



FAQ – FHA Underwriting and Eligibility Changes

Updated August 25, 2015

Q: Borrower Eligibility: On the 100 mile for deployment, is that life of the loan or during the contract / close period?

A: The 100 mile deployment rule applies at the time of closing.

Q: FHA Deferred Student Loans - Can we use the exact loan payment instead of the 2% if you have it verified on a credit supplement?

A: If the actual payment is available, you can use that amount. If the payment is unavailable, you must use 2%.

Q: Are Realtors considered interested parties?

A: If they are acting as a realtor for the subject transaction, yes, they are considered an interested party

Q: Would fiancé status count for in-laws or do they actually need to be married?

A: A fiancé is currently not considered a "family member." Therefore, any guideline subject to a "family member" requirement would not permit a fiancé to be included. However, for purposes of a cash gift, the person can be a "close friend" and fiancé would be permitted.

Q: You now only can use 75% of rental income, down from 85%?

A: In instances where FHA requires a percentage of rental income, yes the percentage is now 75%. However, be mindful that in some instances you must use the actual tax return amount and not a percentage of income.

Q: Is the 100 miles as you would drive or as the crow flies?

A: HUD has not defined how a lender determines the 100 miles. We believe most lenders will use public sources (for example, Google Maps) to determine mileage.

Q: If you own a timeshare, will that keep you from getting a FHA loan now or in the future?

A: If the credit report lists a timeshare installment loan payment, it must be considered as any other installment debt would be viewed.

Q: Can we still only obtain the canceled gift check to show the gift donors ability to give?

A: Even with a cancelled gift check, you would still need to show donor's ability to insure the funds did not come from an unacceptable source. Therefore even with a cancelled check you would need the bank statement to address any large deposit that might exist.

Q: If the EM is less than 1%, do we have to prove it came out of the borrowers account?

A: FHA indicated it must be verified if it exceeds 1% of the sales price OR "is excessive based upon the borrower's history of accumulated savings." Therefore, the DE underwriter would have discretion to ask for additional documentation if he or she believes the amount is excessive based upon savings.

Q: If a borrower is currently in deferment, and they do not qualify with the 2% payment, can they voluntarily go to income based and use that payment?

A: Yes. As long as the borrower has been approved for income based and the lender has the documentation to show the new payment, the new payment can be used. HOWEVER, FHA indicated that they are "relooking at" this topic and additional guidance may eventually follow.

Q: If total scorecard approved a cash-out refinance with a delinquency within the past 12 months, is it eligible with no additional requirements?

A: No. If it has a delinquency within 12 months, it must be manually downgraded. For manually underwritten loans, a loan with a mortgage delinquency during the past 12 months is only eligible with extenuating circumstances. So, unless the delinquency qualified under extenuating circumstances, the loan would be ineligible.

Q: Can a FHA loan have someone only on title and not obligated on the Note?

A: FHA updated its policy 8/14 to indicate only a defined "family member" can be on title and not be a borrower. If an individual does not meet the family member definition, they are not eligible.

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