mortgage (P&I) field based on the loan amount and the note rate. Use the other fields in the Proposed column to enter any other applicable proposed housing expenses, including the principal and interest for other mortgages, as well as hazard insurance, taxes, and homeowner’s association dues for the subject property.

Use the Mortgage Insurance field in the Proposed column to enter the dollar amount of the monthly mortgage insurance premium (MIP).

## Assets

All liquid assets entered will be counted in the available funds for an FHA loan casefile and must be verified based on the documentation level outlined in the DU Underwriting Findings report. Documentation requirements for assets may differ for loan casefiles that receive an Approve recommendation as opposed to a Refer recommendation. The required documentation will also be based on the asset type.

Brief descriptions of FHA’s guidelines for certain types of assets are provided below.

- **Cash Deposit on Sale** – Cash deposits on the sales contract are considered non-liquid assets, and DU does not include the value in the amount of funds available for closing or in the reserves calculation. If a credit for a cash deposit on the sales contract is entered in the Details of Transaction screen, the loan file must contain evidence that the funds have already cleared the account listed in the Assets screen.
- **Cash-on-Hand** – FHA considers cash-on-hand an acceptable source of funds. DU treats cash-on-hand as liquid assets for FHA loan casefiles.

- **Gift** – If the borrower has received or will receive a gift, the asset should be identified in the Assets section with an asset type of Gift. If the gift funds are already included in the balance of another asset, subtract the amount of the gift from that asset's balance. The funds available for closing calculated by DU will include the amount of the gift as if it were liquid funds.

**Note:** FHA Mortgagee Letter 2004-44 announced that gift funds remaining in the borrower's account after closing can be used as cash reserves. Therefore, DU includes gift funds entered in the Assets section in the reserves amount. FHA does not require reserves on one- or two-unit properties for underwriting; however, reserves are considered in the evaluation of FHA loans. A three- or four-unit property requires reserves and will receive an Ineligible recommendation from DU if reserves are inadequate in accordance with FHA guidelines. Reserves for the purchase of a three- or four-unit property may not come from a gift. (See FHA's Handbook 4155.1, Mortgage Credit Analysis for Mortgage Insurance, One to Four Family Properties, pages 1-13.)

- **Net Equity** – An amount entered in the Assets screen as net equity from a pending-sale property overrides any net equity calculation that appears in the Real Estate Owned screen and is used to calculate the borrower's liquid assets instead of the amount calculated from the Real Estate Owned screen.
- **Gift of Equity** – A gift of equity is treated as a liquid asset for FHA loans. DU provides a message identifying FHA's documentation requirements for this asset type.

## Real Estate Owned

Information on real estate that is owned by the borrower is essential to the risk analysis of the loan casefile and affects the validity of the underwriting recommendation. Enter real estate information in the Real Estate Owned screen in the Full 1003.

**Note:** To access the Real Estate Owned screen from the Quick 1003, click the **Go to Full 1003 REO** link in the Liabilities screen in the Quick 1003.

- **Property Indicator** – The following options are available for the Property Indicator field:
  - **Current Residence** – Use this selection to identify the borrower's current principal residence except when the subject loan transaction is to refinance the borrower's current principal residence (in which case, select **Refi of Current Residence**).
  - **Subject of the Loan** – Only primary residences are eligible for submission, so this choice generally is not applicable for FHA loan casefiles.
  - **Refi of Current Residence** – This option indicates that the property is both the borrower's current primary residence and the subject property for the transaction. Use this option for all refinance transactions.

- Not Applicable – For properties that do not meet any of the above conditions, select **Not Applicable** or leave the Property Indicator field blank.
- Property Disposition – The Property Disposition field must contain one of the following options:
  - Sold – This option indicates that the property has already been sold, the closing has been completed, and any proceeds are already reflected in asset balances. DU does not calculate net equity for Sold properties and ignores any values in the ratio calculations.
 

**Note:** Do not omit mortgages on properties entered as Sold. Instead, match these mortgages to the appropriate Sold property. Monthly payments on mortgages that are matched to Sold properties will not be included in the total expense ratio.
  - Pending Sale – This option applies to properties that are under contract at the time of the loan application and that will close at or before the closing of the subject property.
  - Rental – This option indicates that the property is a rental property with associated net rental income or net rental loss.
  - Retained – Use this option for the subject property on a refinance transaction or for the primary residence of an allowable non-occupant co-borrower.

**Note on real estate that will be sold:** If a listed property will be sold at or before closing, select **Pending Sale** in the Property Disposition field. DU uses the following formula to estimate the net equity:

(Market value entered x 90%) – outstanding mortgages

Net equity is considered a liquid asset. Verify and clearly document sales proceeds in the loan file according to current FHA guidelines.

If additional proceeds will be received from the sale of real estate (for example, if a borrower will receive a relocation package from an employer), enter the total amount of proceeds that will be received and select **Net Equity** as the asset type in the Assets screen.

**Note:** Even though DU calculates the estimated net equity from data in the Real Estate Owned screen, if an amount for net equity is entered in the Assets screen, DU will use the amount in the Assets screen.

## Liabilities

Before a loan casefile can be submitted to DU, a three-in-file merged credit report must be requested and received for all borrowers. Lenders can automatically copy the liabilities from the credit report directly to the loan casefile by using the auto-populate liabilities option in the DO/DU user interface. LOS users should determine whether the LOS offers this option for use with DU. If the LOS does not provide this option, all liabilities must be entered manually into the Liabilities screen. Any debts that are not disclosed on the credit report must be added to the liabilities prior to final submission of the loan casefile to DU.

**Note:** DU calculates the total expense ratio from the liabilities on the loan application, not the debts from the credit report.

FHA requires all of the following accounts to be considered in the total expense ratio:

- All debts on the credit report that cannot be excluded per FHA guidelines;
- Alimony, child support, and separate maintenance, per FHA guidelines;
- Negative rental income (in other words, net loss from rental properties);
- Mortgage debt on properties other than the subject property;
- Installment debts with more than 10 payments remaining;
- Installment debts with fewer than 10 payments remaining but with \$100 or more due on each payment;
- Significant debts (greater than \$100 per month) that do not appear on the credit report and *all* debts that are disclosed by the borrower;
- Payments on new debts resulting from material inquiries on the credit report within 90 days of the loan application; and
- Debts that must be considered for borrowers residing in or for property located in a community property state, per FHA guidelines.

**Note:** The lender is required to review the credit report and is accountable for compliance with FHA guidelines. Information on the credit report that has not been recognized by DU may require the lender to downgrade the underwriting recommendation manually.

### ***Excluding installments debts***

DU automatically excludes from the qualifying ratios any installment debt with fewer than 10 months remaining and with monthly payments of less than \$100. If the loan casefile reflects any other debts that should not be considered in the ratios per FHA guidelines, the debt should be marked as Omit, as shown below.

- Omit – If the borrower has a liability that is exempt from qualifying based on FHA guidelines, the debt may be omitted. Omitted debts are not counted in the ratio calculations. The loan file should contain documentation to support the omission, per FHA guidelines.

To mark a debt as omitted, click the check box in the Omit column for the debt. If a debt has a balance but the monthly payment amount is 0, the debt

is automatically omitted. Omitted liabilities appear in a separate area on the Liabilities screen. A message on the DU Underwriting Findings report identifies the liabilities that were omitted.

**Note:** Follow all current FHA guidelines regarding omission of liabilities. For all loan casefiles that receive a Refer recommendation, each lender must review all obligations, including those omitted by the system, to determine that the short-term obligations will not negatively affect a borrower's ability to make the mortgage payments in the early months after closing. DU will issue an informational message for any excluded installment debts.

- **Paid By Close** – For all transactions, mark the debts to be paid off by closing in the Liabilities screen. For a refinance transaction, enter the sum of the balances of all the debts to be paid off (including existing liens and other debts) on Line D in the Details of Transaction screen. Any debts that borrowers will pay off must be documented and verified according to FHA guidelines.

If a debt will be paid by closing, click the check box in the Paid by Close column for that debt. This debt is not included in the ratios or total obligations. DU includes the balance amounts for all non-mortgage debts that are marked as Paid by Close in the amount of funds required to close.

#### ***New subordinate liens***

Determine manually whether the terms of the subordinate financing are acceptable under FHA guidelines.

For a new subordinate lien that will close at the same time as the first mortgage, enter the actual loan balance in Line J, Subordinate Financing, in the Details of Transaction screen. If the new subordinate lien is a HELOC, use Line J to enter the amount drawn at the time of closing. If the borrower will not draw down a portion of the HELOC at closing (that is, if the outstanding balance at closing is \$0.00), do not enter an amount in Line J.

Enter the principal and interest payment in the Proposed Housing Expense column in the Income and Housing screen as Other Financing (P&I).

#### ***Resubordinated liens***

For a refinance transaction where there is an existing lien (for example, a second mortgage) that will be resubordinated to the subject mortgage, enter the borrower's monthly payments in the Other Financing (P&I) field under Proposed Combined Housing Expenses in the Income and Housing screen. Entering the monthly payment there will facilitate the correct calculation of the qualifying ratios.

Also enter the monthly payment and the outstanding balance for the resubordinated lien in the Liabilities screen and match the lien to the subject property.

If the resubordinated lien is a HELOC, enter the total amount drawn (or to be drawn at closing) in the Balance field. If the HELOC will have a zero balance at the time of closing, enter **0** in the Balance field in the appropriate row in the Liabilities screen.

***Non-purchasing spouse in a community property state***

If the subject property is located in a community property state and the borrower has a non-purchasing spouse, individual credit reports should be ordered for the borrower and non-purchasing spouse. The primary borrower's individual credit report should be ordered inside DO/DU. The non-purchasing spouse's individual credit report should be ordered and reviewed manually, per FHA guidelines. If the non-purchasing spouse has any monthly debts that should be included in the loan application, enter these debts as a single lump sum on a separate row in the Liabilities screen, and identify the combined debts with a liability type of **Other**.

***Additional expenses***

Additional expenses, such as alimony, child support, separate maintenance, or job-related expenses should be selected from the drop-down list in the Additional Expenses section at the bottom of the Liabilities screen. Follow FHA guidelines to determine which expenses must be included.

## **Details of Transaction**

Instructions for entering data in the Details of Transaction screen are provided below.

***Line A. Purchase Price***

Enter the sales price for the subject property in this field. If the FHA loan program is 203(k), use this line to enter the "as is" sales price, without the repairs.

***Line B. Alterations, improvements, repairs***

If the FHA loan program is 203(k), enter the rehabilitation amount from line B14 in the 203(k) worksheet in this field. For all other loan programs, enter the amount of allowable alterations, improvements, or repairs.

***Line C. Land***

This field is not applicable for FHA loans.

***Line D. Refinance (including debts to be paid off)***

If the loan is a refinance transaction, enter the combined balances of any mortgage debts and any other non-mortgage debts that will be satisfied by closing. This field may include additional amounts such as late fees or interest on the existing loans that are necessary to satisfy the mortgage debts.

**Note:** DU uses the refinance amount entered in line D in calculating the FHA maximum loan amount for a refinance transaction. [Appendix A, FHA Maximum Loan Amount Calculations](#) on page 35 provides worksheets that explain how the maximum loan amount is calculated for different types of refinance transactions.

***Line E. Estimated prepaid items***

Enter the total prepaid expenses the borrower will pay. The amount in Line E may include per diem interest to the end of the month on the new loan, hazard insurance premium deposits, monthly mortgage insurance premiums, and any real estate tax deposits needed to establish the escrow account.

***Line F. Estimated Closing Costs***

Enter the total amount of *allowable* closing costs.

***Line G. PMI, MIP, Funding Fee***

Enter the entire upfront mortgage insurance premium (MIP) amount.

***Line H. Discount***

Enter the entire dollar amount of any discount points that the borrower will pay.

***Line I. Total Costs***

This field is not editable. The system adds the values entered into lines A through H and places the result in Line I.

***Line J. Subordinate Financing***

If a subordinate lien will be obtained in conjunction with a purchase money transaction, enter the amount of the subordinate lien in this field.

**Note:** Loans or grants, such as bond programs, are not considered in the FHA maximum loan amount calculation. However, these amounts must be entered as subordinate financing, and must be documented and verified according to FHA guidelines. Subordinate financing cannot result in the borrower receiving cash back at closing.

***Line K. Closing Costs Paid by Seller***

Enter the total amount of allowable closing costs from Line F. Estimated Closing Costs that the seller will pay on the borrower's behalf.

**Note:** Seller-paid prepaid items should **not** be entered. The lender is responsible for ensuring that the maximum seller contributions are within FHA guidelines.

***Line L. Other Credits***

Line L is a summary field that shows the total of the credits that are entered in the Other Credits section at the bottom of the Details of Transaction screen.

Use the rows in the Other Credits section to enter the amount of the cash deposit on the sales contract and any borrower-paid fees, but **only** if these funds have already cleared the borrower's depository account and were not included in the depository accounts in the Assets screen.

**Note:** FHA guidelines permit some costs that may be paid by the borrower but that may not be financed in the mortgage or included in the mortgage amount calculations. These costs include items such as commitment fees, ineligible real estate buyer-broker fees, rate lock fees, and so on. Such fees should be entered as a **negative** value in Other Credits; they will not be included in Line F. The system will add these amounts to Line P, Cash From/To Borrower. This will ensure that the system correctly calculates the borrower's required funds to close. For additional guidance about closing costs, please refer to FHA guidelines.

***Line M. Loan Amount (exclude PMI, MIP, Funding Fee)***

This field is pre-populated with the base loan amount entered in the Loan Amount field in the Type of Mortgage and Terms of Loan screen and is not



editable. Changes to the base loan amount must be made in the Type of Mortgage and Terms of Loan screen.

***Line N. PMI, MIP, Funding Fee financed***

In Line N, enter the portion of the upfront mortgage insurance premium (MIP) that will be financed with the loan.

***Line O. Total Loan Amount***

This field is not editable. The DO/DU user interface adds Lines M and N and displays the total in Line O.

***Line P. Cash From/To Borrower***

The DO/DU user interface calculates the cash from or to the borrower at closing, based on the entry in the previous lines in the Details of Transaction screen. A positive value indicates the amount of cash the borrower needs for closing. For a refinance transaction, a negative value indicates the amount of cash back the borrower will receive at closing.

## **Declarations**

Answer each question **Yes** or **No** as appropriate for each borrower. The lender must ensure that FHA guidelines have been met.

**Note:** Before the loan can be submitted to DU, an answer must be provided for Question L, “Do you intend to occupy the property as your primary residence?” Although all other answers in this section will default to No for a new loan casefile, ensure that all Declarations questions are answered correctly before submitting the loan to DU.

***Question A. Judgments***

If the answer is Yes for any borrower, a message will appear in the DU Underwriting Findings report outlining the applicable processing requirements.

***Question B. Bankruptcies***

If the answer is Yes for any borrower, a message will appear in the DU Underwriting Findings report outlining the applicable processing requirements.

***Question C. Foreclosures***

If the answer is Yes for any borrower, a message will appear in the DU Underwriting Findings report outlining the applicable processing requirements.

***Question D. Party to lawsuit***

If the answer is Yes for any borrower, a message will appear in the DU Underwriting Findings report outlining the applicable processing requirements.

***Question E. Significant delinquent debt***

If the answer is Yes for any borrower, documentation in the case binder is required to support the issues surrounding the delinquent debt and evidence that it has been resolved.

***Question F. Current federal delinquent debt***

If the answer is Yes for any borrower, a message will appear in the DU Underwriting Findings report outlining the applicable processing requirements.

***Question G. Obligated to pay alimony or child support***

If the borrower is obligated to pay alimony or child support, answer **Yes** and enter the debt in the Additional Expenses section in the Liabilities screen, if it has not already been entered. FHA documentation guidelines apply.

***Question H. Down payment borrowed***

If the answer is Yes for any borrower, DU will return a verification message; however, the lender must ensure that the loan complies with FHA guidelines for borrowed funds.

***Question I. Endorser on a note***

If the answer is Yes for any borrower, a message will appear in the DU Underwriting Findings report for documentation to support that the contingent liability will not have any impact on the borrower's ability to repay the loan.

***Question J. Citizenship***

Answer **Yes** or **No** as appropriate for all borrowers.

***Question K. Permanent resident aliens***

If the answer to Question J is No, Question K is required. Answer **Yes** or **No** as appropriate.

***Question L. Intent to occupy***

Answer **Yes** or **No** for each borrower, as appropriate, to indicate their intent to occupy the subject property. FHA loans submitted to DU must be secured by a principal residence. Non-occupant co-borrowers are permitted.

***Question M. Previous Ownership***

Answer **Yes** or **No** as appropriate for all borrowers to identify previous ownership of real estate.

***Data entry for a first-time homebuyer***

For a borrower that is a first-time homebuyer, select **Yes** for question L, "Do you intend to occupy the property as your primary residence?" and **No** for question M, "Have you had an ownership interest in a property in the last three years?"

**Note:** As shown on the next page, DU uses a combination of fields in the Quick 1003 view of the Declarations screen, along with the entry in the Property Type field in the Full 1003 view of the Declarations screen, to determine a borrower's eligibility under FHA's first-time homebuyer (FTHB) guidelines.

The screenshot shows a loan application form. At the top, there are two questions: "l. Do you intend to occupy the property as your primary residence?" and "m. Have you had an ownership interest in a property in the last 3 years?". Both have "Yes" selected in dropdown menus. A red bracket groups these two questions, with a large red arrow pointing to them from the right. Below these is a section titled "Explanation of Declarations" with the instruction: "If you answered 'Yes' to question (m), above, please complete the following". Under this instruction, there are two dropdown menus: "Property Type" and "Title Held". The "Property Type" dropdown has "Principal residence" selected for "Patrick P" and "Secondary / Vacation" selected for "Lorraine P". A red bracket groups these two dropdowns, with a large red arrow pointing to them from the right. The "Title Held" dropdown has "Solely by yourself" selected for "Patrick P" and "Jointly with spouse" selected for "Lorraine P".

The following table provides some examples to illustrate the effect of various combinations.

**Note:** FHA's FTHB guidelines apply as long as one borrower within the loan casefile qualifies as a first-time homebuyer.

	Borrower Name	Declarations Line L	Declarations Line M	Property Type	Borrower FTHB?	Loan Casefile FTHB?
<b>Example 1</b>	John Homeowner	Yes	No	Blank	Yes	Yes
<b>Example 2</b>	Patrick Purchaser	Yes	No	Blank	Yes	Yes
	Lorraine Purchaser	Yes	Yes	Primary Residence	No	Yes
<b>Example 3</b>	Pitt Rock	No	No	Blank	N/A	Yes
	Suzi Builder	No	Yes	Second Home	N/A	Yes
	Alice Firsttimer	Yes	Yes	Investment	Yes	Yes
<b>Example 4</b>	Andy America	No	Yes	Primary Residence	N/A	Yes
	Amy America	No	Yes	Primary Residence	N/A	Yes
	Wanna House	Yes	No	Blank	Yes	Yes
	Needa House	Yes	Yes	Investment	Yes	Yes

## Information for Government Monitoring Purposes

This information is required by FHA; however, it is not required for submission to DU. Lenders may be required to report this information to their regulators and, if the loan is sold to Fannie Mae, the information is generally required for delivery. Consult the Home Mortgage Disclosure Act (HMDA) and its implementing Regulation C for further requirements and other pertinent information.

**Note:** To access the Information for Government Monitoring Purposes section in the DO/DU user interface, scroll down to the bottom of the Declarations screen. The Information for Government Monitoring Purposes section appears in both the Quick 1003 and the Full 1003.

## Additional Data

### *Property Appraised Value*

In the Property Appraised Value field, enter the appraised value of the subject property. If the FHA loan program is 203(k), the appraised value entered must be the “after improved” appraised value of the property. This data is required.

When entering the data for a purchase, refinance, or pre-qualification loan, use the anticipated sales price or anticipated appraised value of the property as the appraised value. Once the appraisal is obtained, edit this value in the Additional Data screen to mirror the correct appraised value, then resubmit the loan casefile to DU.

**Note:** All FHA loan casefiles require that a DE underwriter review and certify the value of the subject property. If the DE underwriter determines that the appraised value used in the initial submission is incorrect, the appraised value must be updated, and the loan casefile must be re-submitted. Refer to FHA guidelines for additional information regarding appraisals.

### *Seller Provided Below Market Financing*

Select **Yes** or **No** to indicate whether the seller provided below-market financing to the borrower for this transaction.

### *First Year Buydown Rate*

If a fixed-rate loan will have a buydown, enter the interest rate that will be in effect for the first year of the loan. It is the lender’s responsibility to ensure that the buydown structure is in accordance with FHA guidelines.

**Note:** DU uses the note rate as the qualifying rate on loan casefiles with a buydown.

### *Lien Type*

Select **First Mortgage** as the lien type. Only first-mortgage liens are valid for FHA loan casefiles.

### *Payment Frequency*

Select **Monthly** as the payment frequency.

**Repayment Type**

Select **Fully Amortizing** as the repayment type.

**Subject Property Type**

Select one of the following options:

- Attached,
- Condominium,
- Detached,
- Detached Condo,
- High-Rise Condo,
- Manufactured Home,
- Manufactured Home: Condo/PUD/Co-Op, or
- Planned Unit Development (PUD)

Refer to FHA guidelines for more information on allowable property types.

**Balloon**

Select **No**. Balloon loans are not eligible for FHA loan casefiles submitted to DU.

**Balloon Mortgage Term (months)**

Do not enter anything in this field. Balloon loans are not eligible for FHA loan casefiles submitted to DU.

**Note:** This field appears only if Yes is selected in the Balloon field. If the field appears on the Additional Data screen for an FHA loan casefile, change the value in the Balloon field to **No**.

**Will Escrow Be Waived?**

FHA does not permit escrows to be waived.

**ARM Plan**

For an ARM, select one of the two following ARM plans:

251 – FHA ARM: 1 YR TREASURY 1 & 5 Caps	Select this plan for the FHA one-year ARM. Loan casefiles with LTVs at or above 95% are qualified at 1% above the note rate per FHA guidelines.
FHA HYBRID ARM	Select this plan for FHA's three-year, five-year, seven-year, or ten-year hybrid ARM product. Hybrid ARMs are qualified at the note rate per FHA guidelines.

**Note:** For 1-year FHA ARM loan casefiles with LTV ratios below 95%, DU always uses the note rate as the qualifying rate. For all ARMs, DU does not use the value in the ARM Qualifying Rate field, even if a value is entered there.

## FHA Government Information

Several fields on the FHA Government Information screen in the Quick 1003 are required for all FHA loan casefiles. The required fields are explained in detail below.

### ***Agency Case Number***

Lenders have been advised by FHA to enter the FHA case number assigned by the CHUMS system by the loan casefile's final submission to DU.

**Note:** The FHA case number is not required for submission to DU; however, if a number is entered, it will be checked by the FHA TOTAL Mortgage Scorecard. Loan casefiles submitted with an invalid Agency Case Number will receive an ERROR recommendation.

The final submission to DU must include the agency case number. This will enable FHA to track the loan casefile in its system. Loan casefiles that cannot be identified by FHA's system of record as being underwritten through DU do not receive the benefits of documentation reduction from HUD. Refer to the *FHA TOTAL Mortgage Scorecard User Guide* for insurance endorsement procedures.

### ***FHA Lender ID***

In the FHA Lender ID field, enter the ten-digit FHA Lender ID assigned to the originating lender by FHA. The FHA Lender ID is required for *all* loan casefiles that are submitted to DU.

FHA will validate the FHA Lender ID and will return an error message if the ID is not valid. Refer to [Appendix B, Error Messages](#), on page 45 for information about error messages that are associated with the FHA Lender ID field.

Check with FHA for information on activating and certifying the lender ID.

**Note:** The originating lender identified in the FHA Lender ID field can be either a loan correspondent or an FHA Direct Endorsement (DE) lender that underwrites its own loans. Lenders that have FHA DE Lender approval and are also making the underwriting request for a loan are required to enter an FHA Lender ID but not an FHA Sponsor ID (described below). Questions about the FHA Lender ID should be addressed to a local FHA Homeownership Center.

### ***FHA Sponsor ID***

Mortgage brokers and loan correspondents that do *not* have FHA DE Lender approval are required to enter the ten-digit FHA lender ID assigned by FHA, as well as the ten-digit Sponsor ID of the sponsoring lender that will provide the DE underwriting for the loan. The FHA TOTAL Mortgage Scorecard will validate the FHA Sponsor ID and return an error message if the ID is not valid.

Originators should direct their questions about the FHA Sponsor ID to their sponsoring lenders.

### ***Section of the Act***

This field refers to the section of the National Housing Act. Select the option from the Section of the Act field that corresponds to the type of loan for which the borrower has applied:

- 203(b) FHA Fixed Rate Program
- 203(b)/251 FHA ARM Program
- 203(k) FHA Rehabilitation
- 203(k)/251 FHA Rehabilitation ARM
- 234(c) Condominium
- 234 (c)/251 Condominium ARM

### ***County***

Select the name of the county where the subject property is located. The County field is used in determining the FHA maximum mortgage amount for the subject property. The county name table is related to the maximum loan amount table for each county as identified by HUD and is updated on or about the third and the eighteenth of each month in the DO/DU user interface as new information is received from HUD. For a complete list of HUD county names and maximum loan limits, see HUD's Web site.

**Note:** If the name of the subject property's county does not appear in the County field, select **ALL OTHERS**. If ALL OTHERS is selected or if the county field is blank, the system will calculate the maximum loan amount based on the FHA statutory limit for the state where the property is located. The DU Underwriting Findings report will contain a message indicating that the statutory limit was used in evaluating the maximum loan amount.

**Note to LOS users:** If the LOS requires a manual entry for the county name, ensure that the entry exactly matches the spelling of the county name in the HUD county name list in the DO/DU user interface.

### ***Refinance Type***

Except for Streamline Refinance loans, FHA refinance transactions may be either cash-out or no cash-out. (In a no cash-out transaction, all of the proceeds are used to pay existing liens and costs associated with the transaction.)

FHA Streamline Refinance transactions are designed to lower the monthly principal and interest payments on current FHA-insured mortgages and must involve no cash back to the borrower, except for adjustments of \$500 or less at closing. Streamline Refinance transactions can be insured with or without an appraisal.

In the Refinance Type field, select **Full Documentation, Streamline with Appraisal**, or **Streamline without Appraisal**. For a cash-out refinance, select **Full Documentation**.

**Important:** Although the Streamline with Appraisal and Streamline without Appraisal options appear in the Refinance Type field, these options require credit reports for submission to DU. Also, choosing these options does not remove the requirements for completing all data entry instructions and following all of the verification and documentation guidelines provided in the DU Underwriting Findings report. To use one of the Streamline Refinance options, select the option, then select **No Cash Out-Rate/Term** in the Property Information and Purpose of Loan screen. [Appendix A, FHA Maximum Loan Amount Calculations](#), beginning on page 35, provides worksheets that show how the maximum loan amount is calculated for different types of refinance loans.

***Monthly MCC (Mortgage Credit Certificate)***

Enter the monthly tax credit that the borrower receives for mortgage interest on the current residence, if applicable. For borrower qualification, the system subtracts the amount entered in this field from the amount entered in the proposed monthly housing payment in the Income and Housing screen when calculating the ratios for the loan. This field should only be completed if the mortgage credit funds are coming from an MCC issued by a federal, state, or local agency. All other housing allowances should be entered as Other Income in the Income and Housing screen. An informational message will be included in the DU Underwriting Findings report indicating the use of an MCC.

**Note:** The MCC amount must be entered in the Monthly MCC field in the FHA Government Information screen and should not be entered as Other Income on the Income screen.

***MIP Refund***

If the loan is a refinance transaction and the borrower will be receiving a refund for a previously paid mortgage insurance premium (MIP) on an existing FHA loan, enter the dollar value of the refund in the MIP Refund field. If the amount of the MIP refund exceeds the amount of new upfront MIP, enter only the amount of the new upfront MIP in this field.

***Seller Concessions***

Enter the dollar amount of the seller concessions that **exceed** the 6% maximum as defined by FHA. The amount entered in this field will reduce the purchase price by the same amount. For additional guidance regarding seller concessions, refer to the FHA guidelines.

***CAIVRS #***

Enter the CAIVRS number that was assigned to each borrower, if it has been obtained from FHA. A message stating, "Approval for this loan is subject to obtaining a valid CAIVRS number" appears in the DU Underwriting Findings report for every FHA loan casefile as a reminder to obtain a CAIVRS number.

**Note:** A valid CAIVRS number is not required for submission to DU, but is required for FHA endorsement.



## Chapter 2: Underwriting Reports

DU creates two underwriting reports. This chapter describes these reports and explains the analysis the system performs to create them.

- The DU Underwriting Findings report summarizes the overall underwriting recommendation and lists many of the steps necessary for the lender to take to complete the processing of the FHA loan file. The DU Underwriting Findings report is typically the first report viewed by an underwriter or a loan officer after the loan is submitted to DU.
- The Underwriting Analysis report contains key values used in the underwriting analysis. The Underwriting Analysis report is not a required FHA form.

Each time a loan casefile is submitted to DU, the information in these reports is updated with information from the most recent submission. Each of these reports can be viewed online or printed.

The following information appears at the top of each report:

- Primary Borrower Name,
- Co-Borrower Name,
- Lender Case Number,
- Casefile ID,
- The date and time when the loan casefile was submitted to DU,
- The underwriting recommendation, and
- The user ID of the user who submitted the loan casefile to DU.

### DU Underwriting Findings report

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After a brief summary at the top, the DU Underwriting Findings report is divided into four sections. Each section contains a different type of message. The types of messages that appear in each section of the report are identified on the next page.

<b>Risk/Eligibility</b>
This section contains messages pertaining to the risk assessment and the underwriting recommendation for FHA loan casefiles. If the loan casefile is referred or ineligible, the specific referral or eligibility criteria appear in this section.
<b>Potential Red Flags</b>
<p>Messages pertaining to potential red flags in the loan casefile will appear in this section.</p> <p><b>Note:</b> Potential red flag messages identify certain inconsistent or contradictory data for loan casefiles submitted to DU. While messages identify potential red flags, the messages do not affect the underwriting recommendation. And, although these messages can help lenders detect inconsistencies and potentially fraudulent transactions, neither the presence nor absence of these messages alters the lender's responsibility to ensure accurate information in all areas of the loan process. These messages represent a value-added feature of DU and will not affect FHA's evaluation of whether to insure a loan.</p>
<b>Verification Messages/Approval Conditions</b>
The Verification Messages/Approval Conditions section lists follow-up processing steps the lender should complete to comply with FHA requirements. Income and asset verification documentation waivers and any credit verifications waivers appear here.
<b>Observations</b>
The Observations section contains information calculated or used by the system and is informational only.

## Underwriting recommendations

The following underwriting recommendations are available for FHA loan casefiles.

### ***Approve/Eligible***

An underwriting recommendation of Approve/Eligible indicates that the loan casefile was considered by FHA to have acceptable credit characteristics and that the loan casefile appears to meet FHA loan program eligibility requirements. Lenders remain responsible for compliance with all FHA guidelines. HUD has accepted Approve/Eligible recommendations in lieu of requiring a DE underwriter to be responsible for the credit decision.

If a loan casefile received an Approve/Eligible recommendation from DU, the lender representative that completed the data integrity validation should mark and sign the following box on page 3 of the HUD92900A form:

This mortgage was rated as an "accept" or "approve" by FHA's TOTAL Mortgage Scorecard. As such, the undersigned representative of the mortgagee certifies to the integrity of the data supplied by the lender used to

determine the quality of the loan, that a Direct Endorsement Underwriter reviewed the appraisal (if applicable) and further certifies that this mortgage is eligible for HUD mortgage insurance under the Direct Endorsement program. I hereby make all certifications required for this mortgage as set forth in HUD Handbook 4000.4.

Lenders should comply with all of the Verification Messages/Approval Conditions listed in the DU Underwriting Findings report and should document the loan file accordingly. Lenders must review the credit report to confirm that the data that DU evaluated with respect to the borrower's credit history was accurate. If the applicants had a bankruptcy or foreclosure within the most recent 24-month period, or a mortgage delinquency within the most recent 12-month period that ***was not reported on the credit report***, the underwriting recommendation should be downgraded to Refer, and the loan casefile should be reviewed by a DE underwriter to ensure that it meets FHA requirements.

### ***Approve/Ineligible***

Loan casefiles that receive an Approve/Ineligible recommendation appear to meet FHA credit requirements but do not appear to meet certain FHA eligibility guidelines. DU will provide a message in the DU Underwriting Findings report regarding the Ineligible recommendation.

FHA loan casefiles will receive an Ineligible recommendation for the following reasons:

- Loan amount that exceeds the FHA maximum,
- Property type that does not correspond to the selected Section of the Act,
- Non-owner-occupied cash-out refinance transaction,
- Insufficient reserves on the purchase of a three- or four-unit property,
- Insufficient funds for closing,
- Buydown indicated on a refinance transaction,
- Buydown indicated on an ARM loan,
- Balloon indicator = Yes, or
- LTV greater than 75% on multiple unit properties when there is a non-occupant co-borrower.

It is the lender's responsibility to determine whether the reason for the ineligibility can be resolved in compliance with FHA underwriting requirements. In such cases, the lender must document the circumstances in the remarks section of the FHA Loan Underwriting and Transmittal Summary (HUD-92900-LT). An FHA DE underwriter's signature is not required on the HUD 92900-A unless the loan is downgraded to Refer in accordance with FHA guidelines.

Lenders may also attempt to correct the issues, such as the loan amount, that caused the loan to be ineligible, and resubmit the loan casefile in an attempt to obtain an Approve/Eligible recommendation.

### ***Refer/Eligible***

An underwriting recommendation of Refer/Eligible indicates that the loan casefile must be analyzed by a DE underwriter and must be manually underwritten in accordance with FHA's guidelines. If the loan casefile receives a Refer/Eligible recommendation because of data entry errors, or if the terms of the transaction have changed, the lender should correct the information and resubmit the loan casefile. If an Approve/Eligible recommendation cannot be obtained, the loan casefile should be referred to a DE underwriter, who will be required to underwrite the loan manually.

If a loan casefile received an Refer/Eligible recommendation from DU, the lender's DE underwriter should mark and sign the following box on page 3 of the HUD92900A form:

This mortgage was rated as a "refer" by FHA's TOTAL Mortgage Scorecard and/or was manually underwritten by a Direct Endorsement underwriter. As such, the undersigned Direct Endorsement underwriter certifies that I have personally reviewed the appraisal report (if applicable), credit application, and all associated documents and have used due diligence in underwriting this mortgage. I find that this mortgage is eligible for HUD mortgage insurance under the Direct Endorsement program and I hereby make all certifications required for this mortgage as set forth in HUD Handbook 4000.4.

### ***Refer/Ineligible***

An underwriting recommendation of Refer/Ineligible indicates that the loan casefile must be analyzed by a DE underwriter and must be manually underwritten in accordance with FHA's guidelines, and that the loan casefile does not meet one or more of the eligibility requirements. If the loan casefile receives a Refer/Ineligible recommendation due to data entry errors, or if the terms of the transaction have changed, the lender should correct the information and resubmit the loan casefile for updated findings. If an Approve/Eligible recommendation cannot be obtained, the loan casefile should be referred to a DE underwriter, who will be required to manually underwrite the loan.

### ***Error***

When certain errors are detected, Error will appear as the recommendation in the Underwriting Recommendation column on the Loan List screen in the DO/DU user interface, and an error message number and description will appear in the Risk/Eligibility section of the DU Underwriting Findings report.

For a list of errors and error messages for FHA loan casefiles, see [Appendix B, Error Messages](#), beginning on page 45.

Below are examples of conditions in which an FHA loan casefile would receive the Error recommendation:

- Appraised value missing
- Invalid credit score
- Invalid FHA Lender ID field
- Invalid FHA Sponsor ID field
- Inability to score the loan

A “9998 - HUD Proxy Server” error means that DU was unable to connect to the FHA TOTAL Mortgage Scorecard. This error message could indicate that the HUD server is down or could be a result of heavy Internet traffic.

## Documentation requirements

FHA loan casefiles underwritten through the FHA TOTAL Mortgage Scorecard receive the benefits of reduced documentation requirements. The documentation requirements are based on the risk analysis of the loan casefile. These requirements are displayed in the DU Underwriting Findings report.

The age of documents should follow FHA guidelines. Credit documents may be up to 120 days old when the related loan closes (180 days for proposed construction).

### *Verification Messages/Approval Conditions*

Approval conditions and messages related to the required documentation for the loan casefile appear in this section of the DU Underwriting Findings report. The level of credit waivers will depend on the overall risk analysis of the loan casefile. Borrowers **may** be eligible for some or all of the reduced documentation listed below based on the underwriting recommendation. Most verification and documentation waivers are only available on loan casefiles that receive an Approve recommendation.

Available Waivers	
Credit-related waivers	<ul style="list-style-type: none"> <li>No verification of current and/or previous rent required.</li> <li>No explanations for most credit inquiries required.</li> </ul>
Income/employment-related waivers	<ul style="list-style-type: none"> <li>Self-employed borrowers do not need to produce a profit and loss statement or a balance sheet for the business.</li> <li>Employment may be verified with one paystub and telephone confirmation (non self-employed base salary income).</li> <li>No explanation is necessary for gaps in employment of six months or less within the last two years.</li> <li>Receipt of alimony or child support may be verified by three months’ bank statements or canceled checks.</li> </ul>
Ratio-related waivers	<ul style="list-style-type: none"> <li>No explanation for qualifying housing or debt ratios exceeding FHA’s benchmark guidelines.</li> </ul>

Available Waivers	
Asset-related waivers	<ul style="list-style-type: none"> <li>• No evidence of asset liquidation required for stocks, bonds, retirement accounts, or sale of assets.</li> <li>• Verification of assets by most recent monthly statement with previous month's balance.</li> <li>• No verification of receipt of gift funds is required if sufficient funds are verified on deposit.</li> </ul>

In addition to the messages that specify the documentation that is required, a detailed description of every debt, asset, and source of income used in qualifying calculations is listed. This information can be helpful in reconciling the debts from the credit report with the ones included in the loan casefile and in determining whether income or assets beyond those specifically addressed in the DU Underwriting Findings report were included in the loan casefile.

### ***Observations***

The Observations section of the DU Underwriting Findings report provides the following information for an FHA loan casefile:

- FHA Lender ID (and FHA Sponsor ID, if required)
- County Loan Limit
- Maximum Loan Amount (system calculates based on data entry)
- Section of the Act
- County Name
- Submitting Institution
- Agency Case Number
- Submission Number (number of times the loan has been submitted)
- Credit Report Agency
- Credit Report ID
- Credit Report Type
- Borrowers' FICO credit scores

## **The Underwriting Analysis report**

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The Underwriting Analysis report summarizes the underwriting analysis that was performed on the loan casefile. The Underwriting Analysis report appears below the DU Underwriting Findings report. To view the Underwriting Analysis report, scroll down to the bottom of the report screen.

The top of the Underwriting Analysis report shows general information about the loan casefile, including property information and calculated values such as the LTV and the CLTV. Further detail appears in the following sections of the report.

## Income

On the left side of the report, the borrowers' combined total income amounts are partially broken out by income type. If there is positive net rental income from all rental properties or positive cash flow on the subject property (for two- to four-unit properties), this information will also appear in the Income section.

## Qualifying ratios and expense ratios

To the right of the income information, the Underwriting Analysis report lists the ratios that DU calculated. The qualifying ratios are those on which the ratio analysis is performed.

The following chart summarizes the factors that are used to calculate the housing expense and total expense ratios, depending on the number of units and occupancy.

Transaction type	Income used for ratio calculation	Payment used in housing expense ratio	Total expense ratio
Primary one-unit	Income of all borrowers	Proposed payment	Proposed payment Liabilities of all borrowers
Primary two- to four-unit	Income of all borrowers Positive net cash flow	Proposed payment	Proposed payment Liabilities of all borrowers
Primary one-unit with non-occupant co-borrowers	Income of all borrowers	Proposed payment	Proposed payment Liabilities of all borrowers, including current housing expenses for non-occupant co-borrowers
Primary two- to four-units with non-occupant co-borrowers	Income of all borrowers Positive net cash flow	Proposed payment	Proposed payment Liabilities of all borrowers, including current housing expenses for non-occupant co-borrowers

## Proposed Monthly Payment information

Near the bottom of the Underwriting Analysis report, the proposed monthly payment information is detailed using the note rate (for a fixed-rate mortgage), or the qualifying rate (for an ARM).

**Note:** Loans that are subject to temporary interest rate buydowns are qualified based on the note rate in accordance with FHA guidelines. Beginning with the December 2007 release, DU always uses the note rate as the qualifying rate for 1-year FHA loan casefiles with LTVs below 95%.

The housing payment detail displayed is from the Income and Housing section, except for the Principal and Interest (P&I), which is calculated by DU. Next to the housing payment is any negative net rental payment, the sum of all payments

the borrowers are making to creditors (except for omitted liabilities), and the total of the current primary residence housing payments from all borrowers.

## **Funds**

Funds information appears at the bottom of the Underwriting Analysis report. The following information is available:

- **Required Funds** – Calculated from the data in the Details of Transaction section plus any debt to be paid by closing that is not attributed to a property being sold.
- **Available Funds** – The sum of the liquid assets listed on the loan casefile, including the liquid assets of any non-occupant borrowers.
- **Cash Back to the Borrower** – Calculated from the data in the Details of Transaction screen.
- **Net Cash Back** – Cash back to the borrower minus net required funds.
- **Reserves** – Includes excess available funds after required funds are subtracted; excludes reserves attributed to gifts or cash back from a cash-out refinance transaction.
- **Month Reserves** – The reserves divided by the total monthly housing payment.



## Appendix A:

# FHA Maximum Loan Amount Calculations

The following sections describe the FHA maximum loan amount calculations used for a variety of loan types and provide worksheets that show how the amounts are calculated.

**Note:** A number of the calculations illustrated in this appendix incorporate information published by HUD about states with low and high average closing costs. To obtain this information, visit **[www.hud.gov](http://www.hud.gov)**.

- [FHA maximum loan amount calculation: Purchase](#)
- [FHA maximum loan amount calculation: No-cash out refinance — Full Documentation](#)
- [FHA maximum loan amount calculation: Cash-out refinance — Full Documentation](#)
- [FHA maximum loan amount calculation: Refinance — Streamline Refinance with Appraisal](#)
- [FHA maximum loan amount calculation: Refinance — Streamline Refinance without Appraisal](#)

## FHA maximum loan amount calculation: Purchase

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DU performs the following calculations to determine the FHA maximum base loan amount for purchase transactions:

- Sales Price Calculation
- Value Calculation
- County Loan Limit

The calculation that yields the lowest result appears as the FHA maximum loan amount calculation in the Observations section in the DU Underwriting Findings report. Use the worksheet below to determine the FHA maximum base loan amount that should appear in the DU Underwriting Findings report. If the amount in the DU Underwriting Findings report is different than the amount calculated below, please check the loan application for data entry errors.

**Note:** Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- Additional Data screen (AD)
- FHA Government Information screen (GV)

### Sales Price Calculation

_____	Purchase Price
+	_____ Allowable Repairs
-	_____ Seller Paid Concessions (GV)
×	_____ Factor (from Closing Cost Factors below)
=	_____ Sales Price Calculation

### Value Calculation

_____	Appraised Value (AD)
+	_____ Allowable Repairs
-	_____ Seller Paid Concessions (GV)
=	_____
×	_____ Factor (from Closing Cost Factors below)
=	_____ Value Calculation

### Closing Cost Factors

**Note:** To determine high- and low-cost states, see the list on HUD's Web site.

For states with average closing costs **above** 2.1 percent of the sales price:

- If the lesser of the sales price or the appraised value is \$50,000 or less, multiply by **0.9875**.

- If the lesser of the purchase price or appraised value is greater than \$50,000, multiply by **0.9775**.

For states with average closing costs **at or below** 2.1 percent of the sales price:

- If the lesser of the purchase price or the appraised value is \$50,000 or less, multiply by **0.9875**.
- If the lesser of the purchase price or the appraised value is between \$50,000 and \$125,000, multiply by **0.9765**.
- If the lesser of the purchase price or the appraised value is greater than \$125,000, multiply by **0.9715**.

## County Loan Limit

HUD's county loan limit is \_\_\_\_\_

**Note:** The county loan limit used by DU appears in the Observations section of the DU Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

## Maximum loan amount results comparison

Below are the results of the calculations:

Sales Price Calculation: \_\_\_\_\_

Value Calculation: \_\_\_\_\_

County Loan Limit: \_\_\_\_\_

The lowest of the calculations above is the maximum base loan amount for a purchase transaction, provided the mortgagor has made a cash investment of at least three percent of the contract sales price.

## FHA maximum loan calculation: No cash-out refinance — Full Documentation

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DU performs the following calculations to determine the FHA maximum base loan amount for no cash-out refinance transactions with a refinance type of Full Documentation:

- County Loan Limit
- Refinance Calculation (existing debt)
- Refinance Calculation (appraised value)

The calculation that yields the lowest result appears as the FHA maximum loan amount calculation in the Observations section in the DU Underwriting Findings report. Use the worksheet below to determine the FHA maximum base loan amount that should appear in the DU Underwriting Findings report. If the amount in the DU Underwriting Findings report is different than the amount calculated below, please check the loan application for data entry errors.

**Note:** Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- Additional Data screen (AD)
- FHA Government Information screen (GV)

### County Loan Limit

HUD's county loan limit is \_\_\_\_\_

**Note:** The county loan limit used by DU appears in the Observations section of the DU Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

### Refinance Calculation (existing debt)

	Refinance Amount
+	_____ Closing Costs
+	_____ Prepaids
+	_____ Repairs required by appraisal
+	_____ Discount Points
-	_____ MIP Refund (GV)
=	_____ Maximum Loan Amount

### Refinance Calculation (appraised value)

	Appraised Value (AD)
x	_____ Closing Costs Factor (see Closing Cost Factors below)
=	_____ Maximum Loan Amount

## Closing Cost Factors

**Note:** To determine high- and low-cost states, see the list on HUD's Web site.

For states with average closing costs **above** 2.1 percent of the sales price:

- If the appraised value is less than or equal to \$50,000, multiply by **0.9875**.
- If the appraised value is greater than \$50,000, multiply by **0.9775**.

For states with average closing costs **at or below** 2.1 percent of the sales price:

- If the appraised value is equal to or less than \$50,000, multiply by **0.9875**.
- If the appraised value is greater than \$50,000 and up to \$125,000, multiply by **0.9765**.
- If the appraised value is greater than \$125,000, multiply by **0.9715**.

## Maximum loan amount results comparison

Below are the results of each maximum loan amount calculation:

County loan limit	_____
Refinance calculation (existing debt)	_____
Refinance calculation (appraised value)	_____

The lowest of these calculations is the maximum base loan amount for a no cash-out refinance transaction with a refinance type of Full Documentation. If the property was acquired less than one year before the loan application and is not currently FHA insured, in addition to the calculations above, the original sales price of the property also must be considered in determining the maximum mortgage per FHA guidelines.

## FHA maximum loan calculation: Cash-out refinance — Full Documentation

DU performs the following calculations to determine the FHA maximum base loan amount for cash-out refinance transactions with a refinance type of Full Documentation:

- Appraised Value Calculation
- County Loan Limit

The calculation that yields the lowest result appears as the FHA maximum loan amount calculation in the Observations section in the DU Underwriting Findings report. Use the worksheet below to determine the FHA maximum base loan amount that should appear in the DU Underwriting Findings report. If the amount in the DU Underwriting Findings report is different than the amount calculated below, please check the loan application for data entry errors.

**Note:** Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- Additional Data screen (AD)
- FHA Government Information screen (GV)

## Appraised Value Calculation

	_____	Appraised Value (AD)
×	_____	95%
=	_____	Maximum Loan Amount

## County Loan Limit

HUD's county loan limit is \_\_\_\_\_

**Note:** The county loan limit used by DU appears in the Observations section of the DU Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

### Maximum loan amount results comparison

Below are the results of the maximum loan amount calculations.

Appraised Value Calculation \_\_\_\_\_  
County Loan Limit \_\_\_\_\_

The lower of these calculations is the maximum base loan amount for a cash-out refinance transaction with a refinance type of Full Documentation.

## FHA maximum loan calculation: Refinance — Streamline Refinance with Appraisal

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DU performs the following calculations in determining the maximum loan amount for a Streamline Refinance with an appraisal. The lowest of these calculations yields the maximum loan amount excluding the new upfront MIP:

- County Loan Limit
- Existing Debt Calculation
- Appraisal Calculation

Streamline with Appraisal must be selected in the Refinance Type field in the FHA Government Information screen. Cash-out refinance transactions are not allowed.

**Note:** Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- FHA Government Information screen (GV)

### County Loan Limit

HUD's county loan limit is \_\_\_\_\_

**Note:** The county loan limit used by DU appears in the Observations section of the DU Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

### Existing Debt Calculation

_____	Refinance Amount
+	_____ Borrower Paid Closing Costs
+	_____ Prepaids
+	_____ Discounts (based on Total Loan Amount)
–	_____ MIP Refund (GV)
=	_____ Maximum Loan Amount

### Appraisal Calculation

_____	Appraised Value
×	_____ Closing Costs Factor (see Closing Cost Factors below)
=	_____ Maximum Loan Amount per appraisal calculation

### Closing Cost Factors

**Note:** To determine high- and low-cost states, see the list on HUD's Web site.

**For states with average closing costs *above* 2.1 percent of sales price:**

- If the appraised value is \$50,000 or less, multiply by **0.9875**.

- If the appraised value is greater than \$50,000, multiply by **0.9775**

For states with average closing costs ***at or below*** 2.1 percent of purchase price:

- If the appraised value is \$50,000 or less, multiply by **0.9875**.
- If the appraised value is between \$50,000 and \$125,000, multiply by **0.9765**.
- If the appraised value is greater than \$125,000, multiply by **0.9715**.

### **Maximum loan amount results comparison**

Below are the results of the maximum loan amount calculations.

County Loan Limit	_____
Existing Debt Calculation	_____
Appraisal Calculation	_____

The lowest of these calculations is the maximum base loan amount for the Streamline Refinance with Appraisal option.



## FHA maximum loan calculation: Refinance — Streamline Refinance without Appraisal

---

DU performs the following calculations to determine the maximum loan amount for a Streamline Refinance without an appraisal. The maximum allowable base loan amount will be the lesser of the original principal balance (which includes any upfront mortgage insurance premium) or the result of the calculation shown below. The DO/DU user interface does not capture the original principal balance of the loan; therefore the system will provide a maximum loan amount based on the lesser of the calculation shown below or the county loan limit. The DU Underwriting Findings report will include a message advising users that they must ensure that the requested loan amount does not exceed the original principal balance.

**Note:** Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- FHA Government Information screen (GV)

### Existing Debt Calculation

	Refinance Amount
–	_____ MIP Refund (GV)
+	_____ Closing Costs
+	_____ Discount Points
+	_____ Prepays
=	_____ Maximum Loan Amount

### County Loan Limit

HUD's county loan limit is \_\_\_\_\_

**Note:** The county loan limit used by DU appears in the Observations section of the DU Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, see HUD's Web site.

### Maximum loan amount results comparison

Below are the results of each calculation:

Existing Debt Calculation \_\_\_\_\_

County Loan Limit \_\_\_\_\_

The lower of these calculations is the maximum base loan amount for a Streamline Refinance without Appraisal option.



## Appendix B: Error Messages

Error Code	Type of Error Message	Message Text
001	FHA TOTAL Mortgage Scorecard	Data in AUS system to calculate score is not complete
004	FHA TOTAL Mortgage Scorecard	One SSN must be entered
005	FHA TOTAL Mortgage Scorecard	SSN1 is not valid
006	FHA TOTAL Mortgage Scorecard	SSN2 is not valid
007	FHA TOTAL Mortgage Scorecard	SSN3 is not valid
008	FHA TOTAL Mortgage Scorecard	SSN4 is not valid
009	FHA TOTAL Mortgage Scorecard	SSN5 is not valid
010	FHA TOTAL Mortgage Scorecard	SSN2 is required
011	FHA TOTAL Mortgage Scorecard	SSN3 is required
012	FHA TOTAL Mortgage Scorecard	SSN4 is required
200	FHA TOTAL Mortgage Scorecard	FICO score numbers for SSN2 must be 0 when SSN2 not entered
210	FHA TOTAL Mortgage Scorecard	FICO score numbers for SSN3 must be 0 when SSN3 not entered
220	FHA TOTAL Mortgage Scorecard	FICO score numbers for SSN4 must be 0 when SSN4 not entered
230	FHA TOTAL Mortgage Scorecard	FICO score numbers for SSN5 must be 0 when SSN5 not entered
235	FHA TOTAL Mortgage Scorecard	A zero FICO Score is only permitted for one applicant
240	FHA TOTAL Mortgage Scorecard	One FICO Score is required when only one applicant
290	FHA TOTAL Mortgage Scorecard	Invalid FHA Case Number
300	FHA TOTAL Mortgage Scorecard	Applicant(s) combined monthly income must be greater than 0
305	FHA TOTAL Mortgage Scorecard	Appraised Value must be between \$9,000 and \$9,999,999. Otherwise, it must be 0
310	FHA TOTAL Mortgage Scorecard	Loan amount including MIP must be greater than 0
315	FHA TOTAL Mortgage Scorecard	Monthly payment, including Principal, Interest, Taxes and Insurance, must be greater than 0

Error Code	Type of Error Message	Message Text
320	FHA TOTAL Mortgage Scorecard	Mortgage Insurance Premium cannot be less than 0
325	FHA TOTAL Mortgage Scorecard	Mortgage term in months must be between 48 and 360
330	FHA TOTAL Mortgage Scorecard	Sales price must be between \$9,000 and \$9,999,999.
335	FHA TOTAL Mortgage Scorecard	Either Appraised Value or Sales price is required
340	FHA TOTAL Mortgage Scorecard	Total number of applicants must be between 1 and 5
345	FHA TOTAL Mortgage Scorecard	Total number of applicants does not match number of SSNs entered
350	FHA TOTAL Mortgage Scorecard	Unique identification for AUS must be entered
355	FHA TOTAL Mortgage Scorecard	Unique identification for loan application assigned by AUS must be entered
360	FHA TOTAL Mortgage Scorecard	Loan To Value Ratio must be between 11 and 125
365	FHA TOTAL Mortgage Scorecard	Front End Ratio must be greater than 0 and less than 101
370	FHA TOTAL Mortgage Scorecard	Back End Ratio must be greater than 0 and less than 101
372	FHA TOTAL Mortgage Scorecard	Back End Ratio must be greater than Front End Ratio
375	FHA TOTAL Mortgage Scorecard	Underwriting P & I must be greater than 0
380	FHA TOTAL Mortgage Scorecard	Underwriting Interest must be greater than 0
385	FHA TOTAL Mortgage Scorecard	Lender ID is required
390	FHA TOTAL Mortgage Scorecard	Lender ID must contain 10 digits
391	FHA TOTAL Mortgage Scorecard	Invalid Lender ID. Please ensure lender ID is entered correctly. If it is entered correctly, please contact Lender Approval Division at (202)708-3976.
392	FHA TOTAL Mortgage Scorecard	Lender ID is not active
393	FHA TOTAL Mortgage Scorecard	Sponsor ID is required
394	FHA TOTAL Mortgage Scorecard	Sponsor ID must contain 10 digits
395	FHA TOTAL Mortgage Scorecard	Invalid Sponsor ID
396	FHA TOTAL Mortgage Scorecard	Sponsor ID is not active
397	FHA TOTAL Mortgage Scorecard	Both Lender ID and Sponsor ID cannot be mortgagee type 4
398	FHA TOTAL Mortgage Scorecard	Lender ID is not certified through FHA Connection Certification Screen.

Error Code	Type of Error Message	Message Text
399	FHA TOTAL Mortgage Scorecard	Sponsor ID is not certified through FHA Connection Certification Screen.
400	FHA TOTAL Mortgage Scorecard	Credit report is required
405	FHA TOTAL Mortgage Scorecard	Each Credit Report must include a Credit Report Type and Credit Report Data
415	FHA TOTAL Mortgage Scorecard	First Time Home Buyer must be "Y" or "N"
420	FHA TOTAL Mortgage Scorecard	Counsel Type is not valid
425	FHA TOTAL Mortgage Scorecard	Down payment amount is not valid.
430	FHA TOTAL Mortgage Scorecard	Base Mortgage amount is not valid.
435	FHA TOTAL Mortgage Scorecard	Base LTV is not valid.
999	FHA TOTAL Mortgage Scorecard	AUS System unable to score loan with data provided
9013	DU	GPM is not a valid amortization type for automated underwriting
9014	DU	Other is not a valid amortization type for automated underwriting
9018	DU	Scheduled Amortization is not a valid repayment type for Government Loans
9019	DU	Interest Only is not a valid repayment type for Government Loans
9020	DU	Possible Negative Amortization is not a valid repayment type for Government Loans
9021	DU	Scheduled Negative Amortization is not a valid repayment type for Government Loans
9022	DU	Bi-weekly repayment type is not valid for Government Loans
9023	DU	Second Mortgage is not a valid lien type for Government Loans
9024	DU	Other Mortgage is not a valid lien type for Government Loans
9990	DU	HUD Scorecard output error, resubmit
9997	DU	HUD Proxy Server error, resubmit
9998	DU	HUD Proxy Server error, resubmit



## **Appendix C: Resubmission Policy**

The lender is responsible for ensuring the integrity of the data submitted to DU. When material changes in the loan data occur, the lender must resubmit the loan to DU.

Material changes that require the loan casefile to be resubmitted to DU include the following:

- Borrowers added to the loan application
- Decrease in borrower's income, assets, or cash reserves,
- Change in the purchase price or terms and conditions of the mortgage
- Change that could negatively affect the borrowers' ability to repay the mortgage
- Change to the property that negatively affects the property value
- Decrease in property value

**Note:** FHA provides a degree of tolerance before requiring that a mortgage be resubmitted to DU. See FHA Mortgagee Letter 2005-15 for details





# **Glossary of Government Terms**

## **CAIVRS number**

A number assigned by HUD's Credit Alert Interactive Voice Response System (CAIVRS). A CAIVRS number must be obtained for all FHA loans to determine whether parties to the loan transaction have outstanding federal debt.

## **CHUMS ID**

An alphanumeric approval code assigned to underwriters who are approved for Direct Endorsement (DE) underwriting by FHA. (The CHUMS ID for Approve/Eligible loans underwritten through DO/DU for FHA is **ZFHA**.)

## **County loan limit**

The maximum statutory limit for the county in which the subject property is located. HUD publishes maximum county loan limits for each county.

## **Direct Endorsement (DE)**

A certification process for underwriters that allows lenders to underwrite FHA loans in lieu of submitting them to FHA for an underwriting decision.

## **FHA**

Federal Housing Administration in the U.S. Department of Housing and Urban Development.

## **FHA Loan Underwriting and Transmittal Summary (HUD-92900-LT)**

The worksheet that an underwriter uses to analyze and summarize an FHA mortgage transaction. The underwriter is required to review and make changes to the FHA Loan Underwriting and Transmittal Summary, to indicate the loan recommendation on the form, and to insert their CHUMS ID with the decision date. If DU returns an underwriting recommendation of Approve/Eligible, the underwriter will insert the applicable CHUMS ID assigned to the lender by HUD for system approvals. The CHUMS ID assigned to the DO/DU user interface is ZFHA.

## **FHA mortgage**

A loan insured by the FHA.

## **FHA Mortgagee Letters**

The Department of Housing & Urban Development (HUD) issues Mortgagee Letters to inform lenders of changes in FHA operations, policies and procedures. This has been an on-going practice of FHA since 1934. Paper copies of Mortgagee Letters may be requested electronically from HUD.

## **FHA TOTAL Mortgage Scorecard**

The FHA TOTAL Mortgage Scorecard was developed by FHA to evaluate the credit risk of FHA loans submitted to an automated underwriting system such as DU. TOTAL stands for "Technology Open To Approved Lenders."

**HUD**

U.S. Department of Housing and Urban Development.

**MCC**

Mortgage Credit Certificate. Shows the credit toward the borrower's income taxes that represents 20% of the monthly interest paid and that is treated as qualifying income for underwriting purposes. This amount is not inclusive of housing allowances, which should be included as monthly income.

**Maximum loan amount**

The maximum mortgage amount for the loan. The maximum loan amount is the lesser of the maximum statutory limit for the area (county loan limit) or the applicable LTV limit.

**Mortgage insurance premium**

Insurance premium paid by the borrower as required by FHA to protect the lender from default. The mortgage insurance premium is commonly referred to as MIP for FHA loan casefiles. MIP is required for all FHA loans, regardless of the LTV, and is provided to the appropriate HUD insurance fund.

**Section of the Act**

The section of the National Housing Act that is used for a particular FHA loan casefile. (For example, Section 203(b) is used for the basic fixed rate loan program for FHA purchases and refinances.)