This matrix is intended as an aid to help determine whether a property/loan qualifies for certain financing. It is not intended as a replacement for FHA guidelines. Users are expected to know and comply with FHA requirements.

*NOTE: This matrix includes overlays, which may be **more restrictive** than FHA requirements. A thorough reading of this matrix is recommended.*

Program Qualifications

- Impac's FHA Standard Refinance (Cash Out) is designed for the cash out refinance of owner occupied single family residences using an FHA insured home loan.

Eligibility Matrix Loan Amount & LTV Limitations

FHA – Equity Cash-Out Refinance

Maximum base mortgage amount cannot exceed the statutory county limit for the area

- **Maximum 85% CLTV**

Minimum Credit Score	Units	Length of Ownership [1]	Maximum Base LTV	Total LTV including UFMIP	Max CLTV (subordinated existing lien)	Max CLTV (new subordinate lien)
620	1-4	>= 12 mos	85% of Appraised Value	Maximum Base LTV plus the amount of the UFMIP	85% of Appraised Value	85% of Appraised Value
620	1-4	< 12 mos	Lesser of: 85% of Appraised Value or Original Sales Price	Maximum Base LTV plus the amount of the UFMIP	Lesser of: 85% of Appraised Value or Original Sales Price	Lesser of: 85% of Appraised Value or Original Sales Price

Footnotes
1. Number of months the borrower has owned the property as principal residence preceding the date of loan application.

FHA – Equity Cash-Out Refinance – Expanded Credit Score

Maximum base mortgage amount cannot exceed the statutory county limit for the area

- **Maximum 85% CLTV**

Minimum Credit Score [4]	Units	Length of Ownership [1]	Maximum Base LTV	Total LTV including UFMIP	Max CLTV (subordinated existing lien)	Max CLTV (new subordinate lien)
580 - 619	1-2	>= 12 mos	85% of Appraised Value	Maximum Base LTV plus the amount of the UFMIP	85% of Appraised Value	85% of Appraised Value
580 - 619	1-2	< 12 mos	Lesser of: 85% of Appraised Value or Original Sales Price	Maximum Base LTV plus the amount of the UFMIP	Lesser of: 85% of Appraised Value or Original Sales Price	Lesser of: 85% of Appraised Value or Original Sales Price

Footnotes for Expanded Credit Score
1. Number of months the borrower has owned the property as principal residence preceding the date of loan application.
2. 3-4 Unit properties ineligible
3. Maximum DTI Ratios = 31/43, no exceptions
4. High Balance loans (base loan amount > $417,000) not allowed for credit score < 600

Maximum Loan Amount

Continental US	Conforming		High Balance	
Units	Lowest Maximum (floor)	Highest Maximum (ceiling)	Lowest Maximum (floor)	Highest Maximum (ceiling)
1	$271,050	$417,000	$417,001	$625,500
2	$347,000	$533,850	$533,851	$800,775
3	$419,400	$645,300	$645,301	$967,950
4	$521,250	$801,950	$801,951	$1,202,925

Maximum Base Loan Amount cannot exceed the Statutory County Limits **https://entp.hud.gov/idapp/html/hicostlook.cfm** 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 matrix above.

The lowest minimum "floor" loan amounts for the FHA High Balance products will be based on the Base Loan amount and not the Total Loan Amount that includes financed Up-Front Mortgage Insurance (UFMIP).

Product Description
- Fixed Rate 15 and 30 year term; fully amortized, including High Balance
- 3/1 and 5/1 ARM, 30 year fully amortized, including High Balance

Product Codes

Fixed	Product Code	
15 Years	FF15	FHA FRM 15 year
15 Years	FF15HB	FHA FRM 15 year High Balance
30 Years	FF30	FHA FRM 30 year
30 Years	FF30HB	FHA FRM 30 year High Balance
Hybrid ARM		
3/1 ARM	FA31	FHA 3/1 ARM
3/1 ARM	FA31HB	FHA 3/1 ARM High Balance
5/1 ARM	FA51	FHA 5/1 ARM
5/1 ARM	FA51HB	FHA 5/1 ARM High Balance

Eligibility Requirements

Adjustable Rate Details

Interest rate adjustment caps	3/1 and 5/1 ARM = 1/1/5 Initial – 1% up/down; Subsequent – 1% up/down; Lifetime – 5% up
Margin*	2.00%
Index	1-Year Constant Maturity Treasury (CMT), defined as the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year
Interest rate Floor	Same as Margin
Change dates	3/1 - Initial interest rate change date will occur within 36 to 42 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. 5/1 - Initial interest rate change date will occur within 60 to 66 months, depending on disbursement date. Interest rate will adjust every 12 months thereafter. Must meet GNMA requirements. FHA initial change dates are the first day of January, April, July, or October, depending on disbursement date.
Conversion Option	None
Assumption	Allowed for qualified borrowers
Temporary Buydowns	Temporary Buydowns may not be used with an ARM product
Qualification	Borrowers qualify at the Note Rate

*see rate sheet to confirm current information, subject to change

ARM Suffix Codes	
Loan Type	ADP Code
203(b) ARM	729
234(c) Condo ARM	731

Appraisal Requirements	A new FHA appraisal is always required All property conditions must be satisfied prior to closing No termite certification is required unless appraiser notes a problem Termite related repairs are considered health and safety issues Refer to the National HOC Reference guide and Appraisal Requirements, Documentation, and Evaluation Chapters Appendix D of Handbook 4150.2, CHG-1, Valuation Analysis for Home Mortgage Insurance for Single Family One- to Four- Unit Dwellings, has been updated and becomes effective for all appraisals performed on or after January 1, 2006. Revised Appendix D will be available online at: http://www.hudclips.org/cgi/index.cgi All valuation conditions, including repairs, alterations and/or required inspections, will be reported within the appropriate section of the applicable Fannie Mae appraisal reporting form. For 2-4 unit properties - appraiser to use FNMA 1025 Small Residential Income Property Appraisal Report Form Appraisal must comply with the FHA Appraisal Independence Policy
Appraiser Requirements	Appraisers must be on FHA's approved list on the FHA Connection with State Certification designation of Certified General or Certified Residential The assigned appraiser must perform the physical inspection of the property. He/she may not sign the appraisal performed by another appraiser Appraiser must comply with the FHA Appraisal Independence Policy
Assets	If assets are needed to close, verification of the assets is required regardless of the amount needed to close. The following documents are required: • Verification of Deposit and • Most recent bank statement **OR** • Two months bank statements Reduced documentation eligible if an Approve recommendation is issued by Total Scorecard **Reserves** • 1 - 2 units – None • 3 - 4 units – 3 months PITI • If using "significant reserves" as a compensating factor, a minimum 3 months PITI must be documented. • Only retirement accounts accessible for liquidation may be counted as reserves. • Accounts not accessed for liquidation by the borrower until retirement age may not be counted as part of the borrower reserves • See ML2014-02 for new reserve requirements and compensating factors on manually underwritten loans effective with case numbers assigned on or after April 21, 2014. • Effective with case numbers assigned on or after April 21, 2014, excess gift funds may **not** be counted as reserves for **manually** underwritten loans • For TOTAL Scorecard approvals the portion of a gift not used to meet closing requirements may be counted as reserves **except** on loans involving 3-4 unit properties.
Assumptions	Permitted – Creditworthy borrowers only
Borrower Eligibility	**Eligible** All Borrowers, including permanent resident aliens must have a valid social security number. Validate the social security number using any one of the following. • Social Security Card • Pay stub • W-2 • Tax Transcripts • Validation from SSA Permanent Resident Aliens • Same eligibility requirements as US Citizens • Evidence of lawful, permanent residency issued by the Bureau of Citizenship and Immigration Services (BCIS), formerly the INS. • Copy of the Alien Registration Receipt Card (Resident Alien card), I-551 Inter Vivos Revocable Trust

	• Note: A Power of Attorney is not allowed on properties held in a trust **Ineligible** • Foreign Nationals • Non-Permanent Resident Aliens • Land Trusts
Co-Borrowers	**<u>Co-Borrower</u>** • Co-borrower **must take title** to the property • Co-borrower must sign all documents including the Loan Application, Note and the Mortgage/Deed of Trust • Income, assets and debts from all borrowers (including co-borrowers) are used in qualifying • Co-borrower must have a principal residence in the U.S. **<u>Non-occupant Co-Borrower</u>** • FHA Clarification: On a cash-out refinance with <u>existing</u> non-occupant co-borrower the Total Scorecard "Accept" must be downgraded to "Refer", and requires a manual underwrite. • Non-occupant co-borrowers may not be <u>added</u> in a cash out refinance transaction in order to meet FHA's credit underwriting guidelines for the mortgage. Any co-borrower being added to the note must be an occupant of the property. **Co-signers** - ineligible
Calculating the New Mortgage Amount	The Maximum Base Mortgage Amount is calculated as the appraised value (or original sales price, if applicable) times the applicable LTV factor as described below. See *FHA Mortgage Calculation Worksheet – Cash Out* **Maximum Base Mortgage Calculation – LTV Limitation** Properties **Owned As Borrower's Principal Residence More Than One Year** Prior to Application Date • Appraised Value times applicable LTV factor (85%) Properties **Owned As Borrower's Principal Residence Less Than One Year** Prior to Application Date • Lesser of Appraised Value (AV) **OR** the Original Sales Price (SP) of the property times the applicable LTV factor (85%) **Additional Requirements** • Subordinate financing may remain in place but subordinate to the FHA first mortgage, provided the borrower qualifies for making payments on all liens • Six-month seasoning requirement for all cash out refinances. The six-month time frame is from the note date of the current loan to the application date of the new loan. In addition, one Borrowers on the new loan must have been in title for at least six months. • Co-borrowers or co-signors may be added provided they are occupants of the property and have been on title for at least 6 months. Non-occupant owners may not be added in order to meet credit underwriting guidelines. • Refer to Special Restriction Requirements section for all program restrictions. • FHA to FHA refinances - Refinance Authorization Information must be obtained at Case Number Assignment directly from FHA Connection • The calculated mortgage amount may never exceed the statutory limit for the area. • All borrowers must credit qualify • Sales Price need not be considered if the property was acquired as the result of inheritance and is, or will become, the borrower's primary residence. • Refer to *Employment/Income*, *Credit* and *Appraisal* sections for required documentation
Credit	**Mortgage Payment History Requirements** • Loan must be current for the month due (payment due in the month of closing may be paid either in cash or financed) • Mortgages with less than 6 months of payment history are not eligible • Housing (Mortgage/Rental) Payment History (PITIA) is inclusive of all liens regardless of position, as well as all occupancy types. • AUS Refer – Comprehensive Risk Assessment Form must be complete • All TOTAL Scorecard recommendations and manually underwritten loans - 0x30 late mortgage payments in the last 12 months or life of loan (if property is owned less than 12 months **Minimum Credit Score Requirements (see *Loan Amount & LTV Limitations*)** • **580** for both AUS TOTAL Scorecard approvals and manual underwrite • Non-traditional credit is ineligible

	Expanded Credit Score Criteria (applies to credit scores 580 – 619)
	• 1-2 unit properties only
	• Maximum DTI 31/43, no exceptions
	• High Balance loans (base loan amount > $417,000) not allowed for credit score < 600
	
	A loan where one or more borrowers have “no score” is ineligible.
	
	<u>Waiting Periods after Significant Derogatory Credit Events</u>
	The waiting period commences on the completion, discharge or dismissal date (as applicable) of the derogatory credit event and ends on the credit report date of the credit report used to approve the new loan. Impac follows standard FHA Waiting Period Requirements. Reduced waiting periods “with Extenuating Circumstances” are allowed at underwriter discretion with appropriate documentation.
	
	<u>Collections, Judgments, Disputed Accounts</u>
	Collections, Judgments, and Disputed Accounts should be handled in accordance with HUD Manual 4155.1 and Mortgagee Letters 13-24 and 13-25, and updates if any. (See below for Impac additional requirement for charge offs)
	• Additional requirement for charge offs – For non-medical charge off accounts the underwriter must calculate a monthly payment of 5% of the outstanding balance of each charge off, and include the monthly payment in the borrower’s debt-to-income ratio.
	• Collections are not required to be paid off however unpaid collections could affect borrower’s ability to repay the mortgage. If the total amount of non-medical collections is ≥ $2,000, the underwriter must perform a capacity analysis
	    o Unless excluded by state law, collections of non-borrowing spouses in community property states are included in the balance
	• Capacity analysis includes **<u>any</u>** of the following actions:
	    o At or prior to closing, account is paid in full (verification of acceptable source of funds used is required)
	    o Borrower makes payment arrangements with creditor
	        ▪ Must be verified through credit report or letter from creditor
	        ▪ Monthly payment must be included in DTI ratio
	• Calculate monthly payment of 5% of each collection and include in DTI ratio
	
	<u>Liabilities</u>
	• True co-signed (guarantor) accounts do not have to be included in the debt if underwriter verifies both 12 month history and that the payments are being made by the primary obligor.
	• If the credit report does not reflect a monthly payment on any open account (e.g., Amex), then 5% of the balance or $10, whichever is greater, is to be used.
	• Deferred student loans are not included in the debt-to-income (DTI) ratios if the deferment is verified for a minimum of 12 months from the closing date.
	• Lease payments (particularly auto leases) should typically be included in the DTI regardless of the remaining term
	• If there is a business debt in the borrower’s name, then the payment must be included in the total DTI ratio unless the borrower can provide documentation evidencing the obligation is paid from the company funds (except when a sole proprietor has filed a Schedule C with their personal income tax returns)
	    o This can be done by obtaining a letter from the accountant and 12 months cancelled checks; in addition to having a satisfactory payment history
	Note: All debts must be included in DTI for Schedule C borrowers

Documentation	Document as determined by AUS findings, FHA Manual and Impac guidelines. Impac does not allow electronic signatures on any closing documents. All documents provided at closing for signature must have original signatures.
Employment / Income	Verification of Employment • Verbal Verification of Employment • Most recent pay stubs covering 30 consecutive days • Two years W2s • IRS form 4506T Reduced documentation eligible if an Approve recommendation is issued by Total Scorecard Form 4506-T must be processed prior to underwriting regardless of TOTAL Scorecard recommendation. A new IRS Form 4506 T is required to be signed with the closing package as well as at application even when the form has been processed
Escrow Holdback	Ineligible

<table>
<tr><td>Escrow Waivers</td><td>Ineligible</td></tr>
<tr><td>Financing Types</td><td>Cash Out Refinance

Borrowers who are delinquent, in arrears, or who have suffered any mortgage delinquencies within the most recent 12 month period under the terms and conditions of their mortgages are not eligible for cash out refinances.
If a property is encumbered by a mortgage, the refinancing lender must document that the borrower has an acceptable payment history. The payment history is acceptable if the borrower
is current, and
has made all payments on the mortgage being refinanced within the month due for the previous 12 months
For mortgages with more than six months and fewer than 12 months of payment history, the borrower must have made all payments when due. Mortgages with fewer than six months of payment history are not eligible for cash out refinances.
Six-month seasoning requirement for all cash out refinances. The six-month time frame is from the note date of the current loan to the application date of the new loan. In addition, one borrower on the new loan must have been in title for at least six months.
If the subject property has been owned less than 12 months preceding the date of the loan application as the borrower’s principal residence, the mortgage amount is limited to the lesser of 85% of the appraised value or 85% of the sales price of the property when acquired. Obtain a copy of the HUD-1 to verify original sales price
Properties owned free and clear may be financed as cash-out transactions
Obtain a copy of the Deed to verify date of ownership
Term of new loan may be up to 30 years
Payment may increase without restrictions
May subordinate existing junior liens; refer to Loan Amount & LTV/CLTV Limitations provided the homeowner qualifies for making scheduled payments on all liens.
Combined total loan amounts of first and subordinate liens can exceed statutory county loan limit subject to CLTV limits
If the junior lien is a home equity line of credit, the maximum CLTV is based on the full credit line amount
Modified Subordinate Lien: FHA understands that many subordinate lien holders have been requesting modifications to the terms of the lien (typically a reduction in the amount of the lien) in exchange for remaining in a subordinate position. Modifying the subordinate lien in this manner often results in re-executing it at closing, which is acceptable and is not considered a new subordinate lien.
Premium pricing permitted
Closing costs, prepaid expenses and discount points are ineligible to be added to the appraised value or sales price to calculate the new maximum loan amount.
Cash back to the borrower
Cash back greater than $150,000 is eligible and requirements are as follows:
Impac’s Credit Management review is required
Minimum credit score 720 or program minimum, whichever is higher
Reduce maximum LTV by 10% or maximum of 70% LTV whichever is less
Equity Refinance ineligible in Texas
</td></tr>
<tr><td>Geographic Locations/ Restrictions, as applicable</td><td>Eligible states are as follows:
<u>Wholesale:</u> AK, AL, AR, AZ, CA, CO, CT, DC, FL, GA, IA, ID, IL, IN, KS, KY, LA, MD, MI, MN, MS, MT, NC, ND, NE, NV, OK, OR, SC, SD, TN, TX, UT, VA, WA, WI, WV
Additional restrictions as follows:
Texas Cash-out 50(a)(6) is ineligible
State specific regulatory requirements supersede all underwriting guidelines set forth by Impac.</td></tr>
<tr><td>High-Cost Mortgage Loans</td><td>Impac does not originate or purchase high-cost mortgage loans (12 CFR 1026.32)</td></tr>
<tr><td>Income Documentation for Self-Employed Borrowers</td><td><u>Documentation for Self-Employed Borrowers (ML 2012-3)</u>
A Profit & Loss Statement (P&L) and Balance Sheet are required if more than a calendar quarter has elapsed since the date of the most recent calendar or fiscal year end tax return filed by the borrower – with no exceptions. Income used to qualify the borrower may NOT exceed the two year average of tax returns. Impac does not accept audited P&L or signed quarterly tax returns used to increase qualifying income.

Question: If a loan application is dated May 1st and the last tax filing was for the previous calendar year, do we need a year-to-date Profit and Loss statement for a self-employed borrower?
Answer: Yes, no more than one calendar quarter may elapse without income documentation.

To determine if the business can be expected to continue to generate sufficient income for the borrower's needs, lenders must analyze carefully the business's financial strength, the source of its income, and the general economic</td></tr>
</table>

	outlook for similar businesses in the area. Annual earnings that are stable or increasing are acceptable. Conversely, a borrower whose business shows a significant decline in income over the period analyzed is not acceptable, even if current income and debt ratios meet FHA guidelines. Mortgage Credit Certificates (MCC) are not allowed for qualifying income. Section 8 Housing Vouchers are not allowed. Social Security Income All income from the Social Security Administration (SSA) including, but not limited to, Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), and Social Security Income, can be used to qualify the borrower if the income has been verified, and is likely to continue for at least a three year period from the date of mortgage application. (see ML2012-15) Employment Gaps Any gaps in employment (AUS > 6 months; Manual u/w > 1 month) must be explained in writing by the borrower(s) and must make sense in regards to the borrower's work history.
Internet Links	To access Mortgagee Letters, National HOC Reference Guide, HOC Letters, Handbooks, go to: http://portal.hud.gov/hudportal/HUD?src=/groups/lenders
Loan Amount	Expanded Credit Score (580 – 619) High Balance loans (base loan amount > $417,000) not allowed for credit score < 600
Manufactured Home Criteria	The following table contains overlays, clarifications, and additions to existing guidelines regarding manufactured homes.

Appraisal	Full interior and exterior appraisal must be completed (Form 1004C) All comparables should be sales of manufactured homes on permanent foundation similar to subject (e.g., similar configuration and quality) Distance of the comparable sales must be reasonable The following are ineligible: • If the site or manufactured home is substantially non-conforming with the neighborhood it is ineligible • Creating comparable sales by combining vacant land sales with the contract purchase price of the home is prohibited
Construction Status	Construction status is determined at time of appraisal. New Construction refers to properties that are proposed, under construction, or were completed within one year as defined below: • Proposed – no concrete or permanent material placed. Digging of footing and placement of re-bar is not considered permanent • Under construction – Refers to the period from first placement of permanent material to 100% completion (finalized and ready to occupy, with no certificate of occupancy (CO) issued) • Existing (completed) for less than one year – Refers to properties which are 100% complete, legally occupiable (CO issued), but never occupied. The one year new construction period runs from the date the CO is issued for up to 12 months
Credit	Major Derogatories - Follow FHA and Impac guidelines herein
Documentation	Evidence of surrender of certificate of title or that no certificate was issued, refer to individual state requirements. • Confirm property is legally classified and taxed as real property, on a permanent foundation, and owner owns both land and MFH • ALTA Endorsement 7, 7.1, or 7.2 or any other endorsement required for manufactured homes to be treated as real property • Deed of Trust (or other security instrument) must include a comprehensive description of the manufactured home and the land in the property description section or on a separate attached rider. The description must include the serial or VIN number for each unit/section; make, model, size, and any other information required by applicable law to definitively identify the manufactured home. • Affidavit of Affixture/Affixation – Borrower and Lender must sign and notarize

		acknowledging their mutual intent that the manufactured home be a permanent part of the real property securing the mortgage. • Limited Power of Attorney pertaining to title issues and foreclosure must be signed with closing documents • Limited Power of Attorney pertaining to title issues and foreclosure must be signed with closing documents
	Financing Types	Cash Out The property securing the cash out refinance must have been owned by the borrower and served as the borrower's principal residence for the 12 months prior to the date of the loan application • See *Construction Status* above for New Construction definition • An existing (not new construction) manufactured home must have been permanently attached to its foundation for a minimum of 12 months prior to the loan application date.
	MFH Property Requirements	Minimum 400 square feet of gross living area Multi-width only, no single wide The land where the manufactured home rests must be fee simple The MFH must be a one-unit dwelling legally classified as real property The towing hitch, wheels, and axles must be removed The MFH must assume the same characteristics of a site-built housing The MFH must have sufficient square footage and room dimensions to be acceptable to purchasers in the subject market area The MFH must be located on an all-weather accessible road The MFH must have been built in compliance with Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976 as amended and in force at the time the home is manufactured, and additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280 as evidenced by: • HUD Data Plate/Compliance Certificate – A paper document located on the interior of the subject property that contains, among other things, the manufacturer's name and trade/model number. In addition the data plate includes pertinent information about the unit including a list of factory-installed equipment; and • HUD Certification Label (sometimes referred to as a HUD "seal" or "tag") – A metal plate located on the exterior of each section of the home The appraisal form 1004C must indicate evidence of both the HUD Data Place/Compliance Certificate and the HUD Certification Label The MFH must be attached to a permanent foundation system The MFH must be permanently connected to the septic or sewage system The MFH must be permanently connected to all necessary utilities (water, electricity, gas service, etc.) The MFH must not have been installed or occupied previously at any other location or site (re-siting) The MFH must not have any additions or structural modifications to the original structure • This includes additional room count or additional living area square footage or penetrations through the shell of the property Typical porches and decks installed at time of siting, as well as adjacent carports and garages are allowed. Foundation Certification File must contain an Engineer's Certification on Foundation Compliance attesting to compliance with the current PFGMH (4930.3), that must be: • Completed by a licensed professional engineer or registered architect licensed/registered in the state where the manufactured home is located • Site-specific, and • Included in both the lender's loan file and the insuring binder submitted to FHA Note: The certification must contain the engineer's or registered architect's

		signature, seal, and/or state license/certification number. In states where seals are issued, the seal must be on the certification. A copy of the foundation certification, showing that the foundation met the PFGMH guidelines that were in effect at the time of certification, is acceptable for future FHA loans, provided there are no alterations and/or observable damage to the foundation. A copy of the foundation certification is not required in the loan file or insuring binder for any FHA-to-FHA transaction, provided that • no modifications have been made to the foundation or structure from the date of the effective certification, or • FHA/HUD Real Estate Owned (REO) Division sales
	FHA References	4145.1 3-4; 4150.2 8, & Appendix D-2; 4155.1 3, 4; 4155.2 4.10; 4930.3 – *Permanent Foundations Guide for HUD Manufactured Housing* FHA FAQ site: http://portal.hud.gov/hudportal/HUD?src=/FHAFAQ
	Other Information	Properties that are under construction or existing for less than one year are limited to 90% LTV unless: ○ The mortgagee issued an Early Start Letter; ○ A building permit and CO were issued by the local jurisdiction; or ○ The property has a 10-year warranty Proposed construction may not exceed 90% LTV
	Restrictions	• The following are ineligible: ○ Non-traditional credit ○ ARMs ○ High Balance loans ○ Re-siting of manufactured home ○ Single Width manufactured home ○ Manufactured home in condominium project ○ Manufactured home on leasehold ○ MFH properties within SFHA (Special Flood Hazard Area) or any property that requires flood insurance
	Termite Control	The steel chassis under a newly-constructed manufactured home unit is not an effective termite barrier. Any one, or a combination of the following methods is required for maximum protection against termites, including • Chemical soil treatment • EPA-registered bait treatments • Pressure preservative-treated wood, or • Naturally termite-resistant wood. Termite protection policies for existing manufactured homes are handled in the same manner as stick-built homes. State or local requirements are to be followed.
Mortgage Insurance	Mortgage Insurance is required on all loans. • Refer to the attached chart for details on UPMIP and monthly MIP) • The section of the Act under which the loan will be insured determines the mortgage insurance to be used. **Sections 203b, and 234c (Condos)** • Up Front MIP (UFMIP) is required • Monthly MIP is required • Refer to the *FHA Mortgage Insurance Premium Chart* for details on UFMIP and monthly MIP	
Occupancy	Primary Residence	
Prepayment Penalty	Not permitted. However, if refinancing and the payoff check for the existing loan is not received by the servicing lender by the first day of the month, the lender may collect interest on the existing loan through the end of the month.	
Program Exclusions	HUD Section 184 Indian Home Loan Guarantee Program HUD Section 247 Hawaiian Home Lands	
Property Types	**Eligible** • 1-2 units • 3-4 units	

	◦ Net rents from all units, including primary unit, must be equal to or exceed mortgage payment. Net rent is calculated using the allowable vacancy factor for the applicable FHA HOC. ◦ Ineligible with Expanded Credit Score (580-619) • PUDs • Modular Pre-Cut/Panelized housing • Condos ◦ Must be on FHA approved list and meet the guidelines as determined by the Loan-level certification for Individual Unit Financing process ◦ Subject project must be reviewed for project approval. See HUD Review and Approval Process (HRAP) and Direct Endorsement Lender Review and Approval Process (DELRAP), ◦ If not approved, loan is only eligible for streamline refinance transactions per FHA ◦ Site Condos do not require condominium project approval • Manufactured Housing (see separate *Manufactured Home Criteria* section) **Ineligible** • Condo Hotels • Co-ops • Properties located within designated Coastal Barrier Resource System (CBRS) areas.
Qualifying Rate and Ratios	Qualify at the note rate (fixed rate loans and hybrid ARMs, including 3/1 and 5/1) **Ratios** AUS approved – ratios evaluated by AUS (except expanded credit score, see below) AUS Refer may be manually underwritten so long as loan is “eligible” (e.g., Refer/Eligible) Manual Underwrite and AUS Refer loans - Ratios 31% / 43% The DTI ratio of 43% may be exceeded with significant compensating factors provided the DTI does not exceed 50% Ratios >43% <=50% require significant documented compensating factors which may include: • Established history for the past 12-24 months of housing expense greater than or equal to the proposed housing payment • Demonstrated ability to accumulate savings and a conservative attitude toward the use of credit • Previous credit history showing that the ability to devote a greater portion of income to housing expenses • The borrower receives documented compensation or income not reflected in effective income, but directly affecting the ability to pay the mortgage • There is only a minimal increase in housing expense • Substantial non-taxable income (if no adjustment was made previously in the ratio computations) • Potential for increased earnings, as indicated by job training or education in the borrower’s profession See ML2014-02 for new reserve and Debt-to-Income (DTI) ratio requirements on manually underwritten loans effective with case numbers assigned on or after April 21, 2014. Expanded Credit Score (580-619) - Maximum DTI Ratios = 31/43, no exceptions
Special Requirements/ Restrictions	Properties owned free & clear are eligible for cash out refinance transactions. Properties encumbered by one or more mortgage transactions in the last 12 months are eligible for cash out refinance provided 12 months (or life of loan) satisfactory payment history is verified. If a mortgage refinance took place within the last 12 months and there is a skipped month due to the refinance, it will be necessary to review the payment history on the previous transaction in order to satisfy the 12 full months payment history **Adding Co-borrowers** • All borrowers **must occupy** subject property • May add a co-borrower provided he/she occupies the subject property as his/her primary residence. • The addition of an occupant-borrower **is not** limited to the ***original*** borrower’s spouse. However, the additional borrower must occupy the property as his or her primary residence. (e.g., son/daughter of *original* borrower) • An ***original*** borrower / property owner must be in title for a minimum of 6 months and must be on the original note and mortgage. **There are no exceptions.** • An additional occupant-borrower may be added at any time after the original borrower purchases the property, up to and including the closing of the new loan. (The ***origina***l borrower must always meet the 6-month requirement for title and mortgage). **Non-Occupying Co-borrowers** • Permitted only if the non-occupant co-borrower has been on title and on the mortgage note as a non-

	occupant co-borrower since the original financing of the purchase mortgage. • Documents must be provided to evidence non-occupant co-borrower was on the purchase transaction (copy of purchase HUD-1 and copy of original note) • Adding a non-occupant co-borrower or co-signer in order to meet credit underwriting guidelines is not allowed. • Borrowers may be deleted provided that at least one original borrower who has been on title at least 6 months and is on the original note and mortgage remains. • No non-profit organizations • Ineligible in Texas **Refinance Restrictions for borrowers who re-occupy former investment property** • The maximum mortgage loan amount available for borrowers who re-occupy their former investment property (the subject property securing the mortgage) is determined according to the length of time the borrower has re-occupied the property as a principal residence. • Maximum financing is available only if the borrower occupied the property for 12 months or more prior to the loan application date. • If the property has been occupied by the borrower for less than 12 months, only rate/term (No Cash Out) refinancing is permitted with a LTV not to exceed 85%. Cash Out financing is not allowed.

Underwriting	Loans must be underwritten by a DE Underwriter employed by Impac
	May follow AUS Approve decision and documentation requirements.
	• Refer to *Credit* for additional restrictions
	
	Underwriting HUD Employee Loans
	• If the applicant is an employee of HUD or a member of a HUD-employee's household (spouse, parent or child), the application must be submitted to the Homeownership Center for prior approval processing
	• Contact the respective HOC (Homeownership Center) for procedures.
	
	AUS (TOTAL Scorecard)
	• All loans must be submitted thru FHA TOTAL Scorecard
	• AUS Approve – All loan data submitted to AUS for Approved/Accept Finding must be accurate and validated
	• Manual Downgrades – A manual downgrade from an Approved TOTAL decision to a REFER/Manual Underwrite decision is required if additional information, not considered by TOTAL Scorecard affects the overall insurability or eligibility of the mortgage. The list below includes but is not limited to the events that will require the DE underwriter to manually downgrade a recommendation from an Approved to a Refer/Manual underwrite;
	    ◦ Delinquent Federal Debt (revealed by CAIVRS, Public Records, GSA/LDP lists)
	    ◦ Previous mortgage foreclosure, deed-in-lieu, short sale on delinquent mortgage within previous 3 years
	    ◦ Both Chapter 7 and Chapter 13 bankruptcy discharged within two years of loan application
	    ◦ Mortgage lates of 90 days total or greater including 3x30X12,1X60 plus 1X30,etc)
	    ◦ If Credit report reveals or indicates that Borrower is disputing any credit accounts or public records
	• AUS REFER – Loan must meet manual underwriting guidelines. Refer to Comprehensive Risk Assessment Worksheet at the end of this document for assistance with risk determination.
	    ◦ Comprehensive Risk Assessment Worksheet not required for Streamline Refinance transactions.
	
	<u>Manual Underwriting for Loans with Decision Credit Score Below 620 and DTI Exceeding 43% (ML2013-05)</u>
	Per ML2013-05, all loans with a decision credit score below 620 **<u>and</u>** DTI exceeding 43% must be manually underwritten. If the loan receives a scoring recommendation of Accept from HUD's TOTAL scorecard, the loan must be manually downgraded to a Refer scoring recommendation and manually underwritten.
	
	<u>Manual Underwriting – Revised Guidelines effective April 21, 2014 (ML2014-02)</u>
	ML2014-02 is effective for case numbers assigned on or after April 21, 2014. The new guidance affects:
	• Maximum qualifying ratios for all manually underwritten loans based on credit score
	• Revised compensating factors that must be used in order to exceed FHA's standard qualifying ratios; and
	• Requirement for cash reserves equal to one or more total monthly mortgage payments for manually underwritten loans involving one and two unit properties
	
	See table below…

The table below describes the compensating factors and documentation that may be used to justify approval of manually underwritten loans with ratios that exceed FHA standard qualifying ratios (excerpt from ML 2014-02) with **Impac overlay***.

Manual Underwriting Matrix For Case Numbers Issued on or After April 21, 2014

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 (not allowed by Impac*) **or** Non-traditional/Insufficient Credit	31/43	Not applicable. Borrowers with minimum decision credit scores below 580, or with Non-traditional or Insufficient Credit may not exceed 31/43 ratios.
580 and above	31/43	No compensating factors required
620* and above	37/47	**One** of the following: • Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total month mortgage payments (3-4 units). • New total monthly mortgage payment is not more than $100 o 5% higher than previous total monthly housing payment, whichever is less; and there is a documented twelve month housing payment history with no more than one 30 day late payment.** • Residual Income
620* and above	40/40	Borrower has established credit lines in his/her own name open for at least six months but carries no discretionary debt (i.e., monthly total housing payment is only open installment account and borrowe can document that revolving credit has been paid off in full monthly for at least the previous six months).
620* and above	40/50	**Two** of the following: • Verified and documented cash reserves equal to at least three total monthly mortgage payments (1-2 units) or six total month mortgage payments (3-4 units). • New total monthly mortgage payment is not more than $100 o 5% higher than previous total monthly housing payment, whichever is less; and there is a documented twelve month housing payment history with no more than one 30 day late payment.** • Verified and documented significant additional income that is not considered effective income (i.e., part-time or seasonal income verified for more than one year but less than two years • Residual Income

**** In cash-out transactions all payments on the mortgage being refinanced must have been made within the month due for the previous 12 months.**

Compensating factors cited to support the underwriting decision must be recorded in the *Underwriter Comments* section of Form HUD-92900-LT, *FHA Loan Underwriting and Transmittal Summary*.

Documentation supporting the compensating factors cited must be included in the endorsement case binder including, if applicable, a worksheet attached to Form HUD-92900-LT reflecting the calculation of residual income.

See ML2014-02 for documentation requirements, calculating residual income, VA Residual Income Table.

FHA Mortgage Insurance Premium Matrix

Mortgagee Letter 2013-04 announced changes to the Annual (Monthly) Mortgage Insurance Premium (MIP) factors per the effective dates below.

For Case Numbers Assigned on or after 6-3-2013					
Term > 15 Years					
Loan Amount	**Base LTV (excludes financed UFMIP)**	**Purchases & Full Credit Qualifying Refinances (Rate/Term and Cash-Out)**		**Streamline Refinances**	
		UFMIP	**Monthly**	**UFMIP**	**Monthly**
≤ $625,500	> 95% LTV	1.75%	1.35%	1.75%/.01%*	1.35%/.55%*
≤ $625,500	≤ 95% LTV	1.75%	1.30%	1.75%/.01%*	1.30%/.55%*
Above $625,500	> 95% LTV	1.75%	1.55%	1.75%/.01%*	1.55%/.55%*
Above $625,500	≤ 95% LTV	1.75%	1.50%	1.75%/.01%*	1.50%/.55%*
Term ≤ 15 Years					
≤ $625,500	> 90% LTV	1.75%	.70%	1.75%/.01%*	.70%/.55%*
≤ $625,500	78.01% - 90% LTV	1.75%	.45%	1.75%/.01%*	.45%/.55%*
Above $625,500	> 90% LTV	1.75%	.95%	1.75%/.01%*	.95%/.55%*
Above $625,500	78.01% - 90% LTV	1.75%	.70%	1.75%/.01%*	.70%/.55%*
Any	≤ 78% LTV	1.75%	.45%	1.75%/.01%*	.45%/.55%

*For all Streamline Refinance transactions that are refinancing FHA loans endorsed on or before May 31, 2009, the following factors apply:

- The UFMIP will decrease to .01% of the base loan amount
- The Annual (Monthly) MIP will be .55%, regardless of the base loan amount

The endorsement date is on the Case Query screen in FHA Connection.

For loans with FHA case numbers assigned on or after June 3, 2013, FHA will collect the annual MIP for the maximum duration permitted under statute. See 12 U.S.C. Section 1709(c)(2)(B)

- For all mortgages regardless of their amortization terms, any mortgage involving an original principal obligation (excluding financed Up-Front MIP (UFMIP)) **less than or equal to 90% LTV**, the annual MIP will be assessed until the **end of the mortgage term or for the first 11 years of the mortgage term, whichever occurs first.**
- For any mortgage involving an original principal obligation (excluding financed UFMIP) **with an LTV greater than 90 percent**, FHA will assess the annual MIP until **the end of the mortgage term or for the first 30 years of the term, whichever occurs first.**

The table below shows the previous and the new duration of annual MIP by amortization term and LTV ratio at origination.

Term	LTV (%)	Previous	New
≤ 15 yrs	≤ 78	No annual MIP	11 years
≤ 15 yrs	> 78 – 90.00	Cancelled at 78% LTV	11 years
≤ 15 yrs	> 90.00	Cancelled at 78% LTV	Loan term
> 15 yrs	≤ 78	5 years	11 years
> 15 yrs	> 78 – 90.00	Cancelled at 78% LTV & 5 yrs	11 years
> 15 yrs	> 90.00	Cancelled at 78% LTV & 5 yrs	Loan term

FHA MAXIMUM MORTGAGE CALCULATION WORKSHEET
CASH-OUT REFINANCE TRANSACTIONS

Borrower Name(s): ____________ **IMPAC Loan #:** ____________ **FHA Case #:** ____________

1st CALCULATION – LTV Limitation

If Property is owned as borrower's primary residence for more than one year prior to loan application, regardless of # of units:

1. Appraised Value x 0.8500 (85%) **$** ____________

If property is owned as borrower's primary residence for less than one year prior to the loan application, regardless of # units

2. Lesser of Appraised Value **or** Original Sales Price Multiplied by 0.8500 (85%) **$** ____________

3. **1st Calculation Maximum Base Mortgage:** **1. $** ____________

* Closing Costs, Prepaid Expenses and Discount Points may not be included in this calculation.

2nd CALCULATION (Using Statutory County Limit)

1. Statutory Limit for County $ ____________
2. **2nd Calculation Maximum Base Mortgage:** **2. $** ____________

MAXIMUM BASE MORTGAGE	**$**	Based on the lesser of calculations 1 or 2
Plus UFMIP (if financed)	$	**(Maximum Base mortgage x UFMIP factor based on when case # was ordered – refer to UFMIP chart)**
TOTAL NEW MORTGAGE AMOUNT:	**$**	**Must be < = 100% of Appraised Value)**

# # #

IMPAC Mortgage Corp. FHA Comprehensive Risk Assessment Worksheet for Manual Underwriting

The FHA Comprehensive Risk Assessment Worksheet is a tool to assist in evaluating the various risk factors on loans that are manually underwritten. Using the comprehensive risk assessment approach, certain key elements called Primary Risk and Contributory Risk factors work together to form the overall level of default risk that is present in each mortgage application. Identifying the level of risk for each of these elements and examining how the elements relate will help determine the comprehensive risk associated with a mortgage application.

Completion of this form is not required on non-credit qualifying FHA Streamline Refinance Transactions.

Borrower: ______________________________ **Loan Number:** ____________________

Credit Score: ______________________________ **LTV/CLTV:** ____________________

Score Valid: ☐ **Yes** ☐ **No** (if No, not eligible)

STEP 1: Primary Risk Assessment

1) Circle the applicable LTV/CLTV and representative credit score
2) Mark the appropriate box below that represents the Primary Risk (Low, Moderate, High)

Purchase, Rate & Term Refinance & Streamline Refinances*

LTV/CLTV	Credit Score			
	≥ 680	660 – 679	640 – 659	580 – 639
> 95%	Moderate	Moderate	High	High
> 90% and ≤ 95%[1]	Low	Low	Moderate	High
≤ 90%[1]	Low	Low	Moderate	High

[1] Down payment must be from borrower's own funds or a gift from a family member (excluding gift of equity). If not, use > 95% LTV for assessment

* Worksheet required for credit qualifying Streamline Refinances with Ratios exceeding 31%/43%

Cash-Out Refinance

LTV/CLTV[1]	Credit Score			
	≥ 680	660 – 679	640 – 659	580 – 639
> 75% and ≤ 85%	Moderate	Moderate	High	High
≤ 75%	Low	Low	Moderate	High

[1]Maximum 85% LTV/CLTV

Primary Risk Assessment ☐ Low ☐ Moderate ☐ High

Step 2: Contributory Risk Assessment

Once the risk level is identified, the Contributory Risk Factors are evaluated to determine if they materially influence the Primary Risk determination.

For each row on the chart, circle the box that includes the loan characteristic. Shaded areas do not apply. If the specific mortgage loan being requested must meet a higher minimum eligibility requirement, that minimum eligibility requirement must be viewed as risk-neutral rather than a factor that decreases the risk of the loan.

	Significantly Decreases Risk Minus 2 for Each	Decreases Risk Minus 1 for Each	Risk Neutral Zero	Increases Risk Add 1 for Each	Significantly Increases Risk Add 2 for Each
Mortgage Term		≤ 15 years	> 15 years		
Debt-to-Income Ratios[1]	≤ 35%	> 35% and ≤ 41%	> 41% and ≤ 43%	> 43% and ≤ 45%	> 45% and ≤ 50% (Plus 2 for risk) > 50% (Plus 4 for risk)
Debt-to-Income Ratio Decrease Cash-Out Refi only	> 120%	Neutral or ≤ 120%			
Liquid Reserves Excluding cash proceeds from refinance	≥ 6 months	1 & 2 units; ≥ 3 and < 6 months	1 & 2 units: ≥ 1 and < 3 months 3 & 4 units: ≥ 3 and < 6 months	1 & 2 units: no reserves 3 & 4 units: < 3 months Gift funds from family	
Bankruptcy			None	Bankruptcy > 5 years	Chapter 7 BK > 2 years ≤ 5 years Chapter 13 BK > 1 year ≤ 5 years
Foreclosure			None	Foreclosure > 5 years	Foreclosure > 3 years ≤ 5 years
Occupant Co-Borrower Credit Score		≥ 660	620 to 659	600 to 619	580 to 599
Employment Classification		> 3 years on same job	Not self-employed or self-employed with no business debts and income is insignificant	≥ 3years self-employed or ≥ 3 years and ≥ 25% commissioned income	> 3 years self-employed or < 3 years and > 25% commissioned income
Product Type			Fixed, 5/1, 7/1	3/1	
Housing Payment Increase		Lateral housing payment	< 120%	≥ 120%	No current rent or mortgage payment
Mortgage Payment History (all Borrower REO)		0 x 30 x 12		= 1 x 30 x 12	≥ 2 x 30 x 12
TOTAL POINTS	Subtract ______	Subtract ________	Neutral	Add ______________	Add _______________

[1]If Ratios exceed 31/43, FHA compensating factors listed in the HUD Handbook 4155.1 4.F.3.a-3.b and ML2014-02, as updated

Total Points Assessed

STEP 3: Comprehensive Risk Assessment

Find the number of Contributory Risk points assessed in the left column. Follow that row to the Primary Risk assessment column. The result is the Comprehensive Risk Assessment

Primary Risk	Low	Moderate	High
Contributory Risk Points	**Comprehensive Risk Assessment**		
+8 or more	High	High	High
+4 to +7	Moderate	High	High
0 to +3	Low	Moderate	High
0 to -3	Low	Moderate	High
-4 to -7	Low	Low	Moderate
-8 or more	Low	Low	Low

The Comprehensive Risk Assessment should directly correlate with the loan decision. A Risk Assessment of High indicates a high probability of default. If an underwriter chooses to approve a loan with a comprehensive risk assessment of high, the rationale used in the analysis and compensating factors identified by the underwriter must be presented in a clear and detailed manner and support the decision that the loan is of investment quality. All loans submitted to Impac for purchase with a Comprehensive Risk Assessment of High will be subject to a prefund credit diligence. Include this worksheet in the file and record the Comprehensive Risk score on the FHA Loan Underwriting and Transmittal Summary.

_______________________________   _______________

Underwriter   **Date**