

Issue Date: **9.11.2015**

Effective Date: **9.14.2015**

No: **2015-09-01**

New FHA Handbook 4000.1

Effective with FHA Case Numbers ordered on or after September 14, 2015, [FHA Handbook 4000.1](#) "Origination through Post-Closing/Endorsement" goes into effect. This handbook supersedes all prior handbooks and mortgagee lenders with regard to FHA Credit Policy and Administration, with only a few sections omitted to be published later in the year.

Below is an abbreviated list of some of the highlighted changes appearing in the new handbook. This is not an all-inclusive list, and originators are encouraged to review all applicable changes in order to be in compliance as of the effective date.

1. Clarity for manual downgrades from a Total Scorecard Approval
 - (i) Bankruptcy Date is measured by date of discharge through date of case number assignment
 - (ii) Undisclosed mortgage debt
2. Non-taxable income must only be "grossed up" 15%. In order to utilize a higher gross up percentage, the borrower's tax bracket must be documented.
3. Nonprofit entities may now provide secondary financing to FHA borrowers without CLTV cap.
4. The CLTV cap for existing subordinate financing on Streamline Refinances has been removed.
5. Net tangible benefit requirements for streamline refinances now include a reduction in term.
6. Installment debt with < 10 months remaining may be excluded in qualifying DTI if the payment is < 5% of borrower's gross monthly income. Pay-down of debt to achieve this amount is not permitted.
7. Clarity on accounts without payments on credit, authorized user, and 30 day accounts
 - (i) Student Loans must be used in DTI calculations even if currently deferred or in forbearance and must be qualified at 2% of the balance owing if no payment is printed on credit report. Documentation may be provided for a lower payment.
8. A new product: "Simple Refinance" was created to replace "Credit Qualified Streamline Refinance."
 - (i) FHA to FHA only up to 97.75% LTV, regardless of length of ownership
 - (ii) No subordinate financing may be in place
 - (iii) No special terms (i.e. buy out spouse, etc.)
9. A rate & term refinance is now limited to 85% LTV if borrower has not owned the property for at least 12 months.
10. The use of the word MUST versus the use of the word May determines any latitude available
11. Alimony and Child Support to be averaged if variance exists
12. IPC's may be used to reimburse POC items provided they were not paid by credit card however may not use as 3.5% required down payment
13. Taxes paid in arrears is now stated as available for use of Minimum Required Investment
14. Tax Service Fee is now an FHA allowable charge to the borrower

Reminder: Total Scorecard is a tool and not a substitute for the Mortgagee's reasonable consideration of risk and credit worthiness. Mortgagees using Total remain solely responsible for prudent underwriting practices and final underwriting decision.

Archived Webinars and course handouts are available for the new handbook: [Click Here](#)