FHA standard balance product

<table>
<tr><td>Documentation Requirements</td><td colspan="3">All loans must meet standard FHA loan documentation and qualification requirements</td></tr>
<tr><td>Exceptions</td><td colspan="3">Exceptions to guideline requirements (made on a case-by-case basis with Sr. Mgmt. approval)</td></tr>
<tr><td rowspan="4">Owner Occupied Only

560 Minimum FICO

640 minimum FICO required on FHA 203k Loans</td><td>Property Type</td><td>Purchase and R/T- LTV's</td><td>Cash Out LTV's</td></tr>
<tr><td>1-4 Unit</td><td>P 96.5% and R/T 97.75%</td><td>80%</td></tr>
<tr><td>1-4 Unit</td><td>P 96.5% and R/T 97.75%</td><td>80%</td></tr>
<tr><td><600-580 FICO
<580-560 FICO</td><td>P 85.00% and R/T 85.00%
P 80.00% and R/T 80.00%</td><td>80%</td></tr>
<tr><td>Terms/Product</td><td colspan="3">• Fixed: 30,25,20 and 15 Yr. only 5/1 CMT ARM 1/1/5 CAPS 1.5% Margin
• Loan amounts limits https://entp.hud.gov/idapp/html/hicostlook.cfm</td></tr>
<tr><td>FHA One Time Close Construction Loan</td><td colspan="3">• 650 credit score for Stick Built Homes
• 650 credit score for Manufactured Homes
• 30-year term loans
• 120-, 180-, 270-, and 360-day terms</td></tr>
<tr><td>Underwriting Details</td><td colspan="3">• All loans are run through DU or LP w/AUS approval
• Manual Underwrites possible on case by case – <u>Consult your Account Executive</u>
• All loans require a signed 4506c
• Gift funds need to be sourced and verified in borrowers' account prior to CTC
• VOE required on all hourly compensated borrowers - (required on most/all loans), breaking down income. (Examples- new job, job gaps, pay raise, etc.)
• Variable hourly Income- may require additional information and documentation
• Most recent 2 months bank statements required
• All Earnest Money must be verified, sourced, and documented to be used as part of the down payment requirement
• Verbal Verification of employment is required prior to closing
• Cash out loans are not permitted in Texas (FHA)
• Resale-deed restrictions are not permitted
• Non-Traditional Credit/ No Score Policy- Click n' Close, Inc. will approve a true "no score" loan on an exception basis. Please refer to mortgage letter 2008-11. Have your Account Executive review the credit report or non-traditional trades before submitting the application. Loan will be priced as a "no score loan". EXCEPTION ONLY
• Cash out Transaction requires a LOX verifying reason for cash under the following circumstance- if only the mortgage is marked as being paid off by the Cash out refinance and no other debts on the 1003 are indicated as being paid by the transaction.
• FHA Handbook: https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1</td></tr>
<tr><td>Manufactured Homes (Multi wide Only)</td><td colspan="3">• 10 Acres Max
• Gift of Equity not allowed on Manufactured Homes
• 600 Credit Score Required - 660 for Low Balance
• Property must meet HUD guidelines</td></tr>
<tr><td>Credit Score</td><td colspan="3">• 580 - Lower of 2 or Middle of 3 repositories. - (580 - Cash out) (700 -Cash out MH)
• 640 – Required on 203k Loans</td></tr>
<tr><td>Down Payment</td><td colspan="3">• 3.5% down payment required on Purchase transactions (gift funds allowed)</td></tr>
<tr><td>SmartBuy DPA</td><td colspan="3">• See Smart Buy Product and Procedures</td></tr>
</table>

Seller Contributions	• Maximum 6% of sales price- limited to the following • Buy-down funds (if applicable) • Seller Paid Closing costs • Discount Points • Prepaid Expenses • UFMIP

Seasoning for a Refinance	• Effective with commitments issued **on or after March 1, 2018**, Click n' Close, Inc. is aligning with Ginnie Mae's seasoning requirements announced in Ginnie Mae APM 17-06.
	• Streamline and cash out refinance transactions are only eligible if:
	  • The borrower has made at least six consecutive monthly payments on the loan being refinanced, beginning with the payment made on the first payment due date, **and**
	  • The first payment due date of the refinance loan occurs no earlier than 210 days after the first payment due date of the loan paid off through the transaction.
	• This update will impact on FHA cash out and all VA refinances. FHA Streamline transactions must continue to meet FHA's seasoning requirements.
	• Loans that do not meet this seasoning requirement must be purchased on or before March 15, 2018, with a first payment date no later than April 1, 2018

FHA Property Flipping Overview	• FHA financing is subject to strict anti-flipping regulations. Please review the following criteria carefully before submitting or disclosing an FHA loan involving a resale transaction: • 90-Day Rule- Properties resold within 90 days of the seller's acquisition (based on the time between the recorded deed date and fully executed sales contract date) are **not eligible for FHA financing**. • Flipping Restrictions: 1003 Application Date, Initial Disclosures, Loan Estimate, FHA Case Number Assignment and Appraisal report date. If any of these are dated prior to the 91st day, the loan and all FHA-related documents are ineligible and must be **declined or withdrawn**. • 91–180 Day Rule: If the property is being resold between 91–180 days with a price increase exceeding 100%, a second FHA appraisal is required. The cost of this second appraisal must be covered by the branch/division. Borrowers may not be charged **Helpful Tips:** • Request title-work as quickly as possible, you will need the Recorded Deed of Trust to determine eligibility. • Pull a DataVerify DRIVE report as soon as possible after receiving the sales contract. The report is very accurate at detecting a potential flip. If a flip is indicated, contact the title company ASAP for the Deed of Trust. • Do not order your appraisal pre-maturely. If an appraisal inspection has already been completed, it cannot be altered or refunded. This can be very costly for your borrower's time and money! • Double check your calculation of days. Online tools like Calculator.net can count the days for you, just be sure to include the end day.

Flipping overview Continued	**How to Calculate the 91st Day for FHA Flip Rule** To determine if a property meets FHA's 91-day flip requirement: 1. Start Date: Use the **recording date** of the seller's Deed (not the date it was signed). 2. End Date: Use the **most recent date** of all parties signing the **fully executed** sales contract. 3. Both the Start and End Dates are included days. 4. Count all calendar days, do not exclude weekends or holidays. 5. You may not proceed with FHA financing until the 91st day begins. **Example:** • Seller signs Deed of Trust: 4/1/25 • Deed recorded: **4/5/25 (start date)** • Buyer signs sales contract: 7/1/25 • Seller signs sales contract: **7/3/25 (end date)** Count from 4/5/25 to 7/3/25. That's 90 days — the contract is not eligible for FHA financing until the 91st day. The next day, 7/4/25 marks 91 days, this is the soonest date you may execute a sales contract, assign a Case Number, sign the LE/ Disclosures and order the appraisal.
Community Sponsored DPA Assistance	• Subject to approval by Click n' Close • Borrowers who choose to make a down payment may use a government or Municipal Down Payment Assistance Program (DPA). • First Mortgage sold to Click n' Close is not subject to terms of a bond program • DPA- cannot restrict the transfer of servicing rights for the first mortgage or require prior notification or approval from the sponsoring authority in the event of the transfer of the first mortgage's servicing rights
3rd Party Processing Co's	• If utilizing a 3rd party for processing services- will require a 3rd party invoice
Subordinate Financing	• Approved DPA's permitted
Reserves	• Reserves required for 3–4-unit properties – 3-month PITI • Manual Underwrites require 1 months PITI reserves
Mortgage/Rent History	• Follow AUS findings unless credit is limited then underwriter has the discretion to request a bona-fide VOR or 12 months cancelled checks
Occupancy	• Owner Occupied Primary residence only. (acceptable non-occupying co-borrowers are allowed)
Debt to Income Ratio	• Follow AUS findings
Bankruptcy	• Minimum 2 Years from date of case number assignment
Foreclosure	• Minimum 3 Years completed. Seasoning based off the property transfer date from date of case number assignment
Property Types	• Single Family Attached and Detached, Condo, PUD and Manufactured Homes (Manufactured homes require a 580 score and a limit of 10 acres)
Condominium	• Condominium must be currently approved by HUD (FHA). • Single Unit Approval is allowed
Mortgage Insurance	• 1.75% UFMIP
Cash out	• 80 % (minimum FICO of 580 required)
Appraisal	• Full FHA 1004 Appraisal is required. • Wholesale orders appraisals through Mortgage Machine portal • Non-Delegated Correspondents- order appraisals through their AMC's
Escrows	• Escrow of Tax, Insurance and MIP are required on all loans.

Number of Financed Properties	• Limit to one FHA financed property unless applicants meet FHA special criteria for exception
Non-Arm's Length Transactions	• Allowed – must meet HUDs "Identity of Interest" guidelines
Nom-Permanent Resident Aliens	• Effective Date: Case numbers assigned on or after May 25, 2025 • Borrowers must now meet one of the following criteria to be eligible for FHA financing: • Be U.S. Citizen, *or* • Be a Lawful Permanent Resident (Green Card holder), *or* • Be a citizen of the Federated States of Micronesia, Republic of the Marshall Islands, or Republic of Palau • Non-Permanent Residents are no longer eligible, including: DACA Recipients, Borrowers with temporary protected status (TPS) or Borrowers with pending asylum (eg. C08 Category)) • We've received questions regarding renewal applications and special status categories. Please see these important clarifications: • For any remaining Case Numbers, a renewal application (Form I-765) is not sufficient documentation. • Borrowers must provide an unexpired EAD valid for at least 12 months beyond the closing date. • C08 EADs (asylum applicants) are not acceptable. Asylees are not considered lawful permanent residents unless and until they receive permanent status after one year of being granted asylum. • FHA moving forward requires lawful permanent residency or U.S. citizenship for eligibility — no exceptions.
Eligible States	• Eligible in all Click n' Close licensed states.
Paying off revolving det to qualify	• If a purchase & revolving debt is being paid off to qualify for the new loan – the revolving debt needs to be paid of prior to close and supplement obtained.
IRS Tax Transcript and W2 Transcript Policy	• If Tax Returns are submitted with the file- IRS transcripts will be required. • No Transcripts are required when all income information used to decision a loan is made exclusively of wage earner income reported on a W-2 and /or fixed income reported on a 1099 (Ex. Social Security or VA benefits), unless required by AUS. • Self-employed and rental income will require tax transcripts • Instances where Tax Transcripts would be required regardless of income and employment sources. ▪ Handwritten paystubs are used as verification of income ▪ Borrower(s) is employed by a family member ▪ Relationship between the parties ▪ Borrower and Seller are related ▪ Borrower is employed by the Third-Party Originator Company ▪ the underwriter's or QC discretion, if needed to verify income calculations or to address red flags ▪ If Tax returns are delivered with the file at time of application

Well and Septic Systems	• Please refer to Mortgagee letter Mortgage Letter 2002-25
	• For FHA, we would require inspection in these circumstances
	    ▪ Inspections requirement showing sales contract
	    ▪ Appraiser notates irregularity in appraisal
	    ▪ State requirements- inspection on all purchases

Low Balance Product	Min 700 FICO