



## FHA Product Profile

Overlays to FHA are Underlined.

Clients must be specifically approved by Windsor to deliver FHA mortgages.

### Maximum LTV/FICO Requirements

Loan Type	LTV/CLTV	Min Fico	
Purchase	96.5%**	<u>600***</u>	<i>*See Down Payment Assistance and Secondary Financing section for CLTV limitations</i> <i>**See HUD REO section for HUD REO LTV/CLTV exceptions</i> <i>***See AUS/Manually Underwritten section for credit scores between 600-619. High Balance minimum score is 620</i>
No Cash Out Refinance	97.75%	<u>600***</u>	
Cash Out Refinance	80.00%	<u>600***</u>	

**See FHA Streamline Product Profile Streamline requirements**

### Mortgage Insurance Premium Requirements

>15 Year Term			<15 Year Term			For base loan amounts equal to or less than \$726,200
LTV	UFMIP	Annual	LTV	UFMIP	Annual	
>95%	1.75%	0.55%	>90%	1.75%	0.40%	
≤95%	1.75%	0.50%	≤90%	1.75%	0.15%	
>15 Year Term			<15 Year Term			For base loan amounts greater than \$726,200
LTV	UFMIP	Annual	LTV	UFMIP	Annual	
>95%	1.75%	.75%	>90%	1.75%	0.65%	
≤95%	1.75%	.70%	78.01-90%	1.75%	0.40%	
			≤78%	1.75%	0.15%	

### Ability to Repay and Qualified Mortgage Rule

- For loans subject to the ATR/GM rule, Windsor Mortgage will only purchase loans that comply with ATR/QM requirements.
  - Note: Investment properties which are for business purposes (borrower does not intend to occupy for greater than 14 days in the year) are exempt from ATR/QM; however, such loans must meet agency eligibility requirements for providing evidence of compliance with the ATR/QM rules.
- Correspondents are responsible for providing evidence of compliance with the ATR/QM rules.
- Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans.
- See Seller Guide section "Ability to Repay and Qualified Mortgage Rule" under "Delivery Procedures" for more details.

### Age of Documents

- Credit documents must be no more than 120 days old on the disbursement date, including credit reports and employment, income and asset documents.
- Preliminary Title Policies must be no more than 90 days old on the date the note is signed.

## Appraisals

- A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004 MC) is required for all submissions
- Appraisers may perform an update of a previously completed appraisal using the Fannie Mae Form 1004D/Freddie Mac Form 441/March 2005 when requested by the Mortgagee.
- Properties with unpermitted secondary kitchens may be eligible if:
  - It is common for the area
  - No negative impact on marketability
  - Appraiser comments on quality of construction, any health/safety issues, any soundness issues, which must meet FHA requirements
- Properties with additions and converted living space may be acceptable when the property meets FHA's requirements. See 4000.1 II.D.3.d for complete details. In general:
  - The Appraiser must treat room additions and garage conversions as part of the GLA of the dwelling, provided that the addition or conversion space:
    - Is accessible from the interior of the main dwelling in a functional manner
    - Has a permanent and sufficient heat source
    - Was built in keeping with the design, appeal, and quality of construction of the main dwelling
- Room additions and garage conversions that do not meet the criteria listed above are to be addressed as a separate line item in the sales grid, not in the GLA.
  - The Appraiser must address the impact of inferior quality garage conversions and room additions on marketability as well as Contributory Value, if any.
- Properties with evidence of commercial production of marijuana, including but not limited to grow rooms, or hydroponics equipment, are ineligible.
- All loans must be registered with MERS at time of delivery to Windsor and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller, to Plains Commerce Bank, within 24-hours of purchase.

## AUS/Manual Underwriting

- Manual UW allowed with Overlays noted below
  - Minimum Credit Score: 600 All borrowers must have a score
  - Minimum Credit Score: 620 when one borrower has NO Score.
    - Three non-traditional credit providers required for borrower with no score. Follow 4000.1 for acceptable types of non-traditional credit
    - Gift Funds NOT allowed when one borrower doesn't have a credit score
  - 24 month housing history required. Follow 4000.1 handbook for late payments. If borrower is living rent free, need LOX signed by borrower and owner of house plus county documentation supporting owner owns house.
  - Refer to 4000.1 handbook for additional guidelines
- 600-619 Credit Scores (Approve/Eligible)
  - 12-month VOR/VOM showing no late payments. If borrower is living rent free, need LOX signed by borrower and owner of house plus county documentation supporting owner owns house.

## Borrower Eligibility

- U.S. citizens
- Permanent resident aliens, with proof of lawful permanent residence
- Nonperm resident alien immigrants with proof of lawful residence (Review Windsor's Non-US Citizen guide)
- Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income. However due to operational constraints, transactions involving HAPs paid directly to the Servicer are ineligible for purchase by Windsor. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.
- Windsor allows Mortgage Credit Certificates (MCCs) in accordance with FHA policy (can be considered as acceptable income or used to offset the mortgage payment, before calculating the qualifying ratios). Include a copy of the MCC and lender's documented calculation in the file.
- Borrowers with an existing FHA insured mortgage on their own Principal Residence may qualify as a non-occupying co-Borrower on other FHA-insured Mortgages.
- Borrower or properties with previous Mortgage Credit Rejects (MCR) are eligible but are heavily scrutinized. Must document what the borrower did to overcome the MCR.
- Occupant borrower and non-occupant co-borrower must share a relationship that meets the requirements for an eligible gift donor under FHA guidelines.
- Limited to 4 natural persons per loan application

## Building On Own Land

- Borrower must have contracted with a builder to construct the dwelling. The builder must be a licensed general contractor.
- Adjusted value must be used to determine the LTV and maximum loan amount.
- No Manufactured Homes
- Land purchase documents required such as Warranty Deed, Closing Disclosure, Promissory Note, etc.
- Closing Costs, prepaid and discount points can NOT be included in the loan amount. Must be paid at closing.
- Purchase agreement required between the borrower and builder.
- Borrower paid extras over and above the contract specs can replenish cash expenditures (will need receipts and proof of funds used)
- New Construction requirements still apply.
- Additional guidance, please follow 4000.1 guidelines.

## Condominiums

- Must be located in an FHA approved Condominium Project or Single Unit Approval needed.
- HUD REOs do not require FHA Condominium Project approval
- Condominiums involved in minor litigation subject to DE approval and in accordance with FHA requirements.

## Credit

- Minimum FICO score of 600\*\*\* (See Underwriting Method section < 620)
- Installment debt must be paid in full to be excluded. Borrowers may not pay down installment debts to less than 10 months to exclude the debt for qualifying.
- Must have SSN. ITIN not accepted

## Credit (Derogatory)

- 2 years elapsed since completion or discharge of Ch 7 or Ch 13 Bankruptcy, to case number assignment date. Less than 2 years on Chapter 7 or less than 12 month payout period on Chapter 13 will require a manual downgrade (or will receive Refer/Eligible findings). Refer to 4000.1 for manual underwriting guidance and AUS/Manual Underwriting section for overlays.
- 3 years elapsed since completion of Foreclosure, Deed in Lieu or Short Sale, to case number assignment date. Less than 3 years will require a manual downgrade (or will receive Refer/Eligible findings). Refer to 4000.1 for manual underwriting guidance and AUS/Manual Underwriting section for overlays
- Purchase or Rate/Term refinances require manual downgrade if payment history for any mortgage, including HELOCs, reflect 3x30x12, or 1x60x12 plus 1x30x12, or 1x90x12 within the most recent 12 months.
- Cash-Out refinance requires manual downgrade if payment history for any mortgage, including HELOCs, reflects current delinquency or any delinquency within 12 months of case number assignment.

## Collections:

- If the total outstanding balance for all borrowers is less than \$2,000, a capacity analysis is not required to be performed.
- If the total outstanding balance for all borrowers is equal to or greater than \$2,000 at time of underwrite, lender must perform a capacity analysis. Capacity analysis includes:
  - Payment in full of collection accounts, prior to or at closing, along with documentation of acceptable source of funds,
  - Borrower makes payment arrangements, and provides proof of arrangement with payment included in DTI, or
  - 5% of the outstanding balance of each collection account is included as monthly payment in DTI.
- Non-borrowing spouse collection accounts ARE included in cumulative balance.
- Medical collections and charge offs are excluded.
- Judgments: Judgments must be paid prior to or at closing. An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. Provide a copy of the agreement and proof of 3 months payments made prior to credit approval. Borrowers may not prepay the scheduled payments to qualify.

## Disputed Accounts:

- If the credit report utilized by TOTAL Mortgage Scorecard indicates that the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts, the Mortgage must be downgraded to a Refer and manually underwritten.
- Cumulative outstanding balance of disputed derogatory accounts less than \$1,000: Manual downgrade NOT required.
- Disputed medical accounts and disputed derogatory accounts resulting from identity theft may be excluded from the \$1,000 limit. Identity theft documentation must be provided.

## Disputed Derogatory Accounts Defined As:

- Disputed charge off accounts
- Disputed collection accounts
- Disputed accounts with late payments in the last 24 months

The following disputed non-derogatory accounts are not included in the \$1,000 limit:

- Disputed accounts with \$0 balance,
- Disputed accounts with late payments 24 months or older, or
- Disputed accounts that are current and paid as agreed

## Tax Liens:

- May remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.
- Lender must provide proof of satisfactory payment agreement, and minimum of three months timely payments and include payment into DTI

## Disaster Policy

- Windsor Mortgage may require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Windsor disaster policy located in the Seller's Guide for full details.

## Documentation Type

- Tri-merge credit report or mortgage account(s) rating report (includes credit score) is required.
- Additionally, if income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from IRS are required.
- A 4506-C, signed at application and closing, is required for all transactions
- For self-employed borrowers the verbal verification of employment must be completed within 120 days prior to the note date.
- Handwritten Verification of Mortgages (VOM) or Verification of Rents (VOR) are not eligible
- Income or assets derived from the production or sale of marijuana are ineligible for qualifying.

## Down Payment Assistance & Secondary Financing

- Down Payment Assistance programs from government entities are permitted in accordance with FHA's guidelines. DPA's are acceptable as long as the underwriting is done by the DPA authority.
  - Trade Unions, etc. are not permitted
  - No maximum CLTV when the second is provided by a government entity.
- Secondary financing from family members allowed in accordance with FHA's guidelines. Maximum CLTV is 100%.
- All other sources of secondary financing must meet FHA's requirements. Maximum CLTV is 96.5%.
- See 4000.1 for FHA secondary financing requirements.

## Eligible Mortgage Products

- Fixed Rate: 10, 15, 20, 25, & 30 year terms (FHA High Balance allowed on all terms)
- Section 203(b) Basic with ADP code of 703
- Section 234(c) Condominiums with ADP codes of 734
- CMT ARM: 5/1 (1/1/5 caps) and 7/1 (2/2/6 caps) (FHA High Balance ARMs are allowed)
- Simple Refinances allowed in accordance with FHA's guidelines
- For Streamline Refinance transaction, please refer to the FHA Streamline Refinance Product Profile

## Escrow Holdbacks

Escrow holdbacks are allowed in accordance with FHA guidelines, including not limited to:

- A post funding stipulation for a copy of a 1004D confirming completion will be placed on loans where the appraisal is "subject to" improvements.
- A post funding stipulation for a final title policy endorsement that ensures the priority of the first lien will be required on any loan where the appraisal is "subject to" improvements.
- A copy of the escrow agreement (HUD 92300 on FHA loans) will be required that states how the escrow account will be managed and how the funds will be disbursed.
- Escrow Holdback to be 1.5x the higher of 2 bids. If New Construction, 1 bid from builder is sufficient

## Financing Concessions/Tax Proration

- Financing concessions cannot exceed 6% of the sales price.
- Tax Proration – Loan must be approved without use of tax prorations to decrease closing costs, prepaids or down payment.

## High Cost / High Priced

- Windsor Mortgage will not purchase High-Cost Loans
- Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require:
  - Establishment of an escrow account for taxes and insurance premiums on any transactions secured by principal residence.
  - Must meet all applicable state and/or federal compliance requirements.

## HUD REO Transactions

- Owner-occupied transactions allowed
- Approve/Ineligible due to LTV/CLTV is acceptable for owner-occupied transactions only
- 110% of the estimated cost of the repairs, not to exceed \$11,000, may be included in the mortgage amount. See 4000.1 II.A.8.o for full details.
- Title policy is not required
- 1004D or CIR HUD 92051 required to confirm repairs are completed, which may be provided post-funding.
- Note: Windsor allows HUD's \$100 Down and Good Neighbor Next Door programs.

## Identity of Interest Transaction

- Generally, the maximum LTV percentage for Identity-of-Interest transactions on Principal Residences is restricted to 85%, see 4000.1 II.A.2.b.ii (A) for exceptions.
- An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members.
- Business Relationship refers to an association between individuals or companies entered into for commercial purposes.
- Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:
  - Child, parent, or grandparent
    - A child is defined as a son, stepson, daughter, or stepdaughter, spouse or domestic partner
  - A parent or grandparent includes a step parent/grandparent or foster parent/grandparent;
  - spouse or domestic partner
  - legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption
  - foster child
  - brother, stepbrother; sister, stepsister
  - uncle or aunt
  - son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law for the Borrower

## Ineligible Mortgage Products

- Condotels
- Cooperatives
- Hotel Condominiums
- Timeshares
- Working Farms and Ranches
- Unimproved Land
- Currently in litigation

## Loan Limits

- FHA mortgage limits for all areas are available at <https://entp.hud.gov/idapp/html/hicostlook.cfm>
- Refer to Rate Sheet for High Balance price adjustments.
- Minimum Loan amount \$50,000

## Loan Purpose

- Purchase
- Limited Cash-Out/Rate & Term Refinance
  - Includes Simple Refinances meeting FHA requirements
  - Proceeds can be used to pay off an FHA or non-FHA first mortgage regardless of age
  - Proceeds can be used to pay off any juror liens related to the purchase of the subject property, or that are seasoned at least 12 months
  - Pay related Closing Costs and Prepaid Items
  - Disburse cash out to the Borrower in an amount not to exceed \$500
- Cash-Out
  - When property was inherited less than 12 months ago, see 4000.1 II.A.8.d
  - Borrower must be 0x30x12 on the subject mortgage history
  - Non-occupant co-borrowers may not be added in a cash out refinance transaction in order to meet FHA's credit underwriting guidelines for the mortgage. Any co-borrower or co-signer being added to the note must be an occupant of the property.
  - To meet Ginnie Mae seasoning requirements: the borrower must have made at least six consecutive payments on the loan being paid off and the first payment due date of the loan must be at least 210 days after the first payment due date of the refinanced loan.

## Loan Purpose: Ineligible Transaction

Intra-family purchases as a means to obtain cash-out for the seller while avoiding cash-out qualifications and pricing are not eligible transactions. These types of transactions may seem to meet Agency guidelines, they are not bona fide purchase transactions and therefore not eligible for purchase by Windsor. Unacceptable transactions of this type may have some or all of the following characteristics:

- Gift of equity from the seller
- Large amount of seller credits
- Family member remaining in the home and on title after the "purchase"
- Large amount of seller credits
- Seller unable to qualify for a cash-out transaction of their own

## Manufactured Homes

- 640 Minimum Credit
- 50% DTI
- Accept Eligible – No Manual Underwrites
- 400 SQ FT Double or Triple Wide
- No Leasehold or condo Projects
- Engineer Certificate Required

## Property: Eligible Types

- PUDs
- 2-4 Units
- Manufactured Homes \*see manufactured homes section
- Condominiums
- Single Family Attached/Detached

## Property Flipping Policy

- Properties resold 90 days or fewer following the date of acquisition by the seller are not eligible for FHA financing unless the loan meets the exceptions set forth in 4000.1.A.1.b.iv (A)(3). The date of acquisition is defined as date of settlement on the seller's purchase of the property. The resale date is defined as the date of execution of the sales contract by as buyer intending to finance the property with an FHA-insured loan.
- Properties resold between 91 and 180 days after acquisition require a second appraisal by a different appraiser if the resale price is 100% or more the price paid by the seller when the property was acquired.

## Qualifying

- Fixed rate qualify at the Note rate.

## Recently Listed Properties

- No Cash-Out Transaction – Allowed when the property is listed for sale. The property and the borrower must be eligible and qualified for the refinance.
- Cash-Out Transaction – the listing must have expired or been withdrawn prior to the application date.  
*Note: if the property was lifted in the prior 30 days to the application date, the Early EPO provision will be extended to one year.*

## State Restrictions

- Texas 50 (a)(6) refinance mortgages are NOT eligible

## Tax Transcripts

- Tax transcripts are required for all loans when Tax Returns are needed to qualify.
- When tax transcripts are provided, they must support the income used to qualify.
- A properly executed 4506-C is required.
- If tax transcripts are not available (due to a recent filing for the current year) a copy of the IRS notice showing "No record of return filed" is required along with documented acknowledgment receipt (such as IRS stamped tax returns or evidence that the return was electronically received) from the IRS and transcripts from the previous 2 years. (Exception basis)

## Temporary Buydown

Allowed subject to the following:

- Max total interest rate reduction of 2%, max increase per year of 1% (2/1 Buydown only)
- Maximum 2 year to reach standard Note Rate
- Minimum 640 FICO
- AUS approve/eligible
- Primary purchases only
- Manufactured homes ineligible
- Fixed rate 30-year term
- Borrower or lender funded buydown accounts are ineligible, must be seller funded
- Must meet all other applicable FHA or VA requirements, including but not limited to qualification, documentation of buydown, and funding of buydown.

## Up Front Mortgage Insurance Premium (UFMIP)

A copy of the FHA Connection Case Query evidencing receipt of the UFMIP must be included in the loan file at the time of delivery.

**Seller shall deliver loans that were originated in accordance with the Federal Housing Administration Handbook, unless otherwise noted in the Windsor Seller's Guide.**

Windsor does not discriminate in any aspect of a credit transaction on the basis of sex, gender identity or expression, sexual orientation, marital status, familial status, race, color, ethnicity, religion, national origin, age, handicap or disability status, income derived from public assistance, military status or the good faith exercise of rights under the Consumer Credit Protection Act.