

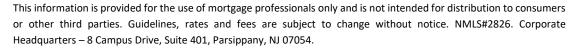
FHA 203(b) Standard

PROGRAM SPECIFICATIONS		
Description	Section 203(b) is the centerpiece of FHA's single family mortgage insurance programs. It provides	
2 coop	mortgage insurance for a person to purchase or refinance a principal residence.	
Channels	Broker	
	Correspondent	
	 Non-Delegated UW 	
	o Delegated UW	
FICO	Minimum Qualifying Credit Scores:	
	580 for all qualifying borrowers	
	1 credit score required for all qualifying borrowers,	
	Use the middle score if 3 credit scores, or	
	The lower of the two if 2 credit scores. Here the second state of the second sta	
	Lowest representative score from all borrowers will be sued for qualification purposes.	
UW Method	TOTAL Scorecard	
	Desktop Underwriter (DU) Leap Product Advisor (LDA)	
AUS Recommendation	Loan Product Advisor (LPA) Approve/Flieible DLL	
AOS Recommendation	Approve/Eligible – DU Pefor/Eligible – DU	
	Refer/Eligible - DU Risk Class Accept – LPA	
	Risk Class Accept – LPA Risk Class Refer - LPA	
Fligible Terms	• 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fixed	
Eligible Terms	• 5/1 Hybrid ARM – Suspended 7/14/2022, until further notice	
Eligible Transaction Types	Purchase Purchase	
Engine Transaction Types	Rate/Term Refinance	
	Cash Out Refinance	
	Note: The Property securing the cash-out refinance must have been owned and	
	occupied by the Borrower as their Principal Residence for the 12 months prior to the	
	date of case number assignment.	
	Existing mortgage Seasoning Requirement:	
	■ The borrower must have made at least six consecutive monthly	
	payments on the loan being refinanced, referred to hereinafter as the	
	Initial Loan, beginning with the payment made on the first payment do	
	date; and	
	 The first payment due date of the refinance loan occurs no earlier tha 	
	210 days after the first payment due date of the Initial Loan.	
	 Cash-Out transactions in Texas are not permitted-also known as a TX 50(a)(6). 	
	Simple Refinance	
Eligible Property Types	• 1-4 Unit Primary Residence	
	Manufactured Housing	
	 Single-width, Multi-width, MH Condo Projects 	
	FHA Approved Condos	
	• PUDs	
Maximum LTV/CLTV/HCLTV	Purchase 96.50%	
	• Rate/Term 97.75%	
	• Cash-Out 80%	
Maximum DTI	Approve/Eligible or Risk Class Accept - Follow AUS	
	Refer/Eligible or Manual Underwriting – Follow FHA Guidelines	
Geographic Restrictions	Hawaii	
	 AFR does not operate in the state of Hawaii and does not permit loans with a subje 	
	property in Hawaii for all programs in all channels with the exception of	
	Correspondent Delegated UW transactions.	
	AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of	
	Correspondent Delegated loans. AFR utilizes this 3 rd party for document preparation and requi	
O Malling a	48 hours for both title review and to generate a closing package.	
Guidelines	http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1 See FORMS Section in the Resource Center	





	OVERLAYS
Borrower	AFR does not permit nonprofit organizations and state and local government agencies to purchase rental properties
	A borrower with more than 4 financed properties requires a second level review by management.
	AFR requires each MyLoanCenter account (borrower, co-borrower, spouse, third party, etc.) to
	have a unique email address regardless of their marital status.
Credit	Minimum Qualifying Credit Scores:
	580 for all qualifying borrowers
	1 credit score required for all qualifying borrowers,
	Use the middle score if 3 credit scores, or The least of the least 162 and 152 and 154 are seen.
	 The lower of the two if 2 credit scores. Lowest representative score from all borrowers will be sued for qualification purposes.
	Mortgage Sanctions and defaulted CAIVRS are not permitted
	Non-traditional credit is not permitted with the exception of Correspondent Delegated UW
	transactions that have an AUS Approve/Eligible or Accept recommendation.
	Housing History:
	o If the loan is manually Underwritten and/or mortgage is not analyzed through
	AUS, 0x30 required for the most recent 12 months
	As a reminder, if, in AFR's judgement, the applicant does not have the ability or willingness to separathe loop, the DF Underwriter does have the ability reject the
	willingness to repay the loan, the DE Underwriter does have the ability reject the application regardless of written guidelines being met.
Property	Follow ML 2022-11 for Appraisal Validity periods
	Escrow holdbacks not permitted with the exception of cold weather (adverse weather) related
	repairs. Borrower(s) are required to enter into an escrow agreement and in most cases require
	a contractor bid. AFR will determine an acceptable contingency reserve. This should not be
	confused with a Repair Escrow.
	AFR will not permit a property with an individual residential water purification system.
	o For example, AFR will not permit subject properties where the only access to water is
	a Cistern, and it requires an individual residential water purification system to meet FHA minimum property requirements.
	The following property types are not permitted:
	Non-FHA Approved Condominiums
	Co-Ops
	Manufactured Housing that has been moved and/or traded
	AFR will not permit properties with more than 100 acres
Assets	Sweat Equity not permitted
	Private Savings Clubs or Pooled Savings Accounts are not permitted
Income	Marijuana income is unacceptable income regardless of state law.
	Amended tax returns are acceptable, provided there is proof that the IRS has received the setup and proof of payment has been made if any taxes were due.
Programs	return and proof of payment has been made if any taxes were due. • AFR does not participate in the following Programs:
riogianis	 AFR does not participate in the following Programs: Energy Efficient Mortgage Program
	Hope for Homeowners (H4H) Program
	Negative Equity Positions Program (Short Refi)
	o Indian Land Program (Section 248)
	o Indian Home Loan Guarantee Program (Section 184)
	Home Equity Conversion Mortgage (HECM) Program (Section 255) Craduated Represe Mortgage (CRMs) and Craying Equity Mortgages (CRMs)
	 Graduated Payment Mortgages (GPMs) and Growing Equity Mortgages (GEMs) Program (Section 245(a))
	Single Family Cooperative Program (Section 203(n))
	Home Mortgage Insurance for Outlying Areas Program (Section 203(i))
	 HUD Section 8 Homeownership Program
	 Temporary Interest Rate Buydowns not permitted
	AFR permits CEMA transactions on NY properties
	AFR requires an approved closing attorney in NY to conduct all NY settlements. You
	or the borrower may choose from the list below:
	o Richard H. Lovell, Esq (Closing all transactions, including CEMA)
Ownership Types	 Jared Kaplan, Esq (Closing all transactions, including CEMA) The following are ineligible for submitting/delivery to AFR:
Officiality Types	Life Estate
	Blind Trusts
	- United Habita







	Irrevocable Trusts
	1031 Exchanges
	LLCs, Corporations and Partnerships
	Community Land Trusts
	Leasehold – Manufactured Housing
	Vesting on the title commitment must remain unchanged/unaltered through the life of the loan. Any
	title transfer must be completed/recorded prior to the application.
Compliance	AFR's Net Tangible Benefit Policy/Recoupment Policy
	 See AFR Resource Center for AFR Policy/State Requirements/Forms
	 When a state has a more restrictive recoupment policy, this policy must be met
	 All NY Loans must be tested the time the commitment is prepared.
	 If the APR at the time of commitment cannot be determined AFR will not proceed
	with or purchase a Correspondent (Table Funded, Non-Delegated UW or Delegated UW loan).
	Any loan that is classified as Rebuttable Presumption or a Higher-Priced Mortgage Loan (HPML)
	must have all HPML provisions applied. AFR follows Regulation Z requirements for Higher-Priced
	Mortgage loans.
	 Loans must have an ability to repay (loan must be full income/credit qualifying
	transaction)
	 Loan must have an established escrow account (with the exception of Condos and
	PUDs where the consumer must participate in a governing association that is
	required to purchase a master policy insuring all dwellings) – see the TILA HPML
	Escrow Rule for more guidance.
	 Loan cannot have a prepayment penalty (AFR does not permit prepayment penalties)
	 File remains subject to all Qualified Mortgage ("QM") and Ability-to-Repay ("ATR") underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM.
	All loans must provide evidence of the borrower's compliance of QM/ATR with a compliance
	report. Note: Correspondent Delegated UW transactions must have a compliance report evidencing compliance.
	All loans must provide evidence of the borrower's ability to repay with a fully
	completed/executed Ability to Repay Worksheet. Note: Correspondent Delegated UW
	transactions must have a fully completed/executed Ability to Repay Worksheet showing
	evidence the borrower meets the ability to repay requirements.
	AFR will not originate loans as a high cost or predatory mortgage loan
	AFR will comply in all respects with CFPB's Rule on TILA-RESPA Integrated Disclosures. AFR will
	not originate, close, fund, or purchase any loan that does not adhere to the Rule.
Miscellaneous	AFR requires all Correspondent Delegated (CDE) transactions to be purchased within 90 days of
	the Note date.
Disclaimer	All overlays herein are subject to change by AFR without notice. Where AFR is silent the UW must
	follow FHA guidelines outlined in the 4000.1