



DU[®] User's Guide for FHA Loans

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Foreword

Introduction

Loan applications for mortgages insured by the Federal Housing Administration (FHA) can be processed using the Government Underwriting Service of Desktop Underwriter® (DU®). This reference manual, the *DU User's Guide for FHA Loans* (Guide for FHA Loans), provides detailed information on data entry requirements and system functionality for submitting FHA loan applications to DU.

Note: While the Guide for FHA Loans provides information related to FHA underwriting guidelines, any such information or instructions are for the purpose of helping lenders ensure accurate data entry and in no way are intended to interpret, explain, or supercede FHA's guidelines or requirements.

DU uses the *FHA Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard* to evaluate the overall creditworthiness of the applicants based on a number of credit variables. For details on lenders' responsibilities pertaining to FHA loans processed through DU – and for information on FHA guidelines – refer to the *FHA TOTAL Mortgage Scorecard User Guide*, which is published by FHA.

For questions concerning FHA guidelines, contact your FHA Regional Homeownership Center or your sponsoring lender.

DU uses the TOTAL Mortgage Scorecard for FHA loans. The use of DU for FHA loans, including the use of the TOTAL Mortgage Scorecard, is governed by the Fannie Mae Software Subscription Agreement and the DU (Expanded Use Version) Schedule. FHA lenders that have not executed these documents should contact their Fannie Mae customer account team.

Definitions

Desktop Underwriter

Desktop Underwriter (DU) is Fannie Mae's automated mortgage loan underwriting system, which was developed to help lenders make informed lending decisions on conventional conforming, FHA and VA loans. DU – in conjunction with the FHA TOTAL Mortgage Scorecard – features fast, objective risk classification, reduced data entry requirements, reduced documentation, and comprehensive underwriting reports.

DU Government Underwriting Service

The Government Underwriting Service is the component of DU that processes FHA and VA mortgage applications. FHA loans are analyzed by

the FHA TOTAL Mortgage Scorecard; VA loans are analyzed by the pmiAURA model.

Desktop Originator[®]/Desktop Underwriter (DO[™]/DU) user interface

The DO/DU user interface is Fannie Mae's online tool for entering data, ordering credit reports, submitting loan applications to DU, and managing the automated underwriting process. Registered users can log in to the DO/DU user interface by going to www.eFanniemae.com. You will need to enter your DO/DU user ID and password to log into the DO/DU user interface.

FHA

Federal Housing Administration

FHA DE underwriter

To participate in FHA's mortgage insurance program, HUD requires that FHA lenders employ Direct Endorsement (DE) underwriters. It is the lender's responsibility to ensure that DE underwriters meet the qualifications outlined in HUD Handbook 4000.4 REV-1.

FHA TOTAL Mortgage Scorecard

The FHA TOTAL Mortgage Scorecard works with DU to process FHA single-family loan applications and provide underwriting recommendations to help determine a loan's eligibility for insurance by FHA. The FHA TOTAL Mortgage Scorecard determines whether the borrowers' credit and capacity for repayment of the mortgage appear to meet FHA guidelines, in which case the loan would receive an Approve recommendation, or whether the loan should be referred to a DE underwriter for further consideration and review.

For all FHA loans, regardless of the underwriting recommendation, a DE underwriter must underwrite the appraisal outside of DU in accordance with standard FHA guidelines.

FHA's *TOTAL Mortgage Scorecard User Guide*

This User Guide is provided by FHA to assist lenders using the TOTAL Mortgage Scorecard in conjunction with various automated underwriting systems, which include DU.

HUD

U.S. Department of Housing and Urban Development

Loan application

The term “loan application” in this manual refers to Fannie Mae’s online version of the Uniform Residential Loan Application (Form 1003) in the DO/DU user interface. The online loan application is available in two formats: Quick 1003 and Full 1003. The Quick 1003 allows you to submit a loan to DU with a minimal set of loan data, primarily for a quick underwriting recommendation. The Full 1003 allows you to complete all data fields. However, regardless of whether you use the reduced set of data fields in the Quick 1003 or the complete set of data fields in the Full 1003, only the required (minimal) data elements are evaluated to provide an underwriting recommendation and determine loan eligibility.

Loan application sections

Data entry instructions for FHA loans are provided for the following sections within the loan application:

- Type of Mortgage and Terms of Loan
- Subject Property, Address, and Purpose of Loan
- Borrower Information
- Employment Information
- Monthly Income and Combined Housing Expense
- Assets
- Real Estate Owned
- Liabilities
- Details of Transaction
- Declarations
- Information for Government Monitoring Purposes
- Additional Data
- FHA Government Information

Loan List screen

The Loan List screen in the DO/DU user interface lists the loans that are in your pipeline and displays available functions, including Create Loan, Import Loan, Refresh Data, and Loan Search. A picture of the Loan List screen appears below:

The screenshot displays the 'Loan List' interface in the DU Desktop Underwriter system. At the top, there are navigation links for 'Help Center', 'Training', and 'Contact Us', along with user options like 'Log Out' and 'Account Administration...'. The main search area includes a dropdown for 'Institution' set to 'Documentation Lender', a 'Last Modified Range' dropdown set to '<= 30 days', and a 'Find Loan' button. Below this, a table lists search results with columns for Loan Number, Multiple Products?, Borrower, Last Modified, Credit Status, Underwriting Status, Underwriting Recommendation, Originator Name, Submission Type, and Product. Two results are visible: one for a Homeowner and one for America. The interface also features buttons for 'Create Loan', 'Import Loan', and 'Refresh Data'.

Data entry instructions

All data entry instructions in this guide are provided specifically for the online loan application for FHA loans in the DO/DU user interface for submission to DU. Lenders are responsible for determining that all appropriate data is properly transmitted to DU.

How the Guide for FHA Loans is organized

- [Chapter 1, FHA Information](#), beginning on page 13, provides information about the FHA TOTAL Mortgage Scorecard and the FHA loan programs that are available through DU.
- [Chapter 2, Loan Data for FHA Loans](#), beginning on page 17, explains how to enter the data that DU requires for processing FHA loans submitted to DU.
- [Chapter 3, Fannie Mae Underwriting Reports](#), beginning on page 37, outlines the types of information that appear in the Fannie Mae Underwriting Findings (Underwriting Findings) report and the Underwriting Analysis report for FHA loans.
- [Appendix A, States with Low and High Average Closing Costs](#), this information is available on FHA's Web site.
- [Appendix B, FHA Maximum Loan Amount Calculations](#), beginning on page 47, shows you how DU calculates the FHA maximum loan amount.
- [Appendix C, FHA TOTAL Mortgage Scorecard Error Codes](#), beginning on page 59, provides a list of error messages related to the FHA TOTAL Mortgage Scorecard.
- The [Glossary of Government Terms](#), beginning on page 65, defines some of the terms you will encounter as you work with FHA loans.

Additional resources

In addition to this guide, the following resources are available to assist you with FHA loans and with the FHA TOTAL Mortgage Scorecard.

DU Government Underwriting Service Release Notes

These Release Notes describe updates regarding FHA and VA loans underwritten with DU.

Fannie Mae's Customer Contact Center

The Fannie Mae Customer Contact Center is available to assist you with general questions about DU, the Government Underwriting Service, and the DO/DU user interface. You can call the Customer Contact Center at **1-877-722-6757**. For additional information about the Customer Contact Center, including hours of operation and tips for calling, see the Customer Contact Center page on eFannieMae.com.

HUD's Homeownership Centers

HUD's Homeownership Centers insure single family FHA mortgages and oversee the selling of HUD homes. The Homeownership Centers can assist in answering questions regarding the following subjects:

- The credit and capacity of the borrower,
- Guidance on any Approve or Refer recommendations you receive for FHA loans that you question,
- Documentation requirements,
- Error messages related to the FHA Lender ID and FHA Sponsor ID fields, and
- FHA forms and guidelines.

For a list of the regional centers, see HUD's Web site.

Training resources

A number of training resources are available on eFannieMae.com, including:

Quick Steps Entering the Data for an FHA Loan

This information shows you how to enter the necessary data for an FHA loan in the Quick 1003.

Practice Case for FHA Loans

A practice case for FHA loans (Case No. 13) is another resource that allows you to get hands-on experience entering and submitting for an FHA loan.

In addition, any of test borrowers listed on Fannie Mae's Test Credit Report Procedures document on our Web site can be used for creating, entering, and submitting practice cases for FHA loans.

Note: To submit an FHA loan, including practice cases, to DU, you must enter your valid FHA Lender ID (and a valid FHA Sponsor ID if you are a broker or correspondent).

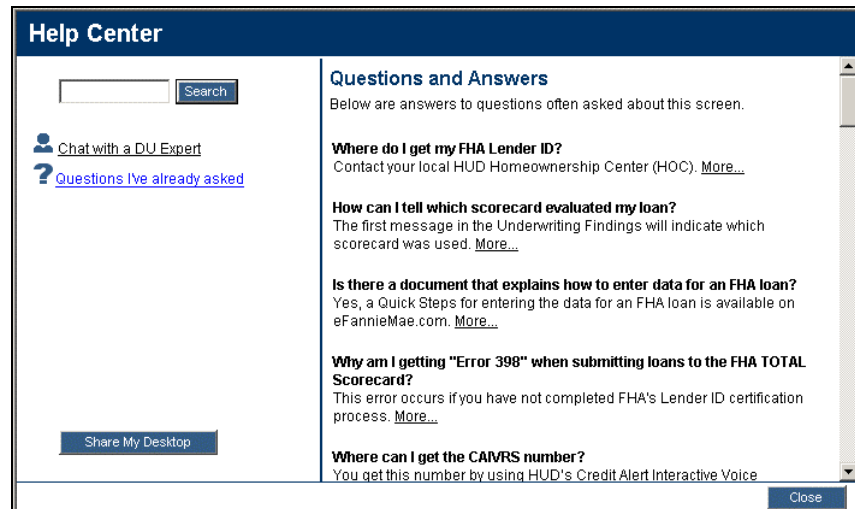
Underwriting guidelines

For information about FHA policy interpretation, FHA underwriting or risk analysis, or any other FHA-specific issues, contact your HUD Regional Homeownership Center or your sponsoring lender, as applicable.

Questions about data entry or the Underwriting Findings report should be directed to the Fannie Mae Customer Contact Center.

Online Help Center

You can access Fannie Mae's online Help Center for answers to questions while you are using the DO/DU user interface. To do so, click the **Help Center** link in the upper-left corner of any screen in DO/DU. When you open the Help Center, you will see a list of frequently asked questions about the screen you are viewing. For example, if you open the Help Center while you are viewing the FHA Government Information screen, you will see a screen that looks something like this:



Note: The information in the Help Center is updated frequently, so please check back often.

Fannie Mae contacts

Lenders should contact their Customer Account Manager for more information.

Chapter 1: FHA Information

The DU Government Underwriting System uses the FHA TOTAL Mortgage Scorecard to evaluate borrower credit and capacity for repayment and to indicate a recommended level of underwriting and documentation.

The FHA TOTAL Mortgage Scorecard

The FHA TOTAL Mortgage Scorecard indicates that the borrower's credit and capacity for repayment are either acceptable to FHA, in which case the loan receives an Approve recommendation from DU, or it determines the loan should be reviewed by an FHA DE underwriter for further consideration, in which case the loan receives a Refer recommendation.

For information on HUD's requirements related to the use of the FHA TOTAL Mortgage Scorecard, refer to the Final Rule (Docket No. FR-4835-F-03) published in the Federal Register on November 26, 2004. For additional information, including FHA Mortgagee Letters and recent publications, contact HUD.

The mortgage credit portion of a loan that receives an Approve/Eligible recommendation from the FHA TOTAL Mortgage Scorecard does not need to be reviewed by a DE underwriter. The Underwriting Findings report will contain a message directing you to use the DU CHUMS ID on the Mortgage Credit Analysis Worksheet (HUD-92900-PUR or HUD-92900-WS). **ZFHA** is the CHUMS ID assigned for FHA loans that receive an Approve/Eligible recommendation from the FHA TOTAL Mortgage Scorecard through DU. The Underwriting Findings report becomes a required document and is to be placed in the FHA endorsement binder submitted to FHA for insurance purposes, right-side, top sheet, and a copy is to be retained in the lender's origination binder. Failure to provide these documents will result in the endorsement binder being returned to the lender by HUD. The Underwriting Findings report is required even if the loan application is referred to a DE underwriter for manual underwriting.

Refer to the *FHA TOTAL Mortgage Scorecard User Guide* for additional guidance. The lender remains accountable for compliance with all FHA guidelines, as well as for any FHA eligibility, credit, capacity, and documentation requirements that are not covered in this guide. All data entered into the DO/DU user interface, or downloaded or imported into the DO/DU user interface from a loan origination system (LOS), must be true, accurate, and complete.

Note: Unless a specific message is issued for documentation relief, the lender must follow current FHA guidelines for providing documentation. A DE underwriter **must** review the appraisal on **all** FHA loans, including loans submitted to DU. A DE underwriter **must** fully underwrite any application that receives a Refer recommendation from the FHA TOTAL Mortgage Scorecard.

FHA loan programs available in DU

The following FHA loan programs can be underwritten with DU and the FHA TOTAL Mortgage Scorecard. The Section of the Act related to the FHA loan program should be selected from the Section of the Act field on the FHA Government Information screen.

Section of The Act	Loan Program
203(b)	FHA Fixed Rate Program
203(b)/251	FHA ARM Program
203(k)	FHA Purchase Rehab
203(k)/251	FHA Purchase Rehab/ARM
234(c)	Condominium
234(c)/251	Condominium ARM

Loan purpose

The following loan types are available in DO/DU for underwriting loans with the FHA TOTAL Mortgage Scorecard

- Purchase Mortgage
- Refinance – No Cash Out – Full Documentation
- Refinance – Cash Out – Full Documentation
- Refinance – Streamline Refinance with Appraisal
- Refinance – Streamline Refinance Without Appraisal

Note: The following loan types are not eligible for submission to the FHA TOTAL Mortgage Scorecard.

- investor loans
- construction-to-permanent loans, and
- second homes
- credit-qualifying assumptions

Property types

The following property types are eligible for FHA loans in DU:

- One- to four-unit dwellings
- Manufactured homes
- Condominiums
- Planned Unit Developments (PUD)

Plan types

The following plan types are eligible for FHA loans in DU:

- Fixed-rate mortgages

- Adjustable-rate mortgages (ARMs)
- Fixed-rate mortgages with temporary 2-1 buydowns

Note: For information about the ARM plan types you can enter in the DO/DU user interface, see [FHA ARM plans](#) on page 33.

Chapter 2: Loan Data for FHA Loans

All data entry instructions in this guide are provided specifically for the online loan application for FHA loans in the DO/DU user interface for submission to DU. You can use the Quick 1003 or the Full 1003 to enter data; however, in all cases, you must complete the data fields in the FHA Government Information screen.

For FHA loan submission requirements, refer to the *FHA TOTAL Mortgage Scorecard Users Guide*.

Data integrity

Lenders must ensure that the data submitted to DU is complete and accurate – regardless of whether the information was entered directly into the online loan application or imported into DO/DU from a loan origination system (LOS). Lenders should confirm that the data submitted to DU matches information on the documents in the loan file.

Credit report requirements

Lenders are required to request a three-in-file merged credit report and FICO scores for each borrower from one of the credit information providers listed on our Web site. The FICO credit scoring models are available from the three major credit repositories: Equifax, Inc.; TransUnion, LLC; and Experian Information Solutions, Inc. A list of the credit information providers available for use with DU can be found on eFannieMae.com.

For all loans (including those with Approve recommendations), the lender must review the credit report to determine whether the evaluation was based on accurate data. Significant errors in the borrower's credit file could have an effect on the borrower's credit scores and the risk analysis of the loan.

If there are significant errors (such as accounts that do not belong to the borrower) or omissions in the credit report, the lender must obtain appropriate documentation. If the errors or omissions are significant and/or derogatory in nature, the lender's DE underwriter should evaluate outside of DU the borrower's credit history and ability to make the mortgage payments in conjunction with all other risk factors associated with the loan.

Lenders should maintain a printed copy of the credit report used in DU.

Data entry

Some of the instructions in this chapter are based on the data fields in the Quick 1003. Other data fields are available only in the Full 1003.

Type of Mortgage and Terms of Loan

Is this a Pre-Approval?

You can use this field to indicate whether the loan is being submitted as a pre-approval. Completion of this field is optional.

Mortgage Applied For

To specify that the loan is an FHA loan, select **FHA** in the Mortgage Applied For field.

Loan Amount

Enter the **base** loan amount – do not include the upfront mortgage insurance premium (MIP) amount in the Loan Amount field. If the base loan amount changes, use this field to make the adjustment.

Interest Rate (%)

Enter the note rate.

Note: If *any* changes are made to the interest rate on the loan after the first submission to DU, you must resubmit the loan to obtain an underwriting recommendation based on the new interest rate.

No. of Months

Enter the loan term in months.

Amortization Type

Select **Fixed Rate** or **ARM**, as applicable.

Lender Loan Number

Enter the loan number you want to assign to the loan.

Subject Property Address and Purpose of Loan

Street, City, State/ZIP

Enter the street address, city, and ZIP Code for the subject property. Select the property state from the State field.

If the loan is a pre-approval, select the state where the subject property is located and leave the rest of the address fields blank. If your LOS requires an entry for the street address, enter “**prequal**” or “**tbd**” in that field for a pre-approval.

Note: A “standardized” property address is a valid property address within Fannie Mae’s database. When a loan is submitted to DU for underwriting, the collateral assessment component within DU “reads” the subject property address on the loan application and attempts to match that address to standardized property addresses in our property database. This comparison process will either locate the exact address or a similar address, or will determine that there is no match within our database.

DU uses the standardized property address when identifying certain property-related potential red flags. For guidance on entering the subject property address to increase the likelihood that DU will accurately identify the standardized address for the property, click the **Help Center** link while you are viewing the Types, Terms, and Property screen in the DO/DU user interface, then refer to the topic on entering subject property addresses.

No. of Units

Select the number of dwelling units in the subject property.

Purpose of Loan

In the Purpose of Loan field, select either **Purchase** or **Refinance**, as applicable. The other listed options (Construction, Construction-Permanent, and Other) are not currently available for FHA loans submitted through DU.

Occupancy

Select **Primary Residence**. Only primary residences are eligible for automated underwriting on FHA loans.

Estate Held In

Select **Fee Simple** or **Leasehold**, as applicable.

If Refinance Loan...

Purpose of Refinance

If you select Refinance in the Purpose of Loan field, you must select the appropriate option in the Purpose of Refinance field. For details on refinance options, refer to FHA's guidelines.

Borrower Information

Enter the borrower information and, if applicable, co-borrower information. FHA guidelines require a two-year residency history for each borrower; however, a two-year history is not required to submit the loan to DU for an underwriting recommendation.

Note: If you need to add previous address data, click **Previous Address Information** in the navigation bar.

The **Mailing Address** fields are optional. You can use these fields if the borrower receives mail at a different address (for example, a Post Office box).

Two individuals who are not married to each other should be entered on separate applications. To add another borrower to the loan, click **Add More Borrowers**. The new borrower's information will appear below the first borrower's fields in the Quick 1003. However, if you print or view the Form 1003, you will see that the DO/DU user interface places the second borrower's data in a separate Form 1003.

Employment Information

Current Employment

Current employment information should be entered appropriately. You must indicate whether or not each borrower is self-employed.

Secondary/Previous Employment

Use this section to enter secondary, part-time, and previous employment. Do not enter “homemaker, full-time student, or retired”. Only actual employment information should be entered in this screen.

Note: FHA guidelines require a two-year employment history; however, a two-year history is not required to submit the loan to DU for an underwriting recommendation.

Monthly Income and Combined Housing Expense

Gross Monthly Income fields

In this section, enter non-military income that is considered acceptable for qualifying purposes under FHA’s guidelines for borrowers and co-borrowers.

- **Base Income**

This field should include employment income, self-employment income, and income from a second job.

- **Overtime**

- **Bonuses**

- **Commissions**

- **Dividends/Interest**

- **Other**

This field is not editable. This field is automatically populated by the underwriting system based on the amounts entered in the Other Income section as described below.

- **Net Rental**

If the borrower has an existing rental property, the net rental income you enter in the Real Estate Owned screen is automatically copied to the Net Rental field once the Real Estate Owned data is completed. Although the Net Rental field is editable, only the net rental amount in the Real Estate Owned screen will be used for underwriting purposes. The amount in the Net Rental field applies to net rental income received from rental property other than the subject property.

For details, see the Real Estate Owned section.

The following formula is used in calculating the net rental income:

(gross rental income x 75%) – mortgage payment –
taxes/insurance/maintenance, misc. = net rental income

Positive net rental income from all rental properties is included in the qualifying income for the borrowers. Negative net rental income is considered a liability and is included in the total expense ratio calculation.

- **Subject Net Cash**

If the transaction is a purchase of a two- to four-unit principal residence, you will need to calculate the subject net cash flow outside of DU and enter the amount in the Subject Net Cash field. Refer to current FHA guidelines for additional information about calculating projected rents on a purchase transaction.

Note: DU will provide specific messages on the Underwriting Findings report for each type of income you enter. Some of the messages may indicate reduced documentation requirements, while other messages may require you to consult the FHA guidelines for documentation requirements.

Other Income

Enter the borrower name, description of income, and amount of income for each income type. A brief description of certain types of Other income is provided below. FHA guidelines apply for all income types.

Note: The Other field is not editable. DU automatically totals the rows of Other income and enters the amount into the Other field.

- **Boarder Income** – FHA guidelines allow boarder income to be used in qualifying.
- **Child Support Income** – FHA allows the income to be “grossed-up” for qualifying purposes. See Mortgage Letter 2005-16.
- **Trailing Co-Borrower Income** – Because FHA does not generally allow this income to be used in qualifying, DU returns an Ineligible recommendation and a message if this income is entered.
- **Mortgage Credit Certificate** – FHA guidelines allow the Mortgage Credit Certificate (MCC) amount to be used in qualifying the borrower. In accordance with FHA guidelines, DU reduces the principal and interest payment used for ratio calculations by the MCC amount

Note: The MCC amount must be entered in the FHA Government Information screen for it to be used by DU for qualifying purposes. MCC should *not* be entered in the Income screen. (If MCC is entered in the Income screen for an FHA loan, it is *not* used for underwriting, and DU returns an ineligible recommendation and a message indicating that the MCC was entered incorrectly.)

The following table provides several examples that show how DU uses MCC amounts entered in the two different screens in the DO/DU user interface.

MCC amount entered in the FHA Government Information screen	MCC amount entered as Other Income in the Income screen	MCC amount used by DU
\$.00 or blank	\$50.00	\$.00
\$60.00	\$50.00	\$60.00
\$60.00	\$.00 or blank	\$60.00
\$60.00	\$70.00	\$60.00

Combined Housing Expenses

- **Current** – Enter the borrower’s and co-borrower’s current primary housing expenses in the Current column. If there are multiple borrowers, enter the current primary housing expense separately for each additional borrower.
- **Proposed** – DU calculates the amount in the First Mortgage (P&I) field based on the loan amount and the note rate. Use the other fields in the Proposed column to enter any other applicable proposed housing expenses, including the principal and interest for other mortgages, as well as hazard insurance, taxes, and homeowner’s association dues for the subject property.

Use the Mortgage Insurance field in the Proposed column to enter the dollar amount of the monthly mortgage insurance premium (MIP).

Assets

All liquid assets must comply with FHA guidelines, and the amount entered in the Quick 1003 will be counted in the available funds for an FHA loan. All of the liquid assets entered in the system must be verified based on the documentation level outlined in the Underwriting Findings report. Documentation requirements for assets may differ for loans that receive an Approve recommendation as opposed to a Refer recommendation. The required documentation will be based on the asset type.

A brief description of FHA’s guidelines for certain types of assets is provided below:

- **Cash Deposit on Sale**
Cash deposits on the sales contract are considered non-liquid assets, and DU does not include the value in the amount of funds available for closing or in the reserves calculation. If a credit for a cash deposit on the sales contract is entered in the Details of Transaction screen, the loan file must contain evidence that the funds have already cleared the account listed in the Assets screen.

- **Cash-on-Hand**

FHA considers cash-on-hand an acceptable source of funds. DU will treat cash-on-hand as liquid assets.

- **Gift**

If the borrower has received or will receive a gift, the asset should be identified in the Assets section with an asset type of Gift. If the gift funds are already included in the balance of another asset, subtract the amount of the gift from that asset's balance. The funds available for closing calculated by DU will include the gift as if it were liquid funds.

Note: HUD Mortgagee Letter 2004-44 announced that gift funds remaining in the borrower's account after closing can be used as cash reserves. Therefore, DU includes gift funds entered in the Assets section in the reserves amount. FHA does not require reserves on one- or two-unit properties for underwriting; however, reserves are considered in the mortgage evaluation. A three- or four-unit property requires reserves and will receive an Ineligible recommendation from DU if reserves are inadequate in accordance with FHA guidelines.

- **Net Equity**

An amount entered in the Assets screen as net equity from a pending sale property overrides any net equity calculation that appears in the Real Estate Owned screen and is used to calculate the borrower's liquid assets instead of the amount calculated from the Real Estate Owned screen.

- **Gift of Equity**

A gift of equity is treated as a non-liquid asset for underwriting FHA loans. DU provides a message identifying FHA's documentation requirements for this asset type.

Real Estate Owned

Information on real estate that is owned by the borrower is essential to the risk analysis of the loan and affects the validity of the underwriting recommendation. Enter real estate information in the REO screen in the Full 1003.

Note: To access the REO screen from the Quick 1003, click the **Go to Full 1003 REO** link in the Liabilities screen in the Quick 1003.

- **Property Indicator**

The following options are available:

- **Current Residence:** This option indicates that the property is the current primary residence and is not the subject property for the transaction.
- **Subject of the Loan:** Only primary residences are eligible for submission, so this choice is generally not applicable to FHA loans.

- **Refi of Current Residence:** This option indicates that the property is both the borrower’s current primary residence and the subject property for the transaction. Use this option for all refinance transactions.
- **Not Applicable:** For properties that do not meet any of the above conditions, select Not Applicable or leave the Property Indicator field blank. Because second homes and rental subject properties are not eligible for FHA loans in DU, the Current/Subject Property field should be left blank or marked as Not Applicable for these properties.

- **Property Disposition**

The Property Disposition field must contain one of the following options:

- **Sold:** This option indicates that the property has already been sold, the closing has been completed, and any proceeds are already reflected in asset balances. DU does not calculate net equity for Sold properties and ignores any values in the risk analysis and ratio calculations.

Note: Do not omit mortgages on properties entered as Sold. Instead, you should match these mortgages to the appropriate Sold property. Monthly payments on mortgages that are matched to Sold properties will not be included in the total expense ratio.

- **Pending Sale:** This option indicates that the property is under contract and will be sold prior to the closing of the transaction being submitted for underwriting.
- **Rental:** This option indicates that the property is a rental property with associated net rental income or net rental loss.
- **Retained:** Use this option for the subject property on a refinance transaction or for the primary residence of an allowable non-occupant co-borrower.

Note on real estate that will be sold

If a listed property will be sold at or before closing, select **Pending Sale** in the Property Disposition field. DU will use the following formula to estimate the net equity:

$$(\text{Market value entered} \times 90\%) - \text{outstanding mortgages}$$

Net equity is considered a liquid asset. You must verify and clearly document sales proceeds in the loan file according to current FHA guidelines.

If additional proceeds will be received from the sale of real estate (for example, if a borrower will receive a relocation package from an employer), enter the total amount of proceeds that will be received and select **Net Equity** as the asset type in the Assets screen.

Note: Even though DU calculates the estimated net equity from data in the REO screen, if an amount for net equity is entered in the Assets screen, then DU will use the amount in the Assets screen.

Liabilities

Before a loan can be submitted for an underwriting recommendation, a three-in-file merged credit report must be requested and received for all borrowers on the loan. Lenders can automatically copy the liabilities from the credit report directly to the loan application by using the auto-populate liabilities option in the DO/DU user interface. If you use an LOS, you should determine whether it offers this option for use with DU. If your LOS does not provide this option, or if you elect not to use the auto-populate liabilities option, you must manually enter all liabilities in the Liabilities screen. Any debts that are not disclosed on the credit report must be added to the liabilities prior to final submission of the loan.

The total expense ratio will be calculated from the liabilities on the application, not the debts from the credit report.

FHA requires all of the following accounts to be considered in the total expense ratio:

- All debts on the credit report that cannot be excluded per FHA guidelines;
- Alimony, child support, and separate maintenance, per FHA guidelines;
- Negative rental income (in other words, net loss from rental properties);
- Mortgage debt on properties other than the subject property;
- Installment debts with more than 10 payments remaining;
- Significant debts (greater than \$100 per month) that do not appear on the credit report and *all* debts that are disclosed by the borrower;
- Payments on new debts resulting from material inquiries on the credit report within 90 days of the loan application; and
- Debts that must be considered for borrowers residing in or for property located in a community property state, per FHA guidelines.

Note: The lender is required to review the credit report and is accountable for compliance with FHA guidelines. Information on the credit report that has not been recognized by DU may require the lender to downgrade the underwriting recommendation.

Excluding installments debts

DU automatically excludes any installment debt that should not be considered in the qualifying ratios. Such debts include those with fewer than 10 months remaining or with monthly payments of less than \$100. If the loan application reflects any other debts that should not be considered in the ratios per FHA guidelines, the debt should be marked as Omit.

- **Omit**

If the borrower has a liability that is exempt from qualifying based on FHA guidelines, the debt may be omitted. Omitted debts are not counted in the ratios. The loan file should contain documentation to support the omission, per FHA guidelines.

To mark a debt as omitted, click the check box in the Omit column for the debt you want to omit. If a debt has a balance but the monthly payment amount is 0, the debt is automatically omitted. Omitted liabilities appear in a separate area on the Liabilities screen. A message on the Underwriting Findings report identifies the liabilities that were omitted.

Note: You must follow all current FHA guidelines regarding omission of liabilities. For all loans that receive a Refer recommendation, lenders must review all obligations, including those omitted by the system, to determine that the short term obligations will not negatively affect the borrower's ability to make the mortgage payments in the early months after closing. DU will issue an informational message for any excluded installment debts.

- **Paid By Close**

For all transactions, mark the debts to be paid off by closing in the Liabilities screen. For a refinance transaction, you will also need to enter the sum of the balances of all the debts to be paid off (including existing liens and other debts) on Line D in the Details of Transaction screen. Any debts that the borrowers will pay off must be documented and verified according to FHA guidelines.

If a debt will be paid by closing, click the check box in the Paid by Close column for that debt. The debt is not included in the ratios or total obligations. DU includes the balance amounts for all non-mortgage debts that are marked as Paid by Close in the amount of funds required to close.

New subordinate liens

You must determine outside the system whether the terms of the subordinate financing are acceptable under FHA guidelines.

For a new subordinate lien that will close at the same time as the first mortgage, enter the actual loan balance in Line J, Subordinate Financing, in the Details of Transaction screen. If the new subordinate lien is a HELOC, use Line J to enter the amount drawn at the time of closing. If the borrower will not draw down a portion of the HELOC at closing (that is, if the outstanding balance at closing is \$0.00), do not enter an amount in Line J.

Enter the principal and interest payment in the Proposed Housing Expense column as Other Financing (P&I).

Resubordinated liens

This section applies to refinance transactions where there is an existing lien (for example, a second mortgage) that will be resubordinated to the subject mortgage.

Enter the borrower's monthly payments in the Other Financing (P&I) field under Proposed Combined Housing Expenses. Entering the monthly payment there will help to ensure that the underwriting ratios are calculated correctly.

You will *also* need to enter the monthly payment and the outstanding balance in the Liabilities screen and match the resubordinated lien to the subject property.

If the resubordinated lien is a HELOC, enter the total amount drawn (or to be drawn at closing) in the Balance field. If the HELOC will have a zero balance at the time of closing, enter **0** in the Balance field in the appropriate row in the Liabilities screen.

Non-purchasing spouse in a community property state

If the subject property is located in a community property state and the borrower has a non-purchasing spouse, individual credit reports should be ordered for the borrower and co-borrower. The primary borrower's individual credit report should be ordered inside DO/DU. The non-purchasing spouse's individual credit report should be ordered and reviewed outside of DO/DU, per FHA guidelines. If you determine that the non-purchasing spouse has any monthly debts that should be included in the loan application, enter these debts as a single lump sum on a separate row in the Liabilities screen, and identify the combined debts with a liability type of **Other**.

Additional expenses

Additional expenses, such as alimony, child support, separate maintenance, or job related expenses should be selected from the drop-down list in the Additional Expenses section in the Liabilities screen. Follow FHA guidelines to determine which expenses must be included.

Details of Transaction

Instructions for entering data in the Details of Transaction are provided below.

Line A. Purchase Price

Enter the sales price for the subject property in this field. If the FHA loan program is 203(k), use this line to enter the "as is" sales price, without the repairs.

Line B. Alterations, improvements, repairs

If the FHA loan program is 203(k), enter the rehabilitation amount from line B14 in the 203(k) worksheet in this field. For all other loan programs, enter the amount of allowable alterations, improvements, or repairs.

Line C. Land

This field is not applicable for FHA loans.

Line D. Refinance (including debts to be paid off)

If the loan is a refinance transaction, enter the combined balances of any mortgage debts and any other non-mortgage debts that will be satisfied by closing. This field should *not* include additional amounts such as late fees or

interest on the existing loans that are necessary to satisfy the mortgage debts. Those amounts should be entered in Line E.

Note: DU uses the refinance amount you enter here in calculating the FHA maximum loan amount for a refinance loan. [Appendix B, FHA Maximum Loan Amount Calculations](#) on page 47 provides worksheets that show you how the maximum loan amount is calculated for different types of refinance loans.

Line E. Estimated prepaid items

Enter the total prepaid expenses the borrower will pay. For a refinance transaction, the amount in Line E should include the late fees, interest, and other allowable fees that were not included in the loan balances entered in Line D, along with the assessed prepaid expenses on the new loan. For details, see *Line D. Refinance (including debts to be paid off)* above.

Line F. Estimated Closing Costs

Enter the total amount of **allowable** closing costs.

Line G. PMI, MIP, Funding Fee

Enter the entire upfront mortgage insurance premium (MIP) amount.

Line H. Discount

Enter the entire dollar amount of any discount points that the borrower will pay.

Line I. Total Costs

This field is not editable. The system adds the values you entered into lines A through H and places the result in Line I.

Line J. Subordinate Financing

If a subordinate lien will be obtained in conjunction with a purchase money transaction, enter the amount of the subordinate lien in this field.

Note: Loans or grants, such as bond programs, are not considered in the FHA maximum loan amount calculation. However, you should enter these amounts as subordinate financing, and you must document and verify them according to FHA guidelines. Subordinate financing cannot result in the borrower receiving cash back at closing.

Line K. Closing Costs Paid by Seller

Enter the total amount of allowable closing costs from Line F. Estimated Closing Costs that the seller will pay on the borrower's behalf.

Note: Seller-paid prepaid items should **not** be entered. The lender is responsible for ensuring outside of DU that the maximum seller contributions are within FHA guidelines.

Line L. Other Credits

Line L is a summary field that shows the total of the credits that are entered in the Other Credits section at the bottom of the Details of Transaction screen.

Use the rows in the Other Credits section to enter the amount of the cash deposit on the sales contract and any borrower-paid fees, but **only** if these funds have already cleared the borrower's depository account and were not included in the depository accounts in the Assets screen.

Note: FHA guidelines permit some costs that may be paid by the borrower but that may not be financed in the mortgage or included in the mortgage amount calculations. These costs include items such as commitment fees, ineligible real estate buyer-broker fees, rate lock fees, and so on. Such fees should be entered as a **negative** value in Other Credits; they will not be included in Line F. The system will add these amounts to Line P, Cash From/To Borrower. This will ensure that the system correctly calculates the borrower's required funds to close. For additional guidance about closing costs, please refer to FHA guidelines.

Line M. Loan Amount (exclude PMI, MIP, Funding Fee)

This field is pre-populated with the base loan amount you entered in the Loan Amount field in the Type of Mortgage and Terms of Loan screen and is not editable. Changes to the base loan amount must be made in the Type of Mortgage and Terms of Loan screen.

Line N. PMI, MIP, Funding Fee financed

In Line N, enter the portion of the upfront MIP that will be financed with the loan.

Line O. Total Loan Amount

This field is not editable. The system adds Lines M and N and displays the total in Line O.

Line P. Cash From/To Borrower

The system calculates the cash from or to the borrower at closing, based on the entry in the previous lines in the Details of Transaction screen. A positive value indicates the amount of cash the borrower needs for closing. For a refinance transaction, a negative value indicates the amount of cash back the borrower will receive at closing.

Declarations

Answer each question Yes or No as appropriate for each borrower. The lender must ensure that FHA guidelines have been met.

Note: You must answer Question L, "Do you intend to occupy the property as your primary residence?" to submit the loan for an underwriting recommendation. Although all other answers in this section will default to No for a new loan, you must ensure that these questions are answered correctly before submitting the loan to DU.

Question A. Judgments

If you answer Yes to this question for any borrower, a message will appear in the Underwriting Findings report requiring documentation to support the issues surrounding the judgment and evidence that it has been satisfied.

Question B. Bankruptcies

If you answer Yes to this question for any borrower, a message will appear in the Underwriting Findings report requiring documentation to support the issues surrounding the bankruptcy and evidence that it has been discharged.

Note: If the credit report indicates a recent bankruptcy or does not indicate the discharge date, the loan will receive an Ineligible recommendation.

Question C. Foreclosures

If you answer Yes to this question for any borrower, a message will appear on the Underwriting Findings report requiring documentation to support the issues surrounding the foreclosure and evidence that it has been resolved.

Note: If the credit report indicates a recent foreclosure, the loan will receive an Ineligible recommendation.

Question D. Party to lawsuit

If you answer Yes to this question for any borrower, a message will appear in the Underwriting Findings report requiring documentation to support the issues surrounding the lawsuit and to indicate when it will be resolved.

Question E. Significant delinquent debt

If the answer to this question is Yes for any borrower, documentation in the case binder is required to support the issues surrounding the delinquent debt and evidence that it has been resolved.

Note: If the credit report indicates recent late mortgage payments, the loan will receive an Ineligible recommendation.

Question F. Current federal delinquent debt

If the answer to this question is Yes for any borrower, documentation in the case binder is required to support the issues surrounding the current federal delinquent debt and evidence that it has been resolved.

Question G. Obligated to pay alimony or child support

If the borrower is obligated to pay alimony or child support, answer **Yes** and enter the debt in the Additional Expenses section in the Liabilities screen, if it has not already been entered. FHA documentation guidelines apply.

Question H. Down payment borrowed

If the answer to this question is Yes for any borrower, DU will return a verification message; however, the lender must ensure that the loan complies with FHA guidelines for borrowed funds.

Question I. Endorser on a note

If the answer to this question is Yes for any borrower, a message will appear in the Underwriting Findings report for documentation to support that the contingent liability will not have any impact on the borrower's ability to repay the loan.

Question J. Citizenship

Answer Yes or No as appropriate for all borrowers.

Question K. Permanent resident aliens

If the answer to Question J is No, you must complete Question K.

Question L. Intent to occupy

Answer Yes or No for each borrower as appropriate, to indicate their intent to occupy the subject property. FHA loans submitted to DU must be secured by a principal residence. Non-occupant co-borrowers are permitted.

Question M. Previous Ownership

Answer Yes or No as appropriate for all borrowers to identify previous ownership of real estate.

Information for Government Monitoring Purposes

You must complete this information pursuant to FHA requirements; however, you do not need to enter the information to receive an underwriting recommendation through DU. You may be required to report this information to your regulator and, if the loan is sold to Fannie Mae, the information is generally required delivery data. Consult the Home Mortgage Disclosure Act (HMDA) and its implementing Regulation C for further requirements and other pertinent information.

Note: To access the Information for Government Monitoring Purposes section in the DO/DU user interface, scroll down to the bottom of the Declaration screen. The Information for Government Monitoring Purposes section appears in both the Quick 1003 and the Full 1003.

Additional Data

Property Appraised Value

In the Property Appraised Value field, you must enter the appraised value of the subject property. If the FHA loan program is 203(k), the appraised value entered must be the "after improved" appraised value of the property. If the Appraised Value field is blank, you will receive a message when you leave the screen to remind you that the appraised value is required. If you submit the loan without an appraised value, you will not receive valid findings.

When entering the data for a purchase, refinance, or pre-qualification loan, use the anticipated sales price or anticipated appraised value of the property as the appraised value. Once the appraisal is obtained, edit this value in the

Additional Data screen to mirror the correct appraised value, then resubmit the loan.

Note: All FHA loans require that a DE underwriter review and certify the value of the subject property. If the DE underwriter determines that the appraised value used in the initial underwriting submission is incorrect, the appraised value must be updated, and the loan must be re-submitted. Refer to FHA guidelines for additional information regarding appraisals.

Seller Provided Below Market Financing

Select **Yes** or **No** to indicate whether the seller provided below-market financing to the borrower for this transaction.

First Year Buydown Rate

If a fixed-rate loan will have a buydown, enter the interest rate that will be in effect for the first year of the loan. DU automatically limits the buydown to a maximum 2-1 buydown in accordance with FHA guidelines.

Lien Type

Select **First Mortgage** from the Lien Type field. Only first-mortgage liens are available for underwriting with DU.

Payment Frequency

Select Monthly as the payment frequency for the loan. (If Biweekly is selected, you will receive an ERROR message from DU.)

Repayment Type

Select Fully Amortizing as the repayment type. (If Interest Only is selected, you will receive an ERROR message from DU.)

Subject Property Type

Select one of the following options:

- Detached,
- Attached,
- Condominium, or
- Manufactured Home.

Refer to FHA guidelines for more information on allowable property types.

Balloon

Select No for FHA loans. Balloon loans are not eligible for government underwriting through DU.

Balloon Mortgage Term (months)

NA. Balloon loans are not eligible for government underwriting through DU.

Will Escrow Be Waived?

FHA does not permit escrows to be waived.

ARM Plan

Two ARM plans are available in DU for FHA loans.

- **251 – FHA ARM: 1 YR TREASURE 1 & 5 CAPS**
This plan should be selected for the FHA one-year ARM. Loans with LTVs above 95% are underwritten at 1% above the note rate per FHA guidelines.
- **FHA HYBRID ARM**
This plan should be used for FHA's three-year, five-year, seven-year, or ten-year hybrid ARM product. Hybrid ARMs are underwritten at the note rate per FHA guidelines.

FHA Information

Several fields on the FHA Government Information screen in the Quick 1003 are required for all FHA loans. The required fields are explained in detail below.

Agency Case Number

Lenders have been advised by FHA to enter the FHA case number assigned by the CHUMS system for this loan by the final loan submission.

Note: The FHA case number is not required for an underwriting recommendation; however, if a number is entered, it will be checked by the FHA TOTAL Mortgage Scorecard. Loans submitted with an invalid Agency Case Number will receive an ERROR recommendation.

The final loan submission must include the agency case number. This will enable FHA to track the loan as an FHA TOTAL Mortgage Scorecard loan in its system. Loans that cannot be identified by FHA's system of record as being underwritten by DU do not receive the benefits of documentation reduction and credit policy revisions from HUD. Refer to FHA's *TOTAL Mortgage Scorecard User Guide* for insurance endorsement procedures.

FHA Lender ID

In the FHA Lender ID field, enter the ten-digit FHA Lender ID assigned to the originating lender by FHA. The FHA Lender ID is required for *all* loans that are submitted to DU.

FHA will validate the FHA Lender ID and will return an error message if the ID is not valid. The error messages that are related to problems with the FHA Lender ID are listed below:

- Lender ID is required.
- Lender ID must contain ten digits.
- Invalid Lender ID.
- Lender ID is not active.
- Lender ID is not certified.

Check with FHA for information on activating and certifying the lender ID.

Note: The originating lender identified in the FHA Lender ID field can be either a loan correspondent or an FHA Direct Endorsement (DE) lender that underwrites its own loans. If you have FHA DE Lender approval and are also making the underwriting request for a loan, you are required to enter an FHA Lender ID but not an FHA Sponsor ID (described below). Questions concerning the FHA Lender ID should be addressed to your local FHA Home Ownership Center.

FHA Sponsor ID

If you are a mortgage broker or loan correspondent that does **not** have FHA DE Lender approval, you will be required to enter the ten-digit FHA lender ID assigned to your company by FHA, as well as the ten-digit Sponsor ID of the sponsoring lender that will provide the DE underwriting for the loan. The FHA TOTAL Mortgage Scorecard will validate the FHA Sponsor ID and return an error message if the ID is not valid.

The error messages that are related to problems with the FHA Sponsor ID field are listed below:

- Sponsor ID is required.
- Sponsor ID must contain ten digits.
- Invalid Sponsor ID.
- Sponsor ID is not active.
- Lender/Sponsor ID Invalid.
- Sponsor ID is not certified. (This message indicates that the terms and conditions for use of the FHA TOTAL Mortgage Scorecard have not been accepted in FHA Connections by the sponsoring lender.

If you are an originator, please direct your questions about the FHA Sponsor ID to your sponsoring lender.

Section of the Act

This field refers to the section of the National Housing Act. Select one of the following options from the Section of the Act field that corresponds to the type of loan for which the borrower has applied:

- 203(b) FHA Fixed Rate Program
- 203(b)/251 FHA ARM Program
- 203(k) FHA Rehabilitation
- 203(k)/251 FHA Rehabilitation ARM
- 234(c) Condominium
- 234 (c) /251 Condominium ARM

County

Select the name of the county where the subject property is located. The County field is used in determining the FHA maximum mortgage amount for the subject property. The county name table is related to the maximum loan amount table for each county as identified by HUD and is updated on or

about the third and the eighteenth of each month in the DO/DU user interface as new information is received from HUD. To see a complete list of HUD county names and maximum loan limits, please refer to HUD's Web site.

Note: If the name of the subject property's county does not appear in the County field, select **ALL OTHERS**. If you select ALL OTHERS or if you leave the county field blank, the system will calculate the maximum loan amount based on the FHA statutory limit for the state where the property is located. The Underwriting Findings report will contain a message indicating that the statutory limit was used in evaluating the maximum loan amount.

Note to LOS users: If your LOS requires you to enter the county name manually, you must ensure that your entry exactly matches the spelling of the county name in the HUD county name list in our DO/DU user interface.

Refinance Type

Except for Streamline Refinance loans, FHA refinance transactions may be either cash-out or no cash-out. (In a no cash-out transaction, all of the proceeds are used to pay existing liens and costs associated with the transaction.)

FHA Streamline Refinance transactions are designed to lower the monthly principal and interest payments on current FHA-insured mortgages and must involve no cash back to the borrower, except for adjustments of \$250 or less at closing. Streamline Refinance transactions can be insured with or without an appraisal.

In the Refinance Type field, select **Full Documentation, Streamline with Appraisal**, or **Streamline without Appraisal**. For a cash-out refinance, select **Full Documentation**.

Important: Although the Streamline with Appraisal and Streamline without Appraisal options appear in the Refinance Type field, these options require credit reports for submission to underwriting. In addition, if you choose one of these options, you are required to complete all data entry instructions and to follow the verification and documentation guidelines provided on the Underwriting Findings report. If you still want to submit an FHA Streamline Refinance through the DO/DU user interface, with or without an appraisal, select the option, then select **No Cash Out-Rate/Term** in the Property Information and Purpose of Loan screen. [Appendix B, FHA Maximum Loan Amount Calculations](#) on page 47 provides worksheets that show you how the maximum loan amount is calculated for different types of refinance loans.

Monthly MCC (Mortgage Credit Certificate)

Enter the monthly tax credit that the borrower receives for mortgage interest on the current residence, if applicable. For borrower qualification, the system subtracts the amount entered in this field from the amount entered in the proposed monthly housing payment in the Monthly Income and Combined Housing Expense Information screen in calculating the ratios for the loan. This field should only be completed if the mortgage credit funds are coming from an MCC issued by a federal, state, or local agency. All other housing allowances should be entered as Other Income in the Monthly Income and Combined Housing Expense Information screen. An

informational message will be included in the Underwriting Findings report indicating the use of an MCC.

Note: As mentioned previously, the MCC amount must be entered in the Monthly MCC field in the FHA Government Information screen and should not be entered as Other Income on the Income screen.

MIP Refund

If the loan is a refinance transaction and the borrower will be receiving a refund of a previously paid mortgage insurance premium (MIP) on an existing FHA loan, enter the dollar value of the refund in the MIP Refund field. If the amount of the MIP refund exceeds the amount of new upfront MIP, enter only the amount of the new upfront MIP in this field.

Seller Concessions

Enter the dollar amount of the seller concessions that **exceed** the 6% maximum as defined by FHA. The amount entered in this field will reduce the purchase price by the same amount. For additional guidance regarding seller concessions, refer to the FHA guidelines.

CAIVRS #

Enter the CAIVRS number that was assigned to each borrower, if it has been obtained. A message stating, "Approval for this loan is subject to obtaining a valid CAIVRS number" appears on the Underwriting Findings report for every FHA loan as a reminder to obtain a CAIVRS number.

Note: A valid CAIVRS number is not required for underwriting submission, but is required for FHA endorsement.

Chapter 3:

Fannie Mae Underwriting Reports

DU creates two underwriting reports. This chapter describes these reports and explains the analysis the system performs to create them.

- The **Fannie Mae Underwriting Findings** (Underwriting Findings) report summarizes the overall underwriting recommendation and lists the steps necessary to complete the processing of the loan file. The Underwriting Findings report is typically the first report viewed by an underwriter or a loan officer after the loan is submitted to DU.
- The **Underwriting Analysis** report contains key values used in the underwriting analysis. The Underwriting Analysis report is not a required FHA form.

Each time an underwriting request is submitted, the information in these reports is updated with information from the most recent submission. Each of these reports can be viewed online or printed.

The following information appears at the top of each report:

- Primary Borrower Name,
- Co-Borrower Name,
- Lender Case Number,
- Casefile ID,
- The date and time when the loan was submitted to underwriting,
- The underwriting recommendation, and
- The user ID of the user who submitted the loan to underwriting.

Underwriting Findings report

The Underwriting Findings report is divided into four sections, and each section contains a different type of message. The types of messages that appear in each section of the report are identified on the following page.

Fannie Mae Underwriting Findings
This section contains messages pertaining to the risk assessment and the underwriting recommendation for FHA loans. If the loan is referred or ineligible, the specific referral or eligibility criteria appear in this section.
POTENTIAL RED FLAGS
Messages pertaining to potential red flags in the loan application will appear in this section. These messages are designed to help lenders detect inconsistencies and potentially fraudulent transactions. Note: The appearance of these messages does not affect the underwriting recommendation from DU. Furthermore, the absence of any Potential Red Flag messages does not indicate or imply Fannie Mae's acceptance of the data submitted to DU. Lenders continue to be responsible for the accuracy of the data entered.
VERIFICATION MESSAGES/APPROVAL CONDITIONS
The Verification Messages/Approval Conditions section lists follow-up processing steps the lender must complete to comply with DU requirements. Income and asset verification documentation waivers and any credit verifications waivers appear here.
OBSERVATIONS
The Observations section contains information calculated by or used by the system and is informational only.

Underwriting recommendations

The following underwriting recommendations are available for FHA loans underwritten with the FHA TOTAL Scorecard through DU.

Approve/Eligible

An underwriting recommendation of Approve/Eligible indicates that the loan was considered to have acceptable credit characteristics and that the loan appears to meet FHA loan program eligibility requirements. Lenders remain responsible for compliance with all FHA guidelines. HUD has accepted Approve/Eligible recommendations in lieu of requiring a DE underwriter to be responsible for the credit decision.

ZFHA, a unique CHUMS ID that has been assigned to the FHA TOTAL Mortgage Scorecard, should be entered on the mortgage credit analysis worksheet and the DE Approval form (HUD-92900-A, page 3) for loans submitted to DU that receive an Approve/Eligible recommendation.

Lenders must comply with all of the Verification Messages/Approval Conditions listed on the Underwriting Findings report and must document the loan file accordingly. Lenders must review the credit report to confirm that the data that DU evaluated with respect to the borrower's credit history was accurate. If the borrowers had a bankruptcy or foreclosure within the most recent 24 month period, or a mortgage delinquency within the most recent 12 month period that was **not reported on the credit report**, the underwriting recommendation should be downgraded to Refer, and the loan

should be reviewed by a DE underwriter to ensure that it meets FHA requirements.

Approve/Ineligible

Loans that receive an Approve/Ineligible recommendation appear to meet FHA credit requirements but do not appear to meet certain FHA eligibility guidelines. DU will provide a message on the Underwriting Findings report regarding the Ineligible recommendation.

FHA loans will receive an Ineligible recommendation from DU for the following reasons:

- Loan amount that exceeds the FHA maximum;
- Property type that does not correspond to the selected Section of the Act;
- Non-owner-occupied cash-out refinance transaction;
- Cash-out amount exceeding \$250 for a Streamline Refinance;
- Insufficient reserves on a three- or four-unit property;
- Insufficient funds for closing;
- Buydown indicated on a refinance transaction;
- Buydown indicated on an ARM loan;
- Balloon indicator = Yes;
- LTV greater than 75% on multiple unit properties when there is a non-occupant co-borrower; or
- Appraised value is missing.

It is the lender's responsibility to determine whether the reason for the ineligibility can be resolved in compliance with FHA underwriting requirements. In such cases, the lender must document the circumstances in the remarks section of the mortgage credit analysis worksheet (MCAW). An FHA DE underwriter's signature is not required on the HUD 92900-A unless the loan is downgraded to Refer in accordance with FHA guidelines. **ZFHA** should be entered as the CHUMS ID on HUD 92900-A. Refer to the *FHA TOTAL Mortgage Scorecard User Guide* for details.

Lenders may also attempt to correct the issues, such as the loan amount, that caused the loan to be ineligible, and resubmit the loan in an attempt to obtain an Approve/Eligible recommendation.

Refer/Eligible

An underwriting recommendation of Refer/Eligible indicates that the loan application must be analyzed by a DE underwriter and must be manually underwritten in accordance with FHA's guidelines. If the loan receives a Refer/Eligible recommendation because of data entry errors, or if the terms of the transaction have changed, the lender should correct the information and resubmit the loan for corrected findings. If an Approve/Eligible recommendation cannot be obtained, the loan should be referred to a DE underwriter, who will be required to underwrite the loan manually.

Refer/Ineligible

An underwriting recommendation of Refer/Ineligible indicates that the loan application must be analyzed by a DE underwriter and must be manually underwritten in accordance with FHA's guidelines, and that the loan does not meet one or more of the eligibility requirements. If the loan receives a Refer/Ineligible recommendation due to data entry errors, or if the terms of the transaction have changed, the lender should correct the information and resubmit the loan for corrected findings. If an Approve/Eligible recommendation cannot be obtained, the loan should be referred to a DE underwriter, who will be required to manually underwrite the loan.

Ineligible transactions:

The following transactions will receive an Ineligible recommendation from DU for FHA loans:

- investor loans,
- construction-to-permanent loans, and
- second homes.

ERROR

When DU detects certain errors, it will display ERROR in the Underwriting Recommendation column on the Loan List in the DO/DU user interface and the Underwriting Findings report. A message will state the reason for the error.

A list of errors and error messages for loans submitted to the FHA TOTAL Mortgage Scorecard can be found in [Appendix C](#) on page 59.

Examples of some of the conditions in which the loan would not be underwritten and would produce the ERROR recommendation include:

- Invalid credit score
- Invalid FHA Lender ID field
- Invalid FHA Sponsor ID field
- Unable to score the loan

A "999 - HUD Proxy Server" error means that DU was unable to connect to the FHA TOTAL Mortgage Scorecard. This could indicate the HUD server is down or could be a result of heavy Internet traffic.

Documentation requirements

FHA loans underwritten through DU receive the benefits of reduced documentation. The documentation requirements are based on the risk analysis of the loan file. These requirements are displayed on the Underwriting Findings report.

The age of documents processed through DU should follow FHA guidelines. Credit documents may be up to 120 days old at the time the loan closes (180 days for proposed construction).

Verification Messages/Approval Conditions

Approval conditions and messages related to the required documentation for the loan appear in this section of the Underwriting Findings report. The level of credit waivers will depend on the overall risk analysis of the loan.

Borrowers *may* be eligible for some or all of the reduced documentation listed below based on the underwriting recommendation. Most verification and documentation waivers are only available on loans that receive an Approve recommendation.

Available Waivers	
Credit-related waivers	<ul style="list-style-type: none">• No verification of current and/or previous rent required.• No explanations for most credit inquiries required.
Income/employment-related waivers	<ul style="list-style-type: none">• Self-employed borrowers do not need to produce a profit and loss statement or a balance sheet for the business.• Employment may be verified with one paystub and telephone confirmation (non self-employed base salary income).• No explanation is necessary for gaps in employment of less than 60 days within the last two years.• Receipt of alimony or child support may be verified by three months' bank statements or canceled checks.
Ratio-related waivers	<ul style="list-style-type: none">• No explanation for qualifying housing or debt ratios exceeding FHA's benchmark guidelines.
Asset-related waivers	<ul style="list-style-type: none">• No evidence of asset liquidation required for stocks, bonds, retirement accounts, or sale of assets.• Verification of assets by most recent monthly statement with previous month's balance.• No verification of receipt of gift funds is required if sufficient funds are verified on deposit.

In addition to the messages that specify the documentation that is required, a detailed description of every debt, asset, and source of income used in qualifying is listed. This information can help you to reconcile the debts from the credit report with the ones included in the Quick 1003. This allows you to determine whether income or assets beyond those specifically addressed in the findings were included in the underwriting submission.

Observations

The Observations section of the Underwriting Findings report provides the following information for an FHA loan:

- FHA Lender ID (and FHA Sponsor ID, if required),
- County Loan Limit,
- Maximum Loan Amount (system calculates based on data entry),
- Section of the Act,
- County Name,
- Submitting Institution,
- Agency Case Number,
- Submission Number (number of times the loan has been submitted),
- Credit Report Agency,
- Credit Report ID,
- Credit Report Type, and
- Borrowers' FICO[®] credit scores.

The Underwriting Analysis report

The Underwriting Analysis report summarizes the underwriting analysis that was performed on the loan. The Underwriting Analysis report appears below the Underwriting Findings report. To view the Underwriting Analysis report, scroll down to the bottom of the report screen.

The top of the Underwriting Analysis report shows general information about the loan, including property information and calculated values such as the LTV and the CLTV for purchase loans. Further detail appears in the following sections of the report.

Income

On the left side of the report, the borrowers' combined total income amounts are broken out by income type. If there is positive net rental income from all rental properties or positive cash flow on the subject property (for two- to four-unit properties), this information will also appear in the Income section.

Qualifying ratios and expense ratios

To the right of the income information, the Underwriting Analysis report lists the ratios that DU calculated. The qualifying ratios are those on which the ratio analysis is performed.

The following chart summarizes the factors that are used to calculate the housing expense and total expense ratios, depending on the number of units and occupancy.

Transaction type	Income used for ratio calculation	Payment used in housing expense ratio	Total expense ratio
Primary one-unit	Income of all borrowers	Proposed payment	Proposed payment Liabilities of all borrowers
Primary two- to four-unit	Income of all borrowers Positive net cash flow	Proposed payment	Proposed payment Liabilities of all borrowers
Primary one-unit with non-occupant co-borrowers	Income of all borrowers	Proposed payment	Proposed payment Liabilities of all borrowers, including current housing expenses for non-occupant co-borrowers
Primary two- to four-units with non-occupant co-borrowers	Income of all borrowers Positive net cash flow	Proposed payment	Proposed payment Liabilities of all borrowers, including current housing expenses for non-occupant co-borrowers

Proposed Monthly Payment information

Near the bottom of the Underwriting Analysis report, the proposed monthly payment information is detailed using the note rate, unless the loan type is ARM, in which case this information is calculated based on the qualifying rate (if it is different from the note rate). The housing payment detail is displayed from the Monthly Income and Combined Housing Expense Information screen, except for the P&I, which is calculated by DU. Next is any negative net rental payment, the sum of all payments the borrowers are making to creditors (except for omitted liabilities), the total of the current primary residence housing payments from all applications, and the calculated payment shock percentage.

Note: Loans that are subject to temporary interest rate buydowns are qualified based on the note rate in accordance with FHA guidelines.

Funds

Funds information appears at the bottom of the Underwriting Analysis report. The following information is available:

- **Required Funds** — Calculated from the data in the Details of Transaction screen plus any debt to be paid by closing that is not attributed to a property being sold.

- **Available Funds** — The sum of the liquid assets listed on the loan application, including the liquid assets of any non-occupant borrowers.
- **Cash Back to the Borrower** — Calculated from the data in the Details of Transaction screen.
- **Net Cash Back** — Cash back to the borrower minus net required funds.
- **Reserves** — Includes excess available funds after required funds are subtracted; excludes reserves attributed to gifts or cash back from a cash-out refinance transaction.
- **Month Reserves** — The reserves divided by the total monthly housing payment.

Appendix A: States with Low and High Average Closing Costs

FHA determines which states have low closing costs and which states have high closing costs. The table entitled, “States with Average Closing Costs at or below 2.10 percent and above 2.10 percent” is in the FHA Handbook 4155.1, *Mortgage Credit Analysis for Mortgage Insurance, One to Four Family Properties* is available on FHA’s Web site.

Appendix B: FHA Maximum Loan Amount Calculations

The following sections describe the FHA maximum loan amount calculations used for a variety of loan types.

- [FHA maximum loan amount calculation: Purchase](#)
- [FHA maximum loan amount calculation: No-cash out refinance — Full Documentation](#)
- [FHA maximum loan amount calculation: Cash-out refinance — Full Documentation](#)
- [FHA maximum loan amount calculation: Refinance — Streamline Refinance with Appraisal](#)
- [FHA maximum loan amount calculation: Refinance — Streamline Refinance without Appraisal](#)

FHA maximum loan amount calculation: Purchase

The Government Underwriting Service performs the following calculations to determine the FHA maximum base loan amount for purchase loans:

- Sales Price Calculation
- Value Calculation
- County Loan Limit

The calculation that yields the lowest result appears as the FHA maximum loan amount calculation that appears in the Observations section in the Underwriting Findings report. You can use the worksheet below to determine the FHA maximum base loan amount that should appear in the findings report. If the amount in the findings report is different than the amount you calculate below, please check the 1003 for data entry errors.

Note: Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- Additional Data screen (AD)
- FHA Government Information screen (GV)

Sales Price Calculation

_____	Purchase Price
+ _____	Allowable Repairs
- _____	Seller Paid Concessions (GV)
× _____	Factor (from Closing cost factors below)
= _____	Sales Price Calculation

Value Calculation

_____	Appraised Value (AD)
+ _____	Allowable Repairs
- _____	Seller Paid Concessions (GV)
= _____	
× _____	Factor (from Closing cost factors below)
= _____	Value Calculation

Closing cost factors

Note: To determine high and low cost states, see FHA's list on their Web site.

For states with average closing costs *above* 2.1 percent of the sales price:

- If the lesser of the sales price or the appraised value is \$50,000 or less, multiply by **0.9875**.

- If the lesser of the purchase price or appraised value is greater than \$50,000, multiply by **0.9775**.

For states with average closing costs *at or below* 2.1 percent of the sales price:

- If the lesser of the purchase price or the appraised value is \$50,000 or less, multiply by **0.9875**.
- If the lesser of the purchase price or the appraised value is between \$50,000 and \$125,000, multiply by **0.9765**.
- If the lesser of the purchase price or the appraised value is greater than \$125,000, multiply by **0.9715**.

County Loan Limit

HUD's county loan limit is _____

Note: The county loan limit used by DU appears in the Observations section of the findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

Maximum loan amount results comparison

Below are the results of the calculations:

Sales Price Calculation: _____

Value Calculation: _____

County Loan Limit: _____

The lowest of the calculations above is the maximum base loan amount for a purchase loan, provided the mortgagor has made a cash investment of at least three percent of the contract sales price.

FHA maximum loan calculation: No cash-out refinance — Full Documentation

The Government Underwriting Service performs the following calculations to determine the FHA maximum base loan amount for no cash-out refinance transactions with a refinance type of Full Documentation:

- County Loan Limit
- Refinance Calculation (existing debt)
- Refinance Calculation (appraised value)

The calculation that yields the lowest result appears as the FHA maximum loan amount calculation in the Observations section in the Underwriting Findings report. You can use the worksheet below to determine the FHA maximum base loan amount that should appear in the findings report. If the amount in the findings report is different than the amount you calculate below, please check the 1003 for data entry errors.

Note: Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- Additional Data screen (AD)
- FHA Government Information screen (GV)

County Loan Limit

HUD's county loan limit is _____

Note: The county loan limit used by DU appears in the Observations section of the findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

Refinance Calculation (existing debt)

	_____	Refinance Amount
+	_____	Closing Costs
+	_____	Prepays
+	_____	Repairs required by appraisal
+	_____	Discount Points
-	_____	MIP Refund (GV)
=	_____	Maximum Loan Amount

Refinance Calculation (appraised value)

	_____	Appraised Value (AD)
x	_____	Closing Costs Factor (see Closing cost factors below)
=	_____	Maximum Loan Amount

Closing cost factors

For states with average closing costs *above* 2.1 percent of the sales price:

- If the appraised value is less than or equal to \$50,000, multiply by **0.9875**.
- If the appraised value is greater than \$50,000, multiply by **0.9775**.

For states with average closing costs *at or below* 2.1 percent of the sales price:

- If the appraised value is equal to or less than \$50,000, multiply by **0.9875**.
- If the appraised value is greater than \$50,000 and up to \$125,000, multiply by **0.9765**.
- If the appraised value is greater than \$125,000, multiply by **0.9715**.

Maximum loan amount results comparison

Below are the results of each maximum loan amount calculation:

County Loan Limit _____

Refinance calculation (existing debt) _____

Refinance calculation (appraised value) _____

The lowest of these calculations is the maximum base loan amount for a no cash-out refinance transaction with a refinance type of Full Documentation. If the property was acquired less than one year before the loan application and is not currently FHA insured, in addition to the calculations above, the original sales price of the property also must be considered in determining the maximum mortgage per FHA guidelines.

FHA maximum loan calculation: Cash-out refinance — Full Documentation

The Government Underwriting Service performs the following calculations to determine the FHA maximum base loan amount for cash-out refinance transactions with a refinance type of Full Documentation:

- Appraised Value Calculation
- County Loan Limit

The calculation that yields the lowest result appears as the FHA maximum loan amount calculation in the Observations section in the Underwriting Findings report. You can use the worksheet below to determine the FHA maximum base loan amount that should appear in the findings report. If the amount in the findings report is different than the amount you calculate below, please check the 1003 for data entry errors.

Note: Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- Additional Data screen (AD)
- FHA Government Information screen (GV)

Appraised Value Calculation

$$\begin{array}{r} \text{_____} \text{ Appraised Value (AD)} \\ \times \text{_____} \text{ 85\%} \\ = \text{_____} \text{ Maximum Loan Amount} \end{array}$$

County Loan Limit

HUD's county loan limit is _____

Note: The county loan limit used by DU appears in the Observations section of the Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

Maximum loan amount results comparison

Below are the results of the maximum loan amount calculations.

Appraised Value Calculation _____

County Loan Limit _____

The lower of these calculations is the maximum base loan amount for a cash-out refinance transaction with a refinance type of Full Documentation.

FHA maximum loan calculation: Refinance — Streamline Refinance with Appraisal

The Government Underwriting Service performs the following calculations in determining the maximum loan amount for a streamline refinance with an appraisal. The lowest of these calculations yields the maximum loan amount excluding the new upfront MIP:

- County Loan Limit
- Existing Debt Calculation
- Appraisal Calculation

Streamline with Appraisal must be selected in the Refinance Type field in the FHA Government Information screen. Cash-out refinance transactions are not allowed.

Note: Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- FHA Government Information screen (GV)

County Loan Limit

HUD's county loan limit is _____

Note: The county loan limit used by DU appears in the Observations section of the Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

Existing Debt Calculation

_____	Refinance Amount
+ _____	Borrower Paid Closing Costs
+ _____	Prepays
+ _____	Discounts (based on Total Loan Amount)
- _____	MIP Refund (GV)
= _____	Maximum Loan Amount

Appraisal Calculation

_____	Appraised Value
× _____	Closing Costs Factor (see Closing cost factors below)
= _____	Maximum Loan Amount per appraisal calculation

Closing cost factors

For states with average closing costs above 2.1 percent of sales price:

- If the appraised value is \$50,000 or less, multiply by **0.9875**.
- If the appraised value is greater than \$50,000, multiply by **0.9775**

For states with average closing costs *at or below* 2.1 percent of purchase price:

- If the appraised value is \$50,000 or less, multiply by **0.9875**.
- If the appraised value is between \$50,000 and \$125,000, multiply by **0.9765**.
- If the appraised value is greater than \$125,000, multiply by **0.9715**.

Maximum loan amount results comparison

Below are the results of the maximum loan amount calculations.

County Loan Limit	_____
Existing Debt Calculation	_____
Appraisal Calculation	_____

The lowest of these calculations is the maximum base loan amount for the Streamline Refinance with Appraisal option.

FHA maximum loan calculation: Refinance — Streamline Refinance without Appraisal

The Government Underwriting Service performs the following calculations to determine the maximum loan amount for streamline refinances without an appraisal. The maximum allowable loan amount will be the lesser of the original principal balance (which includes any upfront mortgage insurance premium) or the result of the calculation shown below. The DO/DU user interface does not capture the original principal balance of the loan; therefore the system will provide a maximum loan amount based on the lesser of the calculation shown below or the county loan limit. The Underwriting Findings report will include a message advising users that they must ensure that the requested loan amount does not exceed the original principal balance.

Note: Unless otherwise noted, the values used in the calculations are taken from the Details of Transaction screen in the DO/DU user interface. If a value is taken from another screen, letters in parentheses below indicate the screen where the value appears. The referenced screens are:

- FHA Government Information screen (GV)

Existing Debt Calculation

	_____	Refinance Amount
-	_____	MIP Refund (GV)
+	_____	Closing Costs
+	_____	Discount Points
+	_____	Prepays
=	_____	Maximum Loan Amount

County Loan Limit

HUD's county loan limit is _____

Note: The county loan limit used by DU appears in the Observations section of the Underwriting Findings report. To see a complete listing of HUD county names and maximum loan limits, please refer to HUD's Web site.

Maximum loan amount results comparison

Below are the results of each calculation:

Existing Debt Calculation _____

County Loan Limit _____

The lower of these calculations is the maximum base loan amount for a Streamline Refinance without Appraisal option.

Appendix C: FHA TOTAL Mortgage Scorecard Error Messages

Error Code	DU Message	FHA TOTAL Mortgage Scorecard Definition
001	Incomplete Data	Data in AUS system to calculate score is not complete
004	SS# required	One SSN must be entered
005	SSN1 is not valid	SSN1 is not valid
006	SSN2 is not valid	SSN2 is not valid
007	SSN3 is not valid	SSN3 is not valid
008	SSN4 is not valid	SSN4 is not valid
009	SSN5 is not valid	SSN5 is not valid
010	SSN2 is required	SSN2 is required
011	SSN3 is required	SSN3 is required
012	SSN4 is required	SSN4 is required
200	Bor2 SSN FICO [®] mismatch	FICO score numbers for SSN2 must be 0 when SSN2 not entered
210	Bor3 SSN FICO mismatch	FICO score numbers for SSN3 must be 0 when SSN3 not entered
220	Bor4 SSN FICO mismatch	FICO score numbers for SSN4 must be 0 when SSN4 not entered
230	Bor5 SSN FICO mismatch	FICO score numbers for SSN5 must be 0 when SSN5 not entered
235	Invalid FICO Score	A zero FICO Score is only permitted for one applicant
240	FICO score required	One FICO Score is required when only one applicant
290	Invalid FHA Case Number	Invalid FHA Case Number
300	Total income must be > 0	Applicant(s) combined monthly income must be greater than 0
305	Invalid Appraised Value	Appraised Value must be between \$9,000 and \$600,000. Otherwise, it must be 0
310	Loan Amount < = 0	Loan amount including MIP must be greater than 0

Error Code	DU Message	FHA TOTAL Mortgage Scorecard Definition
315	PITI < = 0	Monthly payment, including Principal, Interest, Taxes and Insurance, must be greater than 0
320	MIP < = 0	Mortgage Insurance Premium cannot be less than 0
325	Invalid mortgage term	Mortgage term in months must be between 48 and 360
330	Invalid sales price	Sales price must be between \$9,000 and \$600,000
335	Value or sales price required	Either Appraised Value or Sales price is required
340	Max 5 borrowers allowed	Total number of applicants must be between 1 and 5
345	# Bor & # SSN mismatch	Total number of applicants does not match number of SSNs entered
350	AUS ID required	Unique identification for AUS must be entered
355	Unique ID for loan by AUS missing	Unique identification for loan application assigned by AUS must be entered
360	Invalid LTV	Loan To Value Ratio must be between 11 and 125
365	Front Ratio < 0 or > 100	Front End Ratio must be greater than 0 and less than 101
370	Back Ratio < 0 or > 100	Back End Ratio must be greater than 0 and less than 101
372	Front/Back Ratio Invalid	Back End Ratio must be greater than Front End Ratio
375	P&I must be > 0	Underwriting P & I must be greater than 0
380	Interest rate must be > 0	Underwriting Interest must be greater than 0
385	Lender ID is required	Lender ID is required
390	Lender ID must be 10 digits	Lender ID must contain 10 digits
391	Invalid Lender ID	Invalid Lender ID
392	Lender ID is not active	Lender ID is not active
393	Sponsor ID is required	Sponsor ID is required
394	Sponsor ID must be 10 digits	Sponsor ID must contain 10 digits
395	Invalid Sponsor ID	Invalid Sponsor ID
396	Sponsor ID is not active	Sponsor ID is not active

Error Code	DU Message	FHA TOTAL Mortgage Scorecard Definition
397	Lndr/Spnsr ID Invalid	Both Lender ID and Sponsor ID cannot be mortgagee type 4
398	Lender ID is not certified	Lender ID is not certified in FHA Connections
399	Sponsor ID is not certified	Sponsor ID is not certified in FHA Connections
400	Credit report missing	Credit report is required
405	Credt rpt type/data missing	Each Credit Report must include a Credit Report Type and Credit Report Data
999	Unable to score loan	AUS System unable to score loan with data provided
9990	HUDScorecard output err, resubmit	FHA Scorecard output error, resubmit
9997	HUDProxySvr err, resubmit	HUD Proxy Server error, resubmit
9998	HUDProxySvr err, resubmit	HUD Proxy Server error, resubmit

Appendix D: Resubmission Policy

The lender is responsible for ensuring the integrity of the data submitted to DU. When material changes in the loan data occur, the lender must resubmit the loan to DU.

Material changes that require the loan to be resubmitted to the FHA TOTAL Mortgage Scorecard include the following:

- Borrowers added to the loan application;
- Decrease in borrower's income, assets, or cash reserves;
- Change in the purchase price or terms and conditions of the mortgage;
- Change that could negatively affect the borrowers' ability to repay the mortgage;
- Change to the property that negatively affects the property value; or
- Decrease in property value.

Note: FHA provides a degree of tolerance before requiring that a mortgage be resubmitted to DU. See HUD Mortgagee Letter 2005-15 for details.

Glossary of Government Terms

CAIVRS number

A number assigned by HUD's Credit Alert Interactive Voice Response System (CAIVRS). A CAIVRS number must be obtained for all FHA loans to determine whether parties to the loan transaction have outstanding federal debt.

CHUMS ID

An alphanumeric approval code assigned to underwriters who are approved for Direct Endorsement (DE) underwriting by FHA. (The CHUMS ID for Approve/Eligible loans underwritten through DO/DU for FHA is **ZFHA**).

County loan limit

The maximum statutory limit for the county in which the subject property is located. HUD publishes maximum county loan limits for each county.

Direct Endorsement (DE)

A certification process for underwriters that allows lenders to underwrite FHA loans in lieu of submitting them to FHA for an underwriting decision.

FHA mortgage

A loan insured by the Federal Housing Administration (FHA).

FHA TOTAL Mortgage Scorecard

The FHA TOTAL Mortgage Scorecard was developed by the Federal Housing Administration in the U.S. Department of Housing and Urban Development to evaluate the credit risk of FHA loans submitted to an automated underwriting system such as DU. TOTAL stands for "Technology Open To Approved Lenders."

MCC

Mortgage Credit Certificate. Shows the credit toward the borrower's income taxes that represents 20% of the monthly interest paid and that is treated as qualifying income for underwriting purposes. This amount is not inclusive of housing allowances, which should be included as monthly income.

Maximum loan amount

The maximum mortgage amount for the loan. The maximum loan amount is the lesser of the maximum statutory limit for the area (county loan limit) or the applicable LTV limit.

Mortgage Credit Analysis Worksheet (MCAW)

The worksheet that an underwriter uses to analyze and summarize the mortgage transaction for an FHA loan. The underwriter is required to review and make changes to the Mortgage Credit Analysis Worksheet, to indicate the loan recommendation on the form, and to insert their CHUMS ID with the decision date. If DU returns an underwriting recommendation of

Approve/Eligible, the underwriter will insert the applicable CHUMS ID assigned to the lender by HUD for system approvals. The CHUMS ID assigned to the DO/DU user interface is **ZFHA**.

Mortgage insurance premium

Insurance paid by the borrower as required by FHA to protect the lender from default. Mortgage insurance is commonly referred to as MIP for FHA loans. MIP is required for all FHA loans, regardless of the LTV, and is provided from the appropriate HUD insurance fund.

Section of the Act

The section of the National Housing Act that is used in underwriting a particular FHA loan. (For example, Section 203(b) is used for the basic fixed rate loan program for FHA purchases and refinances.)

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