



MFM Bulletin: 025-2022

Date: November 7, 2022

Subject: Manual Underwriting on FHA

We are pleased to announce that Member First Mortgage will now offer manual underwriting on FHA loans. Attached are the MFM FHA Manual Underwriting program guidelines. You may begin locking loans under this program on Monday, November 7, 2022.

Program Features:

- Minimum credit score 600
- Borrowers with no credit score allowed (**servicing retained only**)
- Current housing is required, with no late payments
- Ratios up to 37/47% with HUD required compensating factors present
- Manufactured housing allowed up to 95% LTV
- Allowed for both servicing retained and released

Please contact the MFM Underwriting department (underwriting@memberfirstmortgage.com) if you have any questions or concerns pertaining to guidelines and/or eligibility.

Thank you

FHA requires that all loans except for Streamline refinances to be submitted to the FHA Total Scorecard through either DU or LPA. These guidelines will apply to loans that are either returned with a “Refer” feedback or Approved/Eligible loans that must be downgraded to a refer.

Below are instances where manual downgrade to refer is required:

- The mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard;
- Additional information, not considered in the Automated Underwriting System (AUS) recommendation affects the overall insurability of the Mortgage;
- The Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts;
- The date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment;
- The case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale);
- Borrower does not meet minimum waiting period after foreclosure; the case number assignment date is within three years of the date of foreclosure sale;
- Borrower does not meet minimum waiting period after Bankruptcy; case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure;
- The Mortgage Payment history, for any Mortgage trade line reported on the credit report used to score the application, requires a downgrade due to delinquencies.
- Undisclosed mortgage debt (not on credit report) that reflects:
 - A current delinquency;
 - Any delinquency within 12 months of the case number assignment date; or
 - More than two 30-Day late payments within 24 months of case number assignment date.
- Self-employed business income shows a greater than 20 percent decline over the analysis period.

Origination and Underwriting Requirements	
Minimum Credit Score	600
Current Housing History	<p>Borrowers must be currently paying rent or mortgage payment. Borrowers with no current housing are not eligible for manual underwriting.</p> <ul style="list-style-type: none"> • 12 month rent payment history required: <ul style="list-style-type: none"> • 12 months cancelled checks or bank statements showing withdrawal of rent payment along with copy of lease • Payment history from professional management company is allowed as long as actual payment date is provided • Private VORs will not be accepted • Mortgage Payment must be on credit report or payment history directly from lender • Housing Payment history <ul style="list-style-type: none"> • 0 X 30 in most rent 12 months • 1 X 30 in months 13-24 (mortgage payment history)

<p>Installment and Revolving History</p>	<p>Installment:</p> <ul style="list-style-type: none"> • 0 X 30 in past 12 month • 1 X 30 in months 13-24 <p>Revolving:</p> <ul style="list-style-type: none"> • 1 X 30 in past 12 months • 1 X 60 in month 13-24 <p>A detailed explanation of all delinquencies is required.</p>
<p>Collections/Charge Offs</p>	<ul style="list-style-type: none"> • No collections or charged off accounts (other than medical) within the past 12 months • Outstanding Collections do not have to be paid unless they total \$2,000 in aggregate or more. Must payoff, may pay arrangement or count 5% of all collections in DTI. • Outstanding Charged off accounts do not need to be paid in full • Medical collections do not need to be paid off regardless of amount owed
<p>Minimum Tradelines</p>	<ul style="list-style-type: none"> • Minimum 2 tradelines open and active for 12 months; or • 1 tradeline open and active for 12 months and at least two closed 12-month tradelines active within the past 36 months AND one additional housing reference such as utility payment history, cell phone or land line payment history, renter's insurance* <p>*Payment history must show balance due and payment made each month</p>
<p>Borrowers with No Credit Score - Servicing Retained ONLY</p>	<p>Three credit references are required:</p> <ul style="list-style-type: none"> • 12 month rental payment history required (See current housing history above) with no lates in past 12 months • Two additional references with no lates in the past 12 months, may include: <ul style="list-style-type: none"> • Utility company reference (if not included in rent) including gas, electricity, water, internet service • Insurance premiums not payroll deducted (for example, medical, auto, life, renter's insurance); • Rent-to-own (for example, furniture, appliances); or • A documented 12-month history of savings evidenced by regular deposits resulting in an increased balance to the account <p>*Payment history must show balance due and payment made each month</p>
<p>Judgements/Tax Liens/Bankruptcy/Foreclosure</p>	<ul style="list-style-type: none"> • Borrower must have no outstanding judgments or paid judgments within past 36 months • Chapter 7 Bankruptcy must be discharged at least 2 years with re-establish credit (must meet minimum credit requirements above) • Chapter 13 - Chapter 13 bankruptcy does not disqualify a Borrower if at the time of case number assignment at least 12 months of the pay-out period under the bankruptcy has elapsed. BK must have been due to extenuating circumstances outside borrower's control which have been resolved and not likely to recur. Must meet minimum credit history requirements above • No tax liens within the past 36 months • No foreclosures or Deed in Lieu of F/C with the past 36 months • No short sales within the past 36 months • Must not currently be in credit counseling plan

Maximum DTI	<ul style="list-style-type: none"> • Maximum DTI 31/43% • Maximum DTI includes BOTH housing ratio and total debt ratio – must meet BOTH <p>Exceptions:</p> <ul style="list-style-type: none"> • Max 37/47% – NO Higher <p>One of the following compensating factors MUST be present:</p> <ul style="list-style-type: none"> • 3 months PITI for 1-2 units or 6 months PITI for 3-4 units; or • New total mortgage payment not more than \$100 or 5% higher than previous total housing payment, whichever is less, AND • Must meet Residual income guidelines by 110% per VA Table of Residual Incomes (by region)
Employment History / Documentation Requirements	<ul style="list-style-type: none"> • Borrower must be on current job for at least one year. Two years employment must be verified. • Must be self-employed for minimum two years and income must be increasing – no exceptions. • Current paystub, two years W/2s required for wage earners • Two years personal and business tax returns required for self-employed
Required Reserves	<ul style="list-style-type: none"> • 1-2 units: 1 month PITI • 3-4 units: 3 months PITI <p>No gifts allowed for reserves. Must be borrower's own funds and funds must be liquid and accessible.</p>
Property Restrictions	<ul style="list-style-type: none"> • Manufactured Home Max 95% LTV