

# Product Guidelines

## FHA \$100 DOWN PAYMENT PROGRAM

Program Codes: See table

Version 6.1 – 01/01/25



### HUD REO PURCHASE

Maximum LTV*	Max Loan Amount	Max Ratios	Mortgage/Rental History
MINIMUM FICO 580*			
100.00% Minus \$100	1-2 UNITS ONLY. PER FHA MAX COUNTY LIMITS FOR CONFORMING PROGRAM.	AUS Accept: Per AUS Manual: 31/43%**	Evaluated by AUS*

\*Minimum 580 FICO required for \$100 Down Payment Program. FICO's of 500-579 are eligible under the standard FHA matrix with a maximum 90% LTV

\*\*DTI may exceed 43% with compensating factors documented in the file and manual underwrite. Refer to AUS Section for additional information.

### Underwriting Guidelines Requirements (All loan amounts must be submitted through Total Scorecard. Refer to AUS Section for manual underwrite.)

#### MAXIMUM LOAN AMOUNTS

	# of Units	Lowest Maximum ("Floor") for All Loan Amounts	Highest Maximum ("Ceiling") for Conforming Loan Amounts	Highest Maximum ("Ceiling") for High Balance Loan Amounts
Continental U.S.	1 Unit	\$524,225	\$806,500	\$1,209,750
	2 Units	\$671,200	\$1,032,650	\$1,548,975
Maximum Loan Amt (Base)	Max Base Loan Amount cannot exceed the FHA Statutory Mortgage Limits for each county and under no circumstances will a county's mortgage limit be less than the "floor" or greater than the "ceiling" as outlined in the 4000.1. The maximum base loan amount is calculated by subtracting \$100 from the lower of the sales price or appraised value plus escrow holdback amount (when applicable).			
Maximum Total Loan Amount	The maximum total loan amount is calculated by adding the 1.75% Up-Front Mortgage Insurance Premium (UFMIP) to the base loan amount.			

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#### COLLATERAL

Condos	HUD Real Estate Owned (REO) Mortgage transactions do not require Condominium Project Approval or Single-Unit Approval. If the Unit is in a Condominium Project that has an FHA Condo ID, the FHA Condo ID must be entered at the FHA case number assignment. All condos and attached PUD's require 100% 'walls-in' HO6 coverage.
Eligible Collateral	HUD REOs: Owner Occupied Only. 1-2 Units. PUDs, Condos, Manufactured Homes with 2 or more sections that meet FHA manufactured housing requirements below
Ineligible Collateral	Single-wide manufactured homes, mobile homes, co-ops, FHA secondary residences, State-approved medical marijuana producing properties, commercial or industrial zoned properties, mixed-used with residential building use less than 51%, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, working farms, construction to permanent, properties located in the area of Wrightwood, CA, properties located within designated Coastal Barrier Resource System (BRS) areas, properties located on Tribal Lands which include section 248, Hawaiian properties in Lava Zones 1 and 2, Native Hawaiian Housing Loan Guarantee Program (Section 184A), properties with sink holes, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water), and/or any other ineligible properties as defined by HUD Handbook 4000.1.
HUD REO Appraisal and Property Requirements	<p>A copy of the "Property Condition Report" (PCR) and "Property Disclosure and Repair Information" from HUD's asset manager must be provided when the sales contract states the property is Insurable with Repair Escrow.</p> <p>A new appraisal must be obtained. Appraisals may be performed by any appraiser listed on the FHA roster. Appraisals must be made "Subject To" any FHA-required repairs that are evident from the appraiser's inspection. Sales contracts that reflect Insurable must be amended to Insurable with Repair Escrow if the appraisal is made subject to repairs.</p> <p>Properties that require repairs per the appraisal, PCR, and/or Property Disclosure and Repair Information require a contractor's bid to determine the cost of all required repairs, including labor and materials. Bids that equal \$10,000 or less must be processed as an Escrow Holdback per CMS policy (HUD REOs with escrow holdbacks will have a 10% contingency reserve and may be financed).</p> <p>Properties with repairs that exceed \$10,000 are ineligible for CMS financing.</p>
Manufactured Housing	CMS accepts manufactured homes permanently affixed to the foundation, built on or after June 15, 1976, and meet all HUD requirements. Single-wide manufactured homes are not eligible. Manufactured homes with acceptable alterations or additions must have marketability, "like" comparables, gross living area (GLA) of addition must be smaller than the original home and structural engineer's certificate required. A manufactured home with an additional manufactured home of the property is permitted when the second manufactured home is used as a storage building, the kitchen is rendered inoperable, and the utilities are disconnected. An engineer's certification is always required to verify the foundation complies with the Permanent Foundations Guide for Manufactured Housing (PFGMH). The engineer certificate must also address additions/modifications when additions/modifications are present. Follow HUD requirements. The manufactured home and site must be converted to real estate prior to closing. Proof of the conversion must be documented. Refer to the CMS FHA Underwriting Guidelines for additional details regarding manufactured housing.

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#### COLLATERAL (continued)

HUD REO Lead-Based Paint Requirements	<p>HUD will complete a lead-based inspection on properties built before 1978 and provide a cost estimate of the repairs. A copy of the lead paint inspection from HUD's asset manager must be provided.</p> <ol style="list-style-type: none"> <li>1. If lead-based paint was identified, HUD will perform the repairs if the cost is \$4,000 or less. Evidence of completion of lead-based paint stabilization is required from HUD's asset manager.</li> <li>2. If cost is greater than \$4,000, the borrower may cancel the contract.</li> </ol>
Sales Contract	<p>The buyer must use a HUD-registered real estate broker/agent to be eligible for the \$100 down program.</p> <p>The HUD REO sales contract must acknowledge the \$100 down payment program.</p> <p>Sales contracts must indicate the subject is Insurable or Insurable with Repair Escrow.</p> <p>Sales contracts that reflect Insurable must be amended to Insurable with Repair Escrow if the appraisal is made subject to repairs. Properties that are insurable with repair escrows must follow CMS policy for Escrow Holdbacks. See also the HUD REO Appraisal and Property Requirements section above.</p> <p>Sales contracts that indicate the subject is uninsurable or insurable only through 203(k) financing are not permitted.</p>

#### CREDIT

Bankruptcy	<p>AUS Approve -must be &gt; 2 years since date of discharge at the time of Case # Assignment and borrower must have re-established good credit, or chosen not to incur new credit obligations.</p> <p>Manual - Chapter 7 If &lt; 2 years, but not &lt; 12 months, may be acceptable, if borrower can show that bankruptcy was caused by extenuating circumstances (must be approved by Underwriter Manager or Team Lead), and has exhibited a documented ability to manage his/her financial affairs.</p> <p>Manual - Chapter 13 must document the following:</p> <ol style="list-style-type: none"> <li>1. 1 year of the pay-out period under the bankruptcy has elapsed.</li> <li>2. All borrower's payments have been made on time.</li> <li>3. Borrower has received written permission from court to enter into mortgage transaction.</li> </ol>
Consumer Credit Counseling	<p>1 year of the pay-out has elapsed under the plan, borrower's payment performance has been satisfactory with all required payments made timely and borrower has received written permission from the counseling agency to enter into the mortgage transaction.</p>
Social Security Numbers	<p>Required for ALL borrowers and must be validated for non-borrowing spouse or registered domestic partner in Community Property States. See Guidelines.</p>
Charge Offs	<p>Refer to the CMS FHA Underwriting Guidelines.</p>

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#### CREDIT (continued)

Collections	<p>AUS Approve/Accept - The Underwriter must complete a capacity analysis of collection accounts with an aggregate balance <math>\geq</math> \$2,000. Non-purchasing spouse's or registered domestic partner's collections are included in the combined balances for community property states. Monthly payments must be included in the DTI when cumulative balances are <math>\geq</math> \$2,000.</p> <p>Manually underwritten loans, in addition to the requirements above, the reason for approving a loan when the borrower has collection accounts regardless of the amount must be documented. The Underwriter must determine if the collection was result of disregard for financial obligations, inability to manage debt, or extenuating circumstances. The borrower must provide a letter of explanation with supporting documentation for each outstanding collection.</p>
Capacity Analysis for Collections	<p>Outstanding Collections with aggregate \$2,000 or more:</p> <ul style="list-style-type: none"> <li>• Prior to closing, the collection account is paid in full. Verification of acceptable sources of funds is required.</li> <li>• Payment arrangements have been made with the creditor. The monthly payment must be included in the DTI and documentation is required.</li> <li>• 5% of the outstanding balance of each collection will be used as the monthly payment and will be included in the DTI.</li> <li>• Repossessions are treated as charge offs unless specifically notated that the account was sent to collections. Balances reported after repossession should be treated as collections with a 5% monthly payment considered.</li> </ul>
Judgments/Liens	<p>All outstanding judgments and liens must be paid prior to or at closing except when the borrower has an agreement with the creditor to make regular and timely payments. Copy of the agreement and the borrower is required to have made a minimum of 3 monthly scheduled payments prior to Case # assignment. This includes non-purchasing spouses and registered domestic partners in community property states. Borrowers may not prepay scheduled payments in order to meet the minimum monthly requirement. Payment is included in the DTI.</p> <p>Manually underwritten loans: the reason for approving a loan when the borrower has judgment(s) or liens regardless of the amount must be documented. The Underwriter must determine if the judgment was result of disregard for financial obligations, inability to manage debt, or extenuating circumstances. The borrower must provide a letter of explanation with supporting documentation for each outstanding judgment.</p>
Foreclosure / Deed-in-lieu	<p>Must be <math>&gt;3</math> yrs from date of trustee's deed or FHA claim (CAIVRS-if applicable). Borrower(s) with prior CMS Foreclosure or Deed in Lieu are not permitted at the time of case # assignment.</p>
Short Sale	<p>Any Short Sale within three (3) years of the case assignment requires a manual underwrite. A borrower in default at time of short sale/restructure or pre-foreclosure or late on any mortgage or installment obligations within 12 months of the short sale is not eligible for a new FHA insured mortgage for 3 years from date of pre-foreclosure sale to Case # assignment.</p> <p>Manual UW Only: Borrower's current at time of short sale must have 0x30 mortgage and installment debt pay history for the preceding 12 month period. Borrower(s) with prior CMS Short Sale are not permitted. If there is any forgiveness for a prior CMS loan, the borrower is not eligible.</p>

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#### CREDIT (continued)

Modification	<p>AUS – follow findings for acceptable mortgage history.</p> <p>Manual Underwrite – follow manual mortgage requirements (0x30 for most recent 12 months and 2x30 for the most recent 24 months on the modified mortgage.)</p> <p>Payment history is evaluated based upon the modification agreement terms and date. Delinquent payment history is forgiven prior to the modification agreement. If the modification agreement is dated less than 12 months, all payments must be made current for the month due since the date of the modification.</p>
Disputed Accounts	<ul style="list-style-type: none"> <li>Disputed derogatory accounts <math>\geq</math> \$1,000 cumulative must be downgraded to "Refer" manual underwrite. Medical and accounts resulting from identity and credit card theft or unauthorized use are excluded. A letter from the creditor, police report, etc. is required.</li> <li>Disputed non-derogatory accounts are excluded from the \$1000 cumulative total which includes accounts with zero balance, accounts with late payments aged 24 months or older, or disputed accounts that are current and paid as agreed.</li> </ul>
FICO	Minimum of one (1) reported credit score required for borrowers with traditional and thin file credit. No scores for borrowers with non-traditional credit history.
Minimum Payment	If no payment is indicated, 5% for revolving accounts.
Student Loan Payments	Student loan(s) would be calculated as follows, regardless of the payment status. CMS must use either the payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or 0.5% of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.
Minimum Tradelines	Borrowers must have sufficient credit history to generate a valid FICO score, or borrowers must meet the non-traditional guidelines listed below. Generally, an acceptable credit history does not have late housing, installment debt or major derogatory revolving payments. Authorized tradelines are not acceptable for establishing a credit history and may invalidate the FICO score.
Non-Traditional Credit	<p>Borrowers who have no established traditional credit references may be eligible using non-traditional credit references. A minimum of three (3) credit references each rated for 12 months is required. At least one (1) of the credit references must be housing related. Tradelines should be open and current or not closed within the six (6) months prior to the loan application. There can be no housing lates and maximum 1x30 day late payment with the other credit references in the previous 12 months. There can be no major adverse or public records filed in the last 12 months.</p> <p>Non-traditional credit references may not be used to offset derogatory pay histories on traditional credit. Non-traditional credit may not be used to enhance the credit history of a borrower with derogatory pay histories. Refer to CMS FHA Lending Guides for additional information regarding the use of non-traditional trade references.</p> <p>All loans with non-traditional credit require a manual underwrite, maximum ratios of 31%/43%, 1 month reserve requirement for 1-2 Unit properties or 3 months reserves for 3-4 Unit properties, and must follow standard FHA guidelines as outlined in the CMS FHA Underwriting Guidelines. Gift funds allowed for down payment and closing costs and maximum financing is permitted.</p>

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#### CREDIT (continued)

Mortgage/Rental History*	PER AUS approved/accept for FICO > 580. Refer to guidelines for acceptable credit criteria for manually underwritten loans.
Non-Purchasing Spouse	Credit report required for non-purchasing spouse or registered domestic partner in community property states. Debts must be added to DTI Ratio and Credit History must not be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.
Other Requirements	NSF activity, private mortgage lates, delinquent CAIVRS, LDP or GSA findings, mortgage lates not reporting on the credit bureau, insufficient credit history, significant delinquencies after bankruptcy, and any other credit delinquencies will supersede any "approved/eligible" finding.

#### INCOME/ASSETS

Debt Ratio	Loans with AUS Approve/Eligible - follow AUS decision. Credit scores of 640 and under and DTI greater than 43% regardless of AUS decision require explanation for derogatory credit and a VOR or rent free letter (if applicable). Manually underwritten loans with FICO score > 580 may exceed 31%/43% ratios with acceptable compensating factors (Energy Efficient Homes, Verified and Documented Cash Reserves, Minimal Increase in Housing Payment, No Discretionary Debt, Significant Additional and Income Not Reflected in Effective Income and Residual Income) Refer to the CMS FHA Underwriting Guidelines for applicability. Refer to CMS Lending Guide for maximum ratios for manually underwritten loans.
Non-Taxable Income	Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement income may be grossed up.
Income	All types of income must have been received for the most recent two consecutive years including overtime, bonus, second job, part-time, commission, and self-employment.
Unacceptable Sources of Income	The following income sources are not acceptable for purposes of qualifying the borrower: Any unverified source of income, Income determined to be temporary or one-time in nature, Retained earnings in a company, Stock options, Trailing spouse income, Unverifiable income, education benefits, Income derived from State approved marijuana dispensary, even if W-2 wages.
Assets	Minimum cash investment from borrowers' own funds and/or gift (no cash on hand allowed). Refer to CMS FHA Guidelines for more information.
Unacceptable Sources of Assets	Retained earnings in a company, stock options, assets derived from State approved marijuana dispensary, VA education benefits (GI Bill), student loans and/or grant funds, employer tuition reimbursements, unsecured borrowed funds, cash on hand, welfare benefits and Section 8 Voucher Assistance.



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INCOME/ASSETS (continued)	
Gifts	Allowed. Gifts or excess gift funds are not acceptable as reserves for manual underwrites.
Documentation – 4506-C or 2907 Puerto Rico Tax Returns	Full income documentation loans only. All borrowers must sign IRS Form 4506-C at closing. Underwriting may require processed IRS transcripts at their discretion prior to closing under circumstances such as verifying recently-filed tax returns used for qualifying, the filing of amended tax returns, or to resolve inconsistencies with income documentation. Borrowers with income from Puerto Rico must: Sign form Modelo SC 2907 to obtain tax transcripts, returned Modelo SC 2903 transcripts for 2 years, and transcripts must be translated to English and notarized by 3rd party. The 4506-C must be in the file with confirmation that states “no records found” when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the borrowers name and SSN.
Minimum Reserves	AUS: 1-2 Units: None. 3-4 Units: 3 Months PITI. Manually Underwritten Loans: 1-2 Units: 1 Month. 3-4 Units: 3 Months
Non Occupant co borrower	Not permitted.
TYPES OF FINANCING	
Purchase	Owner occupied HUD REO purchase transaction only.
Buyer Contribution	Minimum investment of \$100 required. All down payment funds and cash to close must be documented and verified.
Seller Contribution	Max contributions limited to 6%. Contributions include (not limited to): Discount, Closing Costs, Prepays and Up-Front MIP.
Down Payment Assistance	Down Payment Assistance is permitted. Requests to review Down Payment Assistance Programs for use with CMS agency first mortgage programs may be submitted to <a href="mailto:DPAPrograms@Carringtonms.com">DPAPrograms@Carringtonms.com</a> . All requests must include a completed <a href="#">Down Payment Assistance New Program Request Submission Form</a> along with the required exhibits.
GENERAL	
AUS Approval and Manual Underwriting	All loans require an AUS decision. Loans receiving an AUS Approve/Eligible may follow AUS Findings except as noted otherwise in the CMS FHA Underwriting Guidelines and program matrix. Regardless of the AUS Findings, CMS is required to evaluate the loan for data integrity and ensure a sound underwriting decision is rendered. Manually underwritten loans must follow standard FHA guidelines as outlined in the CMS FHA Underwriting Guidelines. Documentation waivers are not acceptable on manually underwritten loans. Any ineligible findings must be adequately resolved. Approve/Ineligible findings may proceed with Approve/Accept level of documentation when the ineligibility reason is limited to the loan amount exceeding the AUS-calculated maximum loan amount for \$100 down transactions.

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#### GENERAL (continued)

Eligible States	<p>Only CMS Approved states that fall under the Atlanta and Philadelphia HOC jurisdiction are eligible for this program: Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia and District of Columbia.</p> <p><b>Please Note: HUD may make changes to which HOC allows the \$100 down program. Therefore, the States listed in this matrix are to be used as a tool only. CMS guidelines require the sales contract for the HUD owned home to show the \$100 down program has been approved by the HUD appointed Asset Manager.</b></p>
Ineligible	Escrow waivers, Energy Efficient Mortgages (EEM), Mortgage Credit Certificate (MCC),
Borrower Eligibility	<p>In order to obtain FHA-insured financing, all Borrowers must meet the eligibility criteria outlined in the CMS FHA Underwriting Guidelines.</p> <p>Ineligible Borrowers: Individuals convicted of previous financial crimes, borrowers with delinquent Federal non-tax debt, and all non-individual legal entities such as Corporations, General Partnerships, Limited Partnerships, Real Estate Syndications, Investment Trusts, Trusts (including Inter-vivos and Living Trusts) and Limited Liability Company (LLC). Refer to the CMS FHA Underwriting Guidelines for additional requirements regarding borrower eligibility.</p>
Loan Terms Available	15 Year, 20 Year, 25 Year and 30 Year Fixed
Qualifying Fixed Products	Qualify at Note Rate
Temporary Interest Rate Buydowns	Buydowns are permitted for purchase transactions only. Terms available: 3-Year (3-2-1), 2-Year (2-1) and 1-Year (1-0). Buydown fee must be seller-paid and within the 6% interested party contribution limit. Borrowers must qualify at the note rate.
Prepayment Penalty	Not permitted.
Maximum # of Properties	There is no maximum number of CMS financed properties
Subordinate Financing	<p>New Secondary Financing: Notes and Deeds are required. No exceptions.</p> <p>Refer to the CMS FHA Underwriting Guidelines for additional requirements.</p>



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#### STANDARD PROGRAM CODES

Product Code	Loan Program Description
F10F100D	FHA 10-Year Fixed \$100 Down Payment
F15F100D	FHA 15-Year Fixed \$100 Down Payment
F20F100D	FHA 20-Year Fixed \$100 Down Payment
F25F100D	FHA 25-Year Fixed \$100 Down Payment
F30F100D	FHA 30-Year Fixed \$100 Down Payment

#### HIGH BALANCE PROGRAM CODES

Product Code	Loan Program Description
H10F100D	FHA 10-Year Fixed \$100 Down Payment High Balance
H15F100D	FHA 15-Year Fixed \$100 Down Payment High Balance
H20F100D	FHA 20-Year Fixed \$100 Down Payment High Balance
H25F100D	FHA 25-Year Fixed \$100 Down Payment High Balance
H30F100D	FHA 30-Year Fixed \$100 Down Payment High Balance