



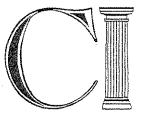
Rules, Policies & Procedures For Originating and Processing FHA Loans

TM

Written By **Xathy Lewis**Master FHA Trainer

www.capstoneinstitute.com

Originating & Processing FHA LOANS



CAPSTONE INSTITUTE TO OF MORTGAGE FINANCE

Education Excellence Since 1986
5784 Lake Forrest Drive NW, Suite 280
Atlanta, Georgia 30328
888-254-3431 ** www.capstoneinstitute.com

This manual was written by Kathy Lewis President of Capstone Institute of Mortgage Finance 5784 Lake Forrest Drive, Suite 280, Atlanta, GA., 30328

© Copyright: 2023 Capstone Institute of Mortgage Finance This manual updates all preivious editions and the information contained within is current as this printing.

Notice of Rights: All rights reserved. No part of this publication may be reproduced or transmitted in any form by means, electronic, mechanical, photocopy, recording or otherwise, without the prior written permission of the author. For information on getting permission for reprints and excerpts, contact Kathy Lewis.

Notice of Liability:

Every effort has been made to ensure the accuracy of this publication. While every precaution has been taken in the preparation of this publication, neither the author nor Capstone Institute of Mortgage Finance, Inc. shall have any liability to any person or entity with respect to any loss or damage caused or alleged to be caused directly or indirectly by the information or instructions contained in this publication. The information in this publication is subject to change without notice

Printed and bound in the United States of America

TABLE OF CONTENTS SECTION 1

SECTION 1 – TABLE OF CONTENTS

FHA PURCHASE TRANSACTIONS - SECTION 2

Page No.	<u>Topic</u>
2-1	What Are the Advantages of Financing FHA?
2-2	FHA Maximum Loan Limits
2-4	How to Raise the FHA Mortgage Limits in Your County
2-5	Determining the Maximum Loan-to-Value
2-10	FHA Mortgage Insurance Premium (MIP)
2-13	Refunds of Up-Front MIP
2-14	FHA Loan Programs
2-16	Buydowns
2-17	Energy-Efficient Properties
2-18	FHA Loans with Second Mortgages - Secondary Financing for Purchase
	Transactions
2-21	FHA's "TOTAL" Mortgage Scorecard
2-24	Derogatory Credit Issues
2-33	Basic Eligibility for an FHA Loan
2-37	FHA Mortgages to United States Veterans
2-39	Is Citizenship of the U. S. Required for Eligibility?
2-40	Maximum Interested Party Contributions
2-42	Financing Repairs Into the Loan
2-44	Processing an FHA Purchase - Loan Originator's Responsibilities

[©] Copyright 2023, Capstone Institute of Mortgage Finance, Inc.

FHA PURCHASE TRANSACTIONS - SECTION 2

Page No.	Topic
2-46	Reviewing the FHA Sales Contract
2-47	FHA Exhibit to Agreement
2-48	Preparing the Loan Estimate
2-49	Explanation of Certain Settlement Costs on the Loan Estimate
2-52	Sample Fees Worksheet – Borrower Pays All Settlement Costs
2-53	Review the Loan Estimate with the Borrowers
2-54	Sample Fees Worksheet - Price Increased & Seller Pays \$3,000
2-56	Determining Qualifying Ratios - Adequacy of Effective Income
2-57	Documenting Acceptable Compensating Factors (Manual)
2-61	Evaluating Liabilities and Debts
2-70	FHA Pre-Qualification Worksheet
2-71	Completing the FHA Loan Application
2-71	Loan Application - Type of Mortgage, and Property Information and Purpose of Loan
2-72	Land Contracts
2-73	Sources of Down Payment and Settlement Charges
2-81	Borrower Information
2-82	Non-Occupying Co-Borrowers, Co-Signers, and Non-Purchasing Spouses
2-83	Living Trusts, Borrower's Age & Military Personnel
2-83	Employment Information
2-85	Other Sources of Income

FHA PURCHASE TRANSACTIONS - SECTION 2 (Cont'd)

Page No.	Topic
2-98	Relationship to Proposed vs. Current Housing Expense
2-98	Assets
2-99	FHA Guidelines for Rental Properties
2-105	Tips to Remember After Completing the Application
2-107	Alternative Documentation Processing
2-108	FHA Loan Application Checklist
2-109	Form HUD-92900-A "HUD Addendum to URLA"
2-112	"Informed Consumer Choice Disclosure Notice"
2-115	"Important Notice to Homebuyers"
2-118	Notice to Homeowner - Assumption of HUD/FHA Insured Mortgages
	Release of Personal Liability
2-119	Importance of Home Inspections
2-120	"For Your Protection Get a Home Inspection"
2-121	Lead-Based Paint Disclosure
2-123	Borrower's Blanket Signature Authorization
2-124	Alternative Documentation Checklist
2-125	Gift Letter Affidavit
2-126	Loan Processor's Responsibilities
2-128	Documentation Requirements

FHA PURCHASE TRANSACTIONS - SECTION 2 (Cont'd)

Page No.	<u>Topic</u>
2-131	Ordering a Case Number
2-132	Home Mortgage ADP Code Chart
2-135	Social Security Number Validation
2-137	HUD's Credit Alert Interactive Voice Response System (CAIVRS)
2-138	Limited Denial of Participation (LDP) List & GSA List
2-139	FHA Connection Computer Screens
2-140	Sample Case Number Assignment Sheet
2-141	Credit Report Requirements
2-145	Ordering the FHA Appraisal
2-151	Restrictions on Property Flipping
2-153	Request for Appraisal Form
2-155	Reviewing the FHA Appraisal
2-158	Sample FHA Appraisal
2-160	Conditional Commitment
2-160	Working Up the Loan for Submission
2-161	Preparing the FHA Loan Underwriting and Transmittal Summary
2-164	Completing the HUD Addendum to the URLA - Form HUD-92900-A
2-169	Submission Checklist of Loan Documents
2-170	HUD Uniform Case Binder Stacking Order

FHA REFINANCE TRANSACTIONS - SECTION 3

Page No.	Topic
3-1	Overview & Types of Refinances
3-2	General Eligibility
3-4	Cash-Out Refinances
3-6	Cash-Out Refinance Case Study
3-7	FHA Refinance Worksheet for a Cash-Out Refinance
3-9	Checklist of Documents Needed for FHA Refinance Transactions
3-10	Cash-Out/No Cash-Out Refinance Transactions - Loan Processor's Responsibilities
3-12	Payoff Statement
3-14	FHA Refinance Maximum Mortgage Worksheet
3-21	No Cash-Out Refinances - A. Rate and Term
3-25	Rate and Term No Cash-Out Case Study
3-26	FHA Refinance Worksheet for a No Cash-Out Refinance
3-28	Payoff Statement
3-30	FHA Refinance Maximum Mortgage Worksheet
3-32	FHA Loan Underwriting and Transmittal Summary
3-37	No Cash-Out Refinances - B. Simple Refinance
3-40	No Cash-Out Refinances - C. Streamline Refinances
3-49	Streamline Refinance Case Study
3-50	Calculating Refunds of FHA Up-Front MIP
3-51	FHA Refinance Worksheet for a Streamline
3-54	FHA Streamline - Loan Processor's Responsibilities

[©] Copyright 2023, Capstone Institute of Mortgage Finance, Inc.

FHA REFINANCE TRANSACTIONS - SECTION 3 (Cont'd)

Page No.	Topic	
3-56	Obtaining Case Numbers & Refinance Authorization Numbers	
3-59	Reviewing the Payoff Statement	
3-61	Maximum Mortgage Worksheet	
3-63	FHA Transmittal Summary & HUD Addendum	
3-68	Net Tangible Benefit	
3-69	Refinance of Borrowers in Negative Equity Positions (Short Refi)	
FHA PROPERTY PROGRAMS - SECTION 4		
4-1	FHA Property Programs	
4-2	FHA Repair and Inspection Requirements for Existing Properties	
4-4	FHA Requirements for Individual Wells and Septic Tanks	
4-7	Acceptable Communities	
4-8	Obtaining FHA Condominium Approval	
4-10	Condominium Project Approval Matrix	
4-11	Lender Certification to Condominium Requirements	
4-12	FHA 203(k) Rehabilitation Program	
4-13	Manufactured Housing	
4-14	Construction-Permanent Loan Program	
4-18	Building on Own Land	
4-20	Energy-Efficient Mortgage Program	
4-21	Requirements for Builders Offering FHA Financing	

[©] Copyright 2023, Capstone Institute of Mortgage Finance, Inc.

FHA PROPERTY PROGRAMS - SECTION 4 (Cont'd)

Page No.	<u>Topic</u>
4-22	Acceptable FHA New Construction Properties
4-25	Builder's Certification Form
4-28	Documents That Must be Signed or Provided by the Builder Prior to or At Closing
4-30	Warranty of Completion of Construction, Form HUD-92544
4-31	Subterranean Termite Treatment Builder's Certification and Guarantee
4-32	New Construction Subterranean Termite Soil Treatment Record