

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
1.	Where can mortgagees find the definitions associated with certain capitalized words and phrases used in the form?	<p>Many of the revisions make the language and terminology in Form 92900-A Loan-Level Certification consistent with the <i>Single Family Housing Policy Handbook</i> 4000.1 (SF Handbook). Capitalized words, for instance, represent defined terms, which can be found in the SF Handbook’s supplemental Glossary.</p> <p>For additional information, refer to:</p> <ul style="list-style-type: none"> • Mortgagee Letter 2016-06: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06ml.pdf • Revised Form 92900-A Loan-Level Certification: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06mlatch.pdf 	ML 2016-06 and attachment 4000.1	Credit Underwriting; Documentation Requirements
2.	Does the Form 92900-A Loan-Level Certification contain two distinct standards for certification regarding defects on page 4, line (h)?	<p>No. The standards on page 4, line (h) should be read and interpreted as a single standard. In other words, the defect must have changed the processing or documentation in a way that would have changed the mortgagee’s decision to approve the mortgage.</p> <p>For additional information, refer to:</p> <ul style="list-style-type: none"> • Mortgagee Letter 2016-06: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06ml.pdf • Revised Form 92900-A Loan-Level Certification: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06mlatch.pdf 	ML 2016-06 and attachment	Credit Underwriting; Documentation Requirements
3.	Will the Form 92900-A Loan-Level Certification be available in the Lender Electronic Assessment Portal (LEAP)?	<p>No. The Form 92900-A Loan-Level Certification is an addendum to the <i>Uniform Residential Loan Application</i> used during loan origination. <i>It is not part of, and does not replace,</i> the Lender Initial and Annual Certifications that are performed in LEAP.</p> <p>For additional information, refer to:</p> <ul style="list-style-type: none"> • Mortgagee Letter 2016-06: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06ml.pdf • Revised Form 92900-A Loan-Level Certification: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06mlatch.pdf 	ML 2016-06 and attachment	Credit Underwriting; Documentation Requirements
4.	Will FHA solicit additional public comments on the Form 92900-A Loan-Level Certification?	<p>While FHA is always interested in hearing feedback, the two official public comment periods on the proposed revisions to the Form 92900-A have closed and the form is final.</p> <p>For additional information, refer to:</p> <ul style="list-style-type: none"> • Mortgagee Letter 2016-06: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06ml.pdf • Revised Form 92900-A Loan-Level Certification: http://portal.hud.gov/hudportal/documents/huddoc?id=16-06mlatch.pdf 	ML 2016-06 and attachment	Credit Underwriting; Documentation Requirements

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
5.	What is required for a joint bank statement when one of the account holders is a minor?	<p>Typically, a minor is not an actual account holder, but the account is held by one or more parties of legal age as custodian to the minor(s). To the extent that a minor is an account holder, FHA requires a written statement indicating that the borrower has full access and use of the funds.”</p> <p>For additional information, see Handbook 4000.1 II.A.4.d.iii(A) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb.</p>	4000.1 II.A.4.d.iii(A)	Credit Underwriting; Assets/Funds to Close
6.	If the account is held by a borrower and also in the name of a trust, what documentation is required to prove access to the funds?	<p>FHA requires a statement from all account holders (e.g., the trustees).</p> <p>For additional information, see Handbook 4000.1 II.A.4.d.iii(A) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb.</p>	4000.1 II.A.4.d.iii(A)	Credit Underwriting; Assets/Funds to Close
7.	What is FHA’s requirement for repossessions?	<p>A repossession is a form of recovery of a debt.</p> <p>To the extent that a repossession results in a credit account being charged off, then the requirements for Charge Off accounts would apply [see Handbook 4000.1 II.A.4.b.iv(M), II.A.5.a.iii(E), and II.A.5.a.iv(O)].</p> <p>If the repossession results in a collection account, then the collection account guidance would apply [see Handbook II.A.4.b.iv(L), II.A.5.a.iii(D), and II.A.5.a.iv(N)].</p> <p>For additional information, see Handbook 4000.1 II.A.4.b.iv(L), II.A.4.b.iv(M), II.A.5.a.iii(D), II.A.5.a.iii(E), II.A.5.a.iv(N), and II.A.5.a.iv(O) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgb.</p>	4000.1 II.A.4.b.iv(L) II.A.4.b.iv(M) II.A.5.a.iii(D) II.A.5.a.iii(E) II.A.5.a.iv(N) II.A.5.a.iv(O)	Credit Underwriting; Liabilities
8.	When does FHA expect Mortgagees to downgrade for information that is not reporting on the credit report and unable to be	<p>FHA requires Mortgagees to downgrade and manually underwrite any Mortgage that receives an Accept recommendation if the mortgage file contains information or documentation which would have an impact on the credit decision that cannot be entered into or evaluated by TOTAL Mortgage Scorecard, or if additional information, not considered in the AUS recommendation, affects the overall insurability of the Mortgage.</p> <p>The requirement to downgrade covers any scenario in which the Mortgagee becomes aware of a situation that would influence their decision to approve the Mortgage, regardless of the “Accept” classification given by TOTAL Mortgage Scorecard.</p>	4000.1 II.A.4.a.v	Credit Underwriting; Automated Underwriting/TOTAL

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
	evaluated by TOTAL?	For additional information, see Handbook 4000.1 II.A.4.a.v available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg .		
9.	Is a Mortgagee required to downgrade and manually underwrite any file that has undisclosed mortgage debt, regardless of the age of the debt?	<p>Where the Borrower has existing undisclosed mortgage debt, the Mortgagee must downgrade and manually underwrite the application.</p> <p>Further, if the Borrower had a foreclosure, deed-in-lieu, or short sale within three years of FHA case number assignment, then the Mortgagee must downgrade and manually underwrite the application.</p> <p>If the foreclosure, deed-in-lieu, or short sale occurred more than three years from the date of FHA case number assignment, there is no requirement to downgrade and manually underwrite the application.</p> <p>For additional information, see Handbook 4000.1 II.A.4.a.v, II.A.4.b.iii(G), II.A.4.b.iii(H), and II.A.4.b.iii(I) available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.4.a.v II.A.4.b.iii(G) II.A.4.b.iii(H) II.A.4.b.iii(I)	Credit Underwriting; Automated Underwriting/TOTAL
10.	Are there any parameters for applying unused borrower funds from an escrow account to an FHA-insured refinance transaction?	<p>Handbook 4000.1 II.A.8.d.vi(A)(2)(b) states:</p> <p>“Cash to the Borrower resulting from the refund of Borrowers unused escrow balance from the previous Mortgage must not be considered in the \$500 cash back limit whether received at or subsequent to mortgage Disbursement.”</p> <p>There are no other requirements regarding unused Borrower funds.</p> <p>For additional information, see Handbook 4000.1 II.A.8.d.vi(A)(2)(b) available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.8.d.vi(A)(2)(b)	Credit Underwriting; Refinance Transactions
11.	If a borrower pays off a credit card balance in full, can any debt payment for the credit card be eliminated from the borrower qualifying ratios? If so, must the credit card be closed/cancelled to	<p>Mortgagees need not include in qualifying ratios payments for revolving accounts with a zero balance. There is no FHA requirement that revolving accounts paid off be closed. However, the Mortgagee must document that the funds used to pay off the revolving account prior to closing came from an acceptable source, and the Borrower did not incur new debts that were not included in the DTI ratio.</p> <p>For additional information, see Handbook 4000.1 II.A.4.b.iv(I) and II.A.5.a.iv(H) available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.4.b.iv(I) II.A.5.a.iv(H)	Credit Underwriting; Liabilities

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
	eliminate debt payment, or is paying off the balance sufficient?			
12.	Can a borrower with no credit history be approved?	<p>For a Borrower with no traditional mortgage credit, a Mortgagee must follow the requirements to establish “Nontraditional and Insufficient Credit,” found in Handbook 4000.1 II.A.5.a.ii(B).</p> <p>The Mortgagee must first follow the guidance in the “Nontraditional and Insufficient Credit” section. If the Mortgagee is unable to obtain any of the nontraditional credit references, then a Borrower who lacks any kind of credit history (i.e., cannot meet the requirements for “Sufficiency of Credit References,” section II.A.5.a.ii(B)(3)) may still be approved, provided the Mortgagee has determined that the Borrower meets all other eligibility criteria.</p> <p>For additional information, see Handbook 4000.1 II.A.5.a.ii(B) and II.A.5.a.ii(B)(3) available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.5.a.ii(B) II.A.5.a.ii(B)(3)	Credit Underwriting; Borrower Eligibility
13.	With respect to automobile leases, what guidance should a lender follow as far as excluding a payment from DTI ratios in the event the lease is paid in full?	<p>Mortgagees need not include in the qualifying ratio payments any lease or installment loans that have been paid off. However, the Mortgagee must document that the funds used to pay off the accounts prior to closing came from an acceptable source, and the Borrower did not incur new debts that were not included in the DTI ratio.</p> <p>For additional information, see Handbook 4000.1 II.A.4.b.iv(A) and II.A.5.a.iv(A)(1) available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.4.b.iv(A) II.A.5.a.iv(A)(1)	Credit Underwriting; Liabilities
14.	Are lenders required to check non-borrowing spouses in CAIVRS?	<p>FHA requires Mortgagees to check Borrowers against CAIVRS, but does not require Mortgagees to check whether non-borrowers (including non-borrowing spouses) are listed in CAIVRS.</p> <p>For more information, see Handbook 4000.1 II.A.1.b.ii(A)(10)(a) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.1.b.ii(A)(10)(a)	Credit Underwriting; CAIVRS
15.	If a borrower is employed by a state-legalized marijuana business, is the borrower’s income	<p>Per Handbook 4000.1, “The Mortgagee may only consider income if it is legally derived and, when required, properly reported as income on the Borrower’s tax returns.” Per IRS regulations, income derived from trafficking in controlled substances is illegal, and under federal law, marijuana is a controlled substance.</p> <p>For additional information, see Handbook 4000.1 II.A.4.c.i and II.A.5.b.i available at:</p>	4000.1 II.A.4.c.i II.A.5.b.i	Credit Underwriting; Employment and Income

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
	eligible for an FHA-insured loan?	http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh .		
16.	Do business expenses need to be deducted when commission income is less than 25%?	FHA does not require tax returns to be obtained when commission income is less than 25%. The requirements for analyzing IRS forms in Appendix 2.0, including the requirement to deduct business expenses, apply only where FHA requires tax returns. However, if tax returns are required during the processing of the application in connection with other sources of income, mortgagees must analyze the tax returns in accordance with Appendix 2.0- Analyzing IRS Forms. For additional information, see Handbook 4000.1 II.A.4.c.ix, II.A.5.b.ix and Appendix 2.0 available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh .	4000.1 II.A.4.c.ix II.A.5.b.ix	Credit Underwriting; Employment and Income
17.	Can Mortgage Credit Certificates be used to reduce PITI?	Mortgage Credit Certificates refer to government mortgage payment subsidies other than Section 8 Homeownership Vouchers. The lender must verify and document that the governmental entity subsidizes the borrower's mortgage payments either through direct payments or tax rebates. The Mortgagee may deduct the amount of the Mortgage Credit Certificate from the PITI if it is paid directly to the servicer. Mortgage Credit Certificate income that is not used to directly offset the mortgage payment before calculating the qualifying ratios may be included as effective income. The lender must use the current subsidy rate to calculate the effective income. For additional information, see Handbook 4000.1 II.A.4.a.iii(A)(1), II.A.4.c.xii(D), II.A.5.b.xii(D), and II.A.5.d.vii(B) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh .	4000.1 II.A.4.a.iii(A)(1) II.A.4.c.xii(D) II.A.5.b.xii(D) II.A.5.d.vii(B)	Credit Underwriting; Employment and Income
18.	Can a lender obtain a case number prior to the 90-day waiting period for property resales (property flips)?	FHA will not endorse a mortgage for a Property that is being resold 90 Days or fewer following the seller's date of acquisition. There is no restriction based upon the date of case number assignment. For additional information, see Handbook 4000.1 II.A.1.b.iv(A)(3) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh .	4000.1 II.A.1.b.iv(A)(3)	Appraisal/Property Analysis; Property Flipping
19.	If a borrower enters into a rental agreement with a seller of a property after execution of the sales contract, is this	No, FHA defines identity of interest transactions "as a sale between parties with an existing Business Relationship or between Family Members." A contract execution between parties that had no landlord/tenant relationship at the time would not be an existing business relationship. If there is an existing tenant/landlord relationship, the identity of interest LTV restriction would apply unless the exception requirement for Tenant Purchase is met. For additional information, see Handbook 4000.1 II.A.2.b.ii(A) available at:	4000.1 II.A.2.b.ii(A)	Credit Underwriting; Borrower Eligibility

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
	considered an identity of interest transaction with an LTV restriction?	http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg .		
20.	If there is secondary financing involving a state housing finance agency and the lender advances the funds for the secondary financing at closing, must the secondary financing still be held by the government agency prior to endorsement?	<p>FHA requires the secondary financing by Government Entities to be “made or held by a Governmental Entity” [see Handbook 4000.1 II.A.4.d.iii(J)].</p> <p>Additionally, in accordance with HUD’s Interpretive Rule, Docket No. FR-5679-N-01, HUD does not interpret Section 203(b)(9)(C) of the National Housing Act to prohibit Governmental Entities, when acting in their governmental capacity, from providing the Borrower’s MRI where the Governmental Entity is originating the insured Mortgage through one of its homeownership programs.</p> <p>Where the Borrower’s MRI is provided by someone other than the Borrower, the Mortgagee must also obtain documentation to support the permissible nature of the source of those funds.</p> <p>To establish that the Governmental Entity provided the Borrower’s MRI in a manner consistent with HUD’s Interpretive Rule, the Mortgagee must document that the Governmental Entity incurred prior to or at closing an enforceable legal liability or obligation to fund the Borrower’s MRI. It is not sufficient to document that the Governmental Entity has agreed to reimburse the Mortgagee for the use of funds legally belonging to the Mortgagee to fund the Borrower’s MRI.</p> <p>For additional information, see Handbook 4000.1 II.A.4.d.iii(J), II.A.4.d.ii(B), and II.A.4.d.ii(C) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.4.d.iii(J) II.A.4.d.ii(B) II.A.4.d.ii(C)	Credit Underwriting; Secondary Financing
21.	Can a mortgagee collect a tax service fee at origination?	<p>With respect to loan origination, FHA does not regulate the individual fees charged in connection with the origination of a mortgage provided that they are reasonable and customary.</p> <p>For additional information, see Handbook 4000.1 II.A.4.d.i.(B)(2)(a), II.A.5.c.i.(B)(2)(a), and II.A.6.a.x.(B)(1) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg.</p>	4000.1 II.A.4.d.i.(B)(2)(a) II.A.5.c.i.(B)(2)(a) II.A.6.a.x.(B)(1)	Closing and Insuring; Allowable Closing Costs/Fees
22.	Can a mortgage servicer collect a fee for tax service?	With respect to servicing, FHA prohibits a fee for use of an independent contractor such as a tax service to furnish tax data and information necessary to pay property taxes.	4000.1 III.A.1.f.ii(C)	Forward Servicing; General Servicing

August 2016 Handbook FAQs				
Row #	FAQ	Answer	References	Category
		For additional information, see Handbook 4000.1 III.A.1.f.ii(C) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg .		
23.	Can deferred interest be paid off as a rate and term refinance as part of the maximum mortgage amount or must it be treated as cash out?	FHA permits any interest due on the existing Mortgage(s) to be included in the maximum mortgage amount for a rate and term refinance. For additional information, see Handbook 4000.1 II.A.8.d.vi(A)(2)(b) available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg .	4000.1 II.A.8.d.vi(A)(2)(b)	