

Sun West Product Guidelines

AQUA FHA - SO11S01F00 / AQUA VA - SO15S00000

Loan Parameter	Description
Occupancy Allowed	Owner Occupied, Second Home, Investment (Please refer to FHA / VA Guidelines sheet)
Property Type	1-4 Unit, HUD Approved Condos
Loan Purpose Allowed	Purchase R/T Refi (Owner Occupied Only) Cash Out Refi (Owner Occupied Only) Streamline Refi (Owner Occupied Only) (VA Streamline w/o appraisal only allowed with WF Payoff)
Minimum Credit Score	620 (640 for FHA Streamlines, 680 for 3-4 Units)
Maximum LTV	Purchase - 96.500 (FHA), 100.000 (VA) R/T Refi - 97.750 (FHA), 90.000 (VA) Streamline - 97.750 (FHA), 100.000 (VA) Cash Out Refi - 85.000 (FHA), 90.000 (VA)
Maximum CLTV	Purchase - 100.000 (FHA, VA) R/T Refi - 100.000 (FHA) 90.000 (VA) Streamline - 100.000 (FHA, VA) Cash Out Refi - 85.000 (FHA), 90.000 (VA)
Min. Loan Amount	\$60,000
Max. Loan Amount	1 Unit: Lesser of \$417,000 OR Max. County Limit 2 Unit: Lesser of \$533,850 OR Max. County Limit 3 Unit: Lesser of \$645,300 OR Max. County Limit 4 Unit: Lesser of \$801,950 OR Max. County Limit Click Here for County limits
Subordinate Financing Approval	Allowed AUS Only
Maximum Back Ratio	55% (43% for 3-4 Units) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	45% (31% for 3-4 Units)
Max. No. of properties Financed by borrower	2 (inclusive of subject) (No limitation for FHA/VA Streamlines)
Self Employed	Allowed
Tradelines*	At least 3 active Tradelines within last 24-month history
Bankruptcy & Foreclosures	For BK discharged <=3 years ago, NO Lates of any type since BK. Must have reestablished credit (minimum 3 trades with at least one trade line with 24 months credit depth).
Mortgage Lates	NONE in last 24 months on any mortgage.
Collection Accounts	Housing-expense related Collection accounts within 24 months not allowed. Other Collections (including Medical) is subject to UW discretion on the file.
PITI Reserves	3 Months Reserves, excluding Gift Funds, required for 3-4 Unit Properties
Appraisal	Rental Survey to be included, if required. Appraisal is required on VA IRRRL.
Payment History Documentation	Non-credit qualifying streamline refi must evidence at least 6 month mortgage history.
Cash Out on Short Pay-Off	NOT Allowed
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	Allowed only if Repair is completed within 5 Days
Processing Fee	Must be lesser of \$750 or what is reasonable and customary for the area.
Administration Fee	NOT Allowed
Discount Points	Must be bona fide

* Recent lates or recent collections or less than 3 active tradelines with 24-month history are subject to SWMC discretionary review.

Sun West Product Guidelines

AQUA FHA ARM - SO11S00A00

Loan Parameter	Description
Occupancy Allowed	Owner Occupied (Please refer to FHA Guidelines sheet)
Property Type	1-4 Unit, HUD Approved Condos
Loan Purpose Allowed	Purchase, R/T Refi, Cash Out & Streamline (Appraisal required unless WF Payoff)
Minimum Credit Score	620 (640 for FHA Streamlines; 680 for 3-4 Units)
Maximum LTV	Purchase - 96.500 R/T Refi - 97.750 Cash Out Refi - 85.000 Streamline - 97.750
Maximum CLTV	Purchase - 100.000 R/T Refi - 100.000 Cash Out Refi - 85.000 Streamline - 100.000
Min. Loan Amount	\$60,000
Max. Loan Amount	1 Unit: Lesser of \$417,000 OR Max. County Limit 2 Unit: Lesser of \$533,850 OR Max. County Limit 3 Unit: Lesser of \$645,300 OR Max. County Limit 4 Unit: Lesser of \$801,950 OR Max. County Limit Click Here for County limits
Subordinate Financing	Allowed
Approval	AUS Only
Maximum Back Ratio	55% (43% for 3-4 Units) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	45% (31% for 3-4 Units)
Max. Number of properties Financed by borrower	2 (inclusive of subject) (No limitation for FHA Streamlines)
Self Employed	Allowed
Tradelines*	At least 3 active Tradelines within last 24-month history
Bankruptcy & Foreclosures	For BK discharged <=3 years ago, NO Lates of any type since BK. Must have reestablished credit (minimum 3 trades with at least one trade line with 24 months credit depth).
Mortgage Lates	NONE in last 24 months on any mortgage.
Collection Accounts	Housing-expense related Collection accounts within 24 months not allowed. Other Collections (including Medical) is subject to UW discretion on the file.
PITI Reserves	3 Months Reserves, excluding Gift Funds, Required for 3-4 Unit Properties
Appraisal	Rental Survey to be included, if required.
Cash Out on Short Pay-Off	NOT Allowed
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	NOT Allowed
Processing Fee	Must be lesser of \$750 or what is reasonable and customary for the area.
Administration Fee	NOT Allowed
Discount Points	Must be bona fide

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Sun West Product Guidelines

FHA MANUFACTURED HOUSING - AA12S01F00

Loan Parameter	Description
Occupancy Allowed	Owner Occupied
Property Type	1 Unit Manufactured Home (Single Wides are NOT allowed), FHA Approved Manufactured Condos
Loan Purpose Allowed	Purchase, R/T Refi, & Streamline
Minimum Credit Score	660 (700* for Leasehold Property)
Maximum LTV	Purchase - 96.500 R/T Refi - 97.750 Streamline - 97.750
Maximum CLTV	Purchase - 96.500 R/T Refi - 97.750 Streamline - 97.750
Min. Loan Amount	\$50,000
Max. Loan Amount	1 Unit: Lesser of \$417,000 OR Max. County Limit Click Here for County limits
Subordinate Financing	Not Allowed
Approval	AUS Only
Maximum Back Ratio	45% (35% for Leasehold Property) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	35% (29% for Leasehold Property)
Max. Number of properties Financed by borrower	1 (inclusive of subject)
Self Employed	Allowed
Tradelines*	At least 3 active Tradelines within last 24-month history
Non Occupying Co-borrower	NOT allowed for credit qualification.
Bankruptcy & Foreclosures	No BK or Foreclosure allowed in last 3 years. (NO BK or Foreclosure ever for Leasehold Property)
Mortgage Lates	NONE in last 24 months on any mortgage. (NO Mortgage Lates ever for Leasehold Property)
Collection Accounts	Housing-expense related Collection accounts within 24 months not allowed. Other Collections (including Medical) is subject to UW discretion on the file. (NO history of collection accounts or charge offs for Leasehold Property)
Gift Funds	NOT allowed as towards down payment or PITI Reserves.
PITI Reserves	3 Months Reserves
Cash Out on Short Pay-Off	NOT Allowed
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	NOT Allowed
Processing Fee	Must be lesser of \$750 or what is reasonable and customary for the area.
Administration Fee	NOT Allowed
Discount Points	Must be bona fide

* Recent lates or recent collections or less than 3 active tradelines with 24-month history are subject to SWMC discretionary review.

HUD REPO \$100 down program is not allowed for manufactured housing property type.

Sun West Product Guidelines

FHA 203(K) - AA1S00000

Loan Parameter	Description
Occupancy Allowed	Owner Occupied
Property Type	1-4 Unit, HUD Approved Condos
Loan Purpose Allowed	Purchase, R/T Refi
Minimum Credit Score	620 (680 for 3-4 Units)
Maximum LTV	Purchase 96.500 R/T Refi - 97.750
Maximum CLTV	Purchase 100.000 R/T Refi - 100.000
Min. Loan Amount	\$60,000
Max. Loan Amount	1 Unit: Lesser of \$417,000 OR Max. County Limit 2 Unit: Lesser of \$533,850 OR Max. County Limit 3 Unit: Lesser of \$645,300 OR Max. County Limit 4 Unit: Lesser of \$801,950 OR Max. County Limit Click Here for County limits
Subordinate Financing	Allowed
Approval	AUS Only
Maximum Back Ratio	49.99% (43% for 3-4 Units) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	45% (31% for 3-4 Units)
Max. Number of properties Financed by borrower	2 (inclusive of subject)
Self Employed	Allowed
Bankruptcy & Foreclosures	For BK discharged <=3 years ago, NO Lates of any type since BK. Must have reestablished credit (minimum 3 trades with at least one trade line with 24 months credit depth).
Mortgage Lates*	NONE in last 24 months on any mortgage.
Collection Accounts*	Housing-expense related Collection accounts within 24 months not allowed. Other Collections (including Medical) is subject to UW discretion on the file.
Tradelines Requirement*	Minimum 3 Active Tradelines
PITI Reserves	3 Months Reserves, excluding Gift Funds, required for 3-4 Unit Properties.
Appraisal	Rental Survey to be included, if required.
Cash Out on Short Pay-Off	NOT Allowed
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	NOT Allowed
Processing Fee	NOT Allowed.
Administration Fee	NOT Allowed
Discount Points	Must be bona fide
Loan Amounts available on a 203(k) loan	Non-Streamline 203(k): Repairs allowed up to 50% of the loan amount. Streamline 203(k): The maximum rehab amount is \$35,000 and will include at least 2 Inspection Fee draws, 2 title updates, and a 15% contingency reserve.
Maximum Loan Amount (Subject to County / FHA Mortgage Loan Limits)	Purchase - Lesser of 'AS IS Value + Rehab Cost' OR 'Sales Price + Rehab Cost' (Should not exceed 103% of after-improved value) Refinance - 97.75% of lesser of 'AS IS Value + Rehab Cost' OR 'Existing Debt + Rehab Cost + Closing Cost and Prepaid' (Should not exceed 103% of after-improved value)

<p>Requirement of Home Inspection</p>	<p>A complete home inspection is required for all REO and vacant properties and for properties requiring the services of a consultant. For REO and vacant properties, underwriter may advise about requirement of consultant depending on the scope of work.</p>
<p>Types of Repairs that are eligible for a 203(k) loan</p>	<p>Non-Streamline 203(k): Roof replacement, health and safety hazard mitigation, landscaping required to mitigate drainage or erosion issues, aesthetic landscaping when appraiser verifies that the value increases the dollar-for-dollar cost, sidewalk/driveway repair necessary for home access, major repair of termite damage, drywall/insulation replacement, most repairs which require permits, finishing basements. (Major construction: e.g., foundational work and room additions are not permitted.) Streamline 203(k): Cosmetic Repairs such as financing purchase/installation of new appliances; patching holes; replacing doors; painting; lead paint abatement; new counters, cabinets, windows, carpet (subfloor repair requires Non-Streamline 203k); repair/installation of HVAC; weatherization; minor repair of termite damage. The property should be inhabitable at the time of loan closing.</p>
<p>Repairs that are ineligible on a 203(k) loan</p>	<p>Foundation and structural repairs, major remodeling (i.e., no additions), houses never completed or where the certificate of occupancy was issued less than one year ago, major replacement/reconditioning of utilities (e.g., plumbing, electrical).</p>
<p>Exclusions on a 203(k) loan</p>	<p>Streamline203(k): Upfront draws are only available for documented material costs (with receipts or invoices).</p>

* Recent lates or recent collections or less than 3 active tradelines with 24-month history are subject to SWMC discretionary review.

Sun West Product Guidelines
FHA PROPERTY FLIP WAIVER - SO11000F00
Purchase Contract must be dated on or after Feb 01, 2010

Loan Parameter	Description
Occupancy Allowed	Owner Occupied (Please refer to FHA Guidelines sheet)
Property Type	1-4 Unit, HUD Approved Condos
Loan Purpose Allowed	Purchase
Minimum Credit Score	620 (680 for 3-4 Units)
Maximum LTV	Purchase - 96.500
Maximum CLTV	Purchase - 100.000
Min. Loan Amount	\$60,000
Max. Loan Amount	1 Unit: Lesser of \$417,000 OR Max. County Limit 2 Unit: Lesser of \$533,850 OR Max. County Limit 3 Unit: Lesser of \$645,300 OR Max. County Limit 4 Unit: Lesser of \$801,950 OR Max. County Limit Click Here for County limits
Subordinate Financing Approval	Allowed AUS Only
Maximum Back Ratio	55% (43% for 3-4 Units) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	45% (31% for 3-4 Units)
Max. No. of properties Financed by borrower	2 (inclusive of subject)
Self Employed	Allowed
Tradelines**	At least 3 active Tradelines within last 24-month history
Bankruptcy & Foreclosures	For BK discharged <=3 years ago, NO Lates of any type since BK. Must have reestablished credit (minimum 3 trades with at least one trade line with 24 months credit depth).
Mortgage Lates	NONE in last 24 months on any mortgage.
Collection Accounts	Housing-expense related Collection accounts within 24 months not allowed. Other Collections (including Medical) is subject to UW discretion on the file.
PITI Reserves	3 Months Reserves, excluding Gift Funds, required for 3-4 Unit Properties
Appraisal	Rental Survey to be included, if required.
Cash Out on Short Pay-Off	NOT Allowed
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	Allowed only if Repair is completed within 5 Days
Processing Fee	Must be lesser of \$750 or what is reasonable and customary for the area.
Administration Fee	NOT Allowed
Discount Points	Must be bona fide
Listing & Selling Agent	Can NOT be the same or related
Seller	Can NOT be an LLC or corporation. Seller has to be an individual.
If Sales Price exceeds 20% of Seller Acquisition Cost	<ol style="list-style-type: none"> 1. A second appraisal is required with appraiser documenting the reasons for the increase in value. 2. Property inspection ordered by SWMC is required. 3. Approval from SWMC Management required.
Transfer of Property	NO intermediate transfer is allowed.
Transfer of Title	NO recent transfers of title to seller..

* There must not be an identity of interest or a potential borrower situation.

** Recent lates or recent collections or less than 3 active tradelines with 24-month history are subject to SWMC discretionary review.

NOTE – This program is NOT offered on VA loans.

Sun West Product Guidelines

AQUA FHA JUMBO - SO41S00F00

Loan Parameter	Description
Occupancy Allowed	Owner Occupied
Property Type	1-4 Unit, HUD Approved Condos
Loan Purpose Allowed	Purchase, R/T Refi, Cash Out & Streamline Refinances
Minimum Credit Score	660 (680 for 3-4 Units)
Maximum LTV	Purchase - 96.500 R/T Refi - 97.750 Cash Out - 85.000 Streamline - 97.750
Maximum CLTV	Purchase 100.000 R/T Refi - 100.000 Cash Out Refi - 85.000 Streamline - 100.000
Min. Loan Amount	Lesser of \$417K or Maximum County Limit for regular (Non-Jumbo) FHA Program
Max. Loan Amount	1 Unit: \$625,500 2 Unit: \$800,775 3 Unit: \$967,950 4 Unit: \$1,202,925
Subordinate Financing	Allowed
Approval	AUS Only
Maximum Back Ratio	47% (43% for 3-4 Units) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	45% (31% for 3-4 Units)
Max. Number of properties Financed by borrower	2 (inclusive of subject)
Self Employed	Allowed
Tradelines*	Minimum 3 Active Tradelines with 24-month history
Bankruptcy & Foreclosures	For BK discharged <=3 years ago, NO Lates of any type since BK. Must have reestablished credit (minimum 3 trades with at least one trade line with 24 months credit depth).
Mortgage Lates	NONE in last 24 months on any mortgage.
Collection Accounts	Housing-expense related Collection accounts within 24 months not allowed. Other Collections (including Medical) is subject to UW discretion on the file.
Minimum Borrower Contribution	3.5% (Must NOT include gift funds)
PITI Reserves	2 Months (Must NOT include gift funds) For 3-4 Unit Properties - 3 Months (Must NOT include gift funds)
Appraisal	Rental Survey to be included, if required.
Cash Out on Short Pay-Off	NOT Allowed
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	NOT Allowed
Processing Fee	Must be lesser of \$750 or what is reasonable and customary for the area.
Administration Fee	NOT Allowed
Discount Points	Must be bona fide

* Recent lates or recent collections are subject to SWMC discretionary review.

Sun West Product Guidelines

RURAL HOUSING FIXED - SD61S00F00

(Please refer to SWMC Exception Sheet for broker specific exceptions.)

Loan Parameter	Description
Occupancy Allowed	Owner Occupied
Property Type	1 Unit
Loan Purpose Allowed	Purchase and Rate Term Refinance
Minimum Credit Score	620
Maximum LTV	102
Maximum CLTV	102
Min. Loan Amount	\$40,000
Subordinate Financing	NOT Allowed
Approval	GUS Only
Maximum Back Ratio	41% (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	29%
Max. Number of properties Financed by borrower	2 (inclusive of subject)
Self Employed	Allowed
Tradelines	At least 3 active Tradelines within last 24-month history
Bankruptcy & Foreclosures	NONE in past 4 years.
Mortgage Lates	NONE in last 24 months on any mortgage.

Sun West Product Guidelines

SWMC Hope 4 Homeowners - SH4HS00F00

Loan Parameter	Description
Occupancy Allowed	Owner Occupied
Property Type	1 & 2 units
Loan Purpose Allowed	R/T Refinance
Minimum Credit Score	None, However if <500, max LTV = 90%
Maximum LTV	Mortgage Current, no lates last 12 mths= 105% Mortgage Current, w/ lates last 12 mths = 97.75% Mortgage Delinquent, DTI < 43% = 96.5% Mortgage Delinquent, DTI between 43-50% = 90%
Maximum CLTV	Same as LTV Borrower to execute 2 nd /Exit Premium Note & Mortgage
Min. Loan Amount	\$60,000
Max. Loan Amount	Lesser of county limits or 1-unit \$550,440; 2-unit \$704,682
Subordinate Financing	None allowed in first 5 years
Approval	AUS or Manual
Maximum Back Ratio	Mortgage Current = Per AUS Mortgage Delinquent, LTV>90% = 43% Mortgage Delinquent, LTV</=90% = 50% (No compensating factors for delinquent borrowers) (Please refer to Additional DTI Guidelines on Exhibit A)
Maximum Front Ratio	Mortgage Current = Per AUS Mortgage Delinquent, LTV>90% = 31% Mortgage Delinquent, LTV</=90% = 38% (No compensating factors for delinquent borrowers)
Max. Number of properties Financed by borrower	1 (inclusive of subject)
Self Employed	2 years of acceptable income history
Tradelines	See mortgage credit requirements
Bankruptcy & Foreclosures	None prior to hardship
Mortgage Lates	None prior to hardship
Collection Accounts	No housing-related collections prior to hardship. Acceptability of other collections is subject to UW discretion. Judgments & tax liens must be either paid or under an acceptable repayment plan.
PITI Reserves	Recommended 3 months – underwriter’s discretion Assets to be seasoned min. 60 days.
Appraisal	Performed by an FHA roster appraiser New appraisal required after 120 days
Cash Out	Not Permitted
Ability-to-Repay Analysis	Must be performed
Repair Escrow Holdback (Minor Repairs)	Not Permitted
Processing Fee	Not Permitted
Administration Fee	Not Permitted
Discount Points	Must be bona fide
Mortgage Insurance	2.00% Up-front Premium 0.75% Annual Premium
Non-occupying co-borrowers	Not Permitted
Non-occupying co-signers	Permitted with a clearly documented & vested interest in the borrower. Must credit qualify per standard underwriting guidelines, incl. > 620 FICO & no housing-related derogatory trades within 24 months. Non-occupying co-signors do not take title to the subject property.

* Please refer to 'SWMC H4H Underwriting Guidelines' sheet for Documentation requirements of the program.

SWMC H4H Underwriting Guidelines

Documentation Requirements

Hardship Requirements

A. Documentation:

- i. Hardship letter for derogatory credit,
- ii. Documentation to support hardship, and
- iii. Evidence hardship is not likely to recur

B. Hardship Examples (not all-inclusive):

- Interest rate reset
- Decrease in income
- Serious Illness/Extenuating Health Expenses
- Unemployment (min 3 months on new job)

*Over-extension of revolving & installment credit alone is not an acceptable hardship.

Mortgage Credit Requirements

The intent of these guidelines is to ascertain the borrower's willingness to repay the new loan made under the H4H program.

A. It is not acceptable for borrowers to have stopped making both mortgage-related payments and installment/revolving payments without a period of unemployment or other documented substantial loss of income.

i. An attempt to either repay debt or rebuild savings within the 3 months post-unemployment should be evident.

B. Borrowers who have had sufficient income to make their debt payments but chose not to will be denied for lack of evidence of willingness to repay obligations.

C. The underwriter may make a waiver of the 3 month PITI reserve requirement when the documented hardship precludes the ability to maintain savings, for example when a complete loss of income was experienced.

i. Other evidence of the borrower's willingness to pay must be documented, for example paying the mortgage under a modified payment plan subsequent to the hardship.

ii. The reserve requirement will not be waived for borrowers who are determined to have had the ability to maintain savings based on a thorough income and asset analysis, but did not.

D. For borrowers who entered into a modified payment agreement with their current servicer, there may be no lates under the agreement and the new H4H payment cannot be greater than the modified payment. Minimum three months payment history is required.

Additional guidance

See HUD Mortgagee Letter 09-43

File Stacking for Review:

Underwriting Docs

- ___ Initial 1003
- ___ Initial H4H Consumer Disclosure
- ___ All RESPA/State Initial Disclosures
- ___ Evidence of DOB & SSN
- ___ Hardship Letter & Documentation
- ___ Evidence PTI >31% at Application
- ___ Credit Report, Explanation of Inquiries
- ___ Payoff Demand
- ___ Income Documented per Manual Guidelines
- ___ Current 4506t
- ___ Two Years 1040 Transcripts
- ___ Two Complete Months Bank Statements
- ___ TOTAL Scorecard Certificate
- ___ FHA Case Assignment
- ___ FHA Appraisal Login
- ___ Preliminary Title Report
- ___ Tax Certificate
- ___ Closing Protection Letter
- ___ Complete Appraisal
- ___ Hazard Insurance
- ___ Flood Certificate

Approvals

- ___ Lender/Underwriting Disposition Sheet
- ___ 92900-LT, Signed & Dated
- ___ 92900-A pg 3, Signed & Dated
- ___ 92800.5b, Signed & Completed

Exhibit A

Additional DTI Guidelines

DTI Ratio overlay when a Non-Occupying co-applicant is used to qualify the borrower:

1. DTI without using non-occupying applicant's income must not exceed 60% unless there are compensating factors such as low LTV (less than 80%) or unused occupying non-borrowing spouse's net income after consideration of his / her liabilities.
2. Proposed rents from any currently owned properties or a 2 to 4 unit subject property of the occupying and non-occupying borrowers cannot be used to qualify. Maximum LTV is limited to 75% for 2 to 4 unit properties.

FHA – Occupancy Guidelines
HUD Handbook 4155.1
Section 1 – Occupancy Status

FHA – Primary Residence Guidelines

A principal residence is a property that will be occupied by the borrower for the majority of the calendar year. At least one borrower must occupy the property and sign the security instrument and the mortgage note for the property to be considered owner-occupied. Our security instruments require a borrower to establish bona fide occupancy in the home as the borrower's principal residence within 60 days after signing the security instrument with continued occupancy for at least one year.

To prevent circumvention of the restrictions on FHA-insured mortgages to investors, we generally will not insure more than one mortgage for any borrower. Any person individually or jointly owning a home covered by a mortgage insured by FHA in which ownership is maintained may not purchase another principal residence with FHA mortgage insurance except under the situations described below. Properties previously acquired as investment properties are not subject to these restrictions.

We will not insure a mortgage if we conclude that the transaction was designed to use FHA mortgage insurance as a vehicle for obtaining investment properties, even if the property to be encumbered will be the only one owned using FHA mortgage insurance. We do not object to homebuyers using FHA mortgage insurance more than once if compatible with the homebuyer's needs and resources as follows:

A. Relocations. If the borrower is relocating and re-establishing residency in another area not within reasonable commuting distance from the current principal residence, the borrower may obtain another mortgage using FHA insured financing and is not required to sell the existing property covered by a FHA-insured mortgage. The relocation need not be employer mandated to qualify for this exception. Further, if the borrower returns to an area where he or she owns a property with an FHA-insured mortgage, it is not required that the borrower re-establish primary residency in that property in order to be eligible for another FHA insured mortgage.

B. Increase in Family Size. The borrower may be permitted to obtain another home with an FHA-insured mortgage if the number of legal dependents increases to the point that the present house no longer meets the family's needs. The borrower must provide satisfactory evidence of the increase in dependents and the property's failure to meet the family's needs. The borrower also must pay down the outstanding mortgage balance on the present property to a 75 percent or lower loan-to-value (LTV) ratio. A current residential appraisal must be used to determine LTV compliance. Tax assessments, market analyses by real estate brokers, etc., are not acceptable as proof of LTV compliance.

C. Vacating a Jointly Owned Property. If the borrower is vacating a residence that will remain occupied by a co-borrower, the borrower is permitted to obtain another

FHA-insured mortgage. Acceptable situations include instances of divorce, after which the vacating ex-spouse will purchase a new home, or one of the co-borrowers will vacate the existing property.

D. Non-Occupying Co-Borrower. A non-occupying co-borrower on property being purchased with an FHA-insured mortgage as a principal residence by other family members may have a joint interest in that property as well as in a principal residence of their own with a FHA-insured mortgage. (See paragraph 1-8 B for additional information). Under no circumstances may investors use the exceptions described above to circumvent FHA's ban on loans to private investors and acquire rental properties through purportedly purchasing "principal residences." Considerations in determining the eligibility of a borrower for one of these exceptions are the length of time the previous property was owned by the borrower and the circumstances that compel the borrower to purchase another residence with an FHA-insured mortgage. In all other cases, the purchasing borrower either must pay off the FHA-insured mortgage on the previous residence or terminate ownership of that property before acquiring another FHA-insured mortgage.

FHA – Second Home Guidelines

A secondary residence is a property the borrower occupies in addition to his or her principal residence. Secondary residences are only permitted when the appropriate Home Ownership Center (HOC) agrees that an undue hardship exists, meaning that affordable rental housing that meets the needs of the family is not available for lease in the area or within reasonable commuting distance to work, and the maximum loan amount is 85 percent of the lesser of the appraised value or sales price. Direct Endorsement (DE) lenders are not authorized to grant hardship exceptions. Any request for a hardship exception must be submitted by the lender in writing to the appropriate HOC. HOC jurisdictions are listed in Appendix I. A borrower may have only one secondary residence at any time. All the following conditions must be met for secondary residences:

A. The secondary residence must not be a vacation home or otherwise used primarily for recreational purposes; and

B. The borrower must obtain the secondary residence because of seasonal employment, employment relocation, or other circumstances not related to recreational use of the residence; and

C. There must be a demonstrated lack of affordable rental housing meeting the needs of the borrower in the area or within a reasonable commuting distance of the borrower's employment. Documentation to support this must include:

1. A satisfactory explanation from the borrower of the need for a secondary residence and the lack of available rental housing in the area that meets the need.
2. Written evidence from local real estate professionals who verify a lack of acceptable rental housing in the area.

FHA – Investment Property Guidelines

An investment property is a property that is not occupied by the borrower as a principal residence or as a secondary residence. With permission from the appropriate HOC, private investors, including nonprofit organizations not meeting the criteria described in paragraph 1-5 A, may obtain FHA-insured mortgages for the following reasons:

A. For purchasing HUD Real Estate Owned (REO) properties. Owner occupancy is not required when the jurisdictional HOC sells the property and permits the purchaser to obtain FHA-insured financing on the investment property.

B. Streamline refinancing without appraisals. See paragraph 1-12 for additional qualifying information.

C. Underwriting Considerations:

Individual investors who credit qualify may assume mortgages made on investment properties. This applies to the transactions described in paragraphs 1-4 A and B, as well as to investment properties purchased before the 1989 ban on investors that have been subsequently streamline refinanced. Qualifying ratios, the treatment of projected rental income, etc., are described in Chapter 2, paragraph 2-7 M.

ARMs and graduated payment mortgages (GPMs) are not permitted on investment properties.

Except for streamline refinances in which the mortgage was originally insured in the name of a business, FHA will not insure loans made solely in the name of a business entity (such as a corporation, partnership, or sole proprietorship) or trust. One or more individuals, along with the business entity or trust, must be analyzed for creditworthiness. The individual(s) and the business entity or trust must appear on the mortgage note. The business entity, trust, or individual(s) may appear on the property deed or title. All parties appearing on the property deed or title must also appear on the security instrument (i.e., mortgage, deed of trust, security deed).

VA – Occupancy Requirements

Chapter 03 – Section 5 of VA Lender Guide

The Law on Occupancy

The law requires a veteran obtaining a VA-guaranteed loan to certify that he or she intends to personally occupy the property as his or her home. As of the date of certification, the veteran must either

- personally live in the property as his or her home, or
- intend, upon completion of the loan and acquisition of the dwelling, to personally move into the property and use it as his or her home within a reasonable time.

The above requirement applies to all types of VA-guaranteed loans except IRRRLs. For IRRRLs, the veteran need only certify that he or she previously occupied the property as his or her home.

Example: A veteran living in a home purchased with a VA loan is transferred to a duty station overseas. The veteran rents out the home. He/she may refinance the VA loan with an IRRRL based on previous occupancy of the home.

What is a “Reasonable Time?”

Occupancy within a “reasonable time” means within 60 days after the loan closing. More than 60 days may be considered reasonable if both of the following conditions are met:

- the veteran certifies that he or she will personally occupy the property as his or her home at a specific date after loan closing, and
- there is a particular future event that will make it possible for the veteran to personally occupy the property as his or her home on a specific future date.

Occupancy at a date beyond 12 months after loan closing generally cannot be considered reasonable by VA.

When Can a Spouse Satisfy the Occupancy Requirement?

Occupancy (or intention to occupy) by the spouse satisfies the occupancy requirement for a veteran who is on active duty and cannot personally occupy the dwelling within a reasonable time.

Occupancy by the spouse may satisfy the requirement if the veteran cannot personally occupy the dwelling within a reasonable time due to distant employment other than military service. In these specific cases, consult your [Regional Loan Center](#) (RLC) to determine if this type of occupancy meets VA requirements.

Note: The cost of maintaining separate living arrangements should be considered in underwriting the loan.

For an IRRRL, a certification that the spouse previously occupied the dwelling as a home will satisfy the requirement.

No family member or person other than the veteran's spouse can satisfy the occupancy requirement for the veteran.

Occupancy Requirements for Deployed Active Duty Servicemembers

Single or married servicemembers, while deployed from their permanent duty station, are considered to be in a temporary duty status and able to meet the occupancy requirement. This is true without regard to whether or not a spouse will be available to occupy the property prior to the veteran's return from deployment.

Occupancy After Retirement

If the veteran states that he or she will retire within 12 months and wants a loan to purchase a home in the retirement location

- verify the veteran's eligibility for retirement on the specified date, and
 - Include a copy of the veteran's application for retirement submitted to his or her employer.
- carefully consider the applicant's income after retirement.
 - If retirement income alone is insufficient, obtain firm commitments from an employer that meet the usual stability of income requirements.

Note: Only retirement on a specific date within 12 months qualifies. Retirement "within the next few years" or "in the near future" is not sufficient.

Delayed Occupancy Due to Property Repairs or Improvements

Home improvements or refinancing loans for extensive changes to the property which will prevent the veteran from occupying the property while the work is being completed, constitute exceptions to the "reasonable time" requirement.

The veteran must certify that he or she intends to occupy or reoccupy the property as a home upon completion of the substantial improvements or repairs.

Intermittent Occupancy

The veteran need not maintain a physical presence at the property on a daily basis. However, occupancy "as the veteran's home" implies that the home is located within reasonable proximity of the veteran's place of employment. If the veteran's employment requires the veteran's absence from home a substantial amount of time, the following two conditions must be met:

- the veteran must have a history of continuous residence in the community, and
- there must be no indication that the veteran has established, intends to establish, or may be required to establish, a principal residence elsewhere.

Use of the property as a seasonal vacation home does not satisfy the occupancy requirement.

Unusual Circumstances

Discuss unusual circumstances of occupancy with the appropriate [VA office](#) or submit a description of the circumstances to the [VA office](#) for prior approval.

The Certification

The veteran certifies that the occupancy requirement is met by checking the appropriate occupancy block and signing:

- [VA Form 26-1802a](#), HUD/VA Addendum to the Uniform Residential Loan Application, at the time of loan application (prior approval loans only), and
- [VA Form 26-1820](#), Report and Certification of Loan Disbursement, at the time of loan closing (all loans).

This satisfies the lender's obligation to obtain the veteran's occupancy certification.

The lender may accept the occupancy certification at face value unless there is specific information indicating the veteran will not occupy the property as a home or does not intend to occupy within a reasonable time after loan closing.

Where doubt exists, the test is whether a reasonable basis exists for concluding that the veteran can and will occupy the property as certified. Contact the appropriate VA office if the lender cannot resolve issues involving the veteran's intent by applying this test.