

Product Snapshot

FHA 203(h) Mortgage Insurance for Disaster Victims

The Section 203(h) program allows FHA to insure mortgages made by qualified lenders to victims of a major disaster who have lost their homes and are in the process of purchasing another home. Individuals are eligible for this program if their homes are located in an area that was designated by the President as a disaster area and if their homes were destroyed or damaged to such an extent that reconstruction or replacement is necessary.

Mortgages to be insured under Section 203(h) must be processed and underwritten in accordance with the regulations and requirements applicable to the 203(b) program. Where 203(b) program guidance conflicts with the specific requirements on Section 203(h) Mortgages provided below, this specific guidance applies.

Purchase Conforming & High Balance Primary Residence Only			
Property Type	Maximum DTI ⁴	LTV/CLTV ¹	Manual Underwrite Permitted
Non-Traditional Credit			
1-4 Unit, Manufactured Home	31% / 43% ²	100% ³	Yes
Minimum FICO 550			
1-4 Unit, Manufactured Home	31%/43% ²	90%	Yes
Minimum FICO 580			
1-4 Unit, Manufactured Home	31%/43% ⁵	100% ³	Yes
Footnotes			
¹ Refer to the Secondary Financing section ² No exceptions to DTI restriction at 43% and cannot use compensating factors ³ The maximum loan-to-value (LTV) ratio limit is 100 percent of the Adjusted Value ⁴ Maximum 50% DTI for properties located in West Virginia ⁵ DTI may exceed 31%/43% with acceptable compensating factors			

Program Parameters	
Acceptable Transaction Terms	<ul style="list-style-type: none"> ● FHA 15 Year Fixed Rate 203(h) ● FHA 30 Year Fixed Rate 203(h) ● FHA 30 Year Fixed Rate 203(h) High Balance ● FHA 15 Year Fixed Rate 203(h) - Manual UW ● FHA 30 Year Fixed Rate 203(h) - Manual UW ● FHA 30 Year Fixed Rate 203(h) High Balance - Manual UW
Overlays	<ul style="list-style-type: none"> ● Refer to the Wholesale Lending Product Overlay Matrix for any applicable Carinal overlays
Application Deadline	<ul style="list-style-type: none"> ● FHA case number must be assigned within one year of the date from the Presidentially-Declared Major Disaster Areas (PDMDA) ● Only one transaction allowed per PDMDA event
Underwriting	The 203(h) Mortgages for Disaster Victims program is not currently supported by AUS and must be underwritten according to FHA's guidance for manually underwritten loans
Program Eligibility	<p>Property Eligibility</p> <ul style="list-style-type: none"> ● The previous residence (owned or rented) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary ● A list of the specified affected counties and cities and corresponding disaster declarations are provided by the Federal Emergency Management Agency (FEMA) <p>Eligibility Documentation Requirements</p> <ul style="list-style-type: none"> ● The Mortgagee must document and verify that the Borrower's previous residence was in the disaster area, and was destroyed or damaged to such an extent that reconstruction or replacement is necessary ● Documentation attesting to the damage of the previous house must accompany the mortgage application ● If purchasing a new house, the house need not be located in the area where the previous house was located ● Homeowner(s) to provide: <ul style="list-style-type: none"> ○ Insurance claim evidencing the previous residence was destroyed in a PDMDA. ● Renter(s) to provide: <ul style="list-style-type: none"> ○ Evidence of permanent residence in the affected area (i.e. valid driver's license, utility bills, etc.) ○ Evidence previous residence was destroyed in a PDMDA with a report and photographs showing the destruction or damage (i.e. insurance report, or an inspection report by an independent fee inspector/gov't agency) ○ Signed/dated LOE from landlord confirming the property was destroyed and the borrower has been relieved of his/her monthly rent obligation

Eligible Borrowers	<ul style="list-style-type: none"> ● U.S. citizens ● Permanent/Non-permanent resident aliens ● Non-occupant co-borrowers
Non Purchasing Spouse	<p>Credit report required in community property states. Debts must be added to DTI Ratio and Credit History must not be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property</p>
Eligible Properties	<ul style="list-style-type: none"> ● Owner Occupied Only ● 1-Unit ● Detached PUD's ● FHA approved Condominium projects ● Manufactured homes (double or single-wide)
Ineligible Properties	<ul style="list-style-type: none"> ● 2-4 Units ● Incomplete Homes ● Agricultural properties ● Second homes ● Investment properties ● Condotels, leaseholds, timeshares ● State-approved medical marijuana producing properties ● Homes that have never been completed ● Homes that have been completely demolished ● Properties on stilts, posts, or piers ● Mobile homes ● Co-ops, commercial or industrial zoned properties, mixed-used ● Working farms, construction to permanent, land contracts ● Unique properties such as log homes, berm homes, properties located in the area of Wrightwood, CA, ● And/or any other ineligible properties as defined by HUD Handbook 4000.1 ● Lava Zones 1 and 2
Ineligible Transactions	<ul style="list-style-type: none"> ● Escrow waivers are not permitted ● Life Estates ● Blind Trusts ● Irrevocable Trusts ● 1031 Exchanges ● LLC's, Corporations and Partnerships ● Community Land Trusts ● Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on Federal law. ● Temporary Buydowns ● Texas Cash-Out 50 (a)(6) Transactions ● Negative Equity Refinance transactions (including short pay off of subject property) ● Energy Efficient Mortgages (EEM) ● Mortgage Credit Certificate (MCC)/Section 8 Voucher ● Transactions where a Mortgage Credit Reject (MCR) reflects a Credit Alert Sanction related to misrepresentation or fraud with another lender against one or more of our borrowers

	<ul style="list-style-type: none"> Transactions with Credit Scores below 620 are ineligible when a Mortgage Credit Reject (MCR) from another lender was issued for the borrower in FHA Connection
Minimum Required Investment (MRI)	<ul style="list-style-type: none"> The Borrower is not required to make the Minimum Required Investment (MRI)
Non Traditional Credit	<ul style="list-style-type: none"> See the Lending Guide for specific requirements
Housing Payment History	<ul style="list-style-type: none"> The Mortgagee may disregard any late payments on a previous obligation on a Property that was destroyed or damaged in the disaster where the late payments were a result of the disaster and the Borrower was not three or more months delinquent on their Mortgage at the time of the disaster The Mortgagee may justify approval if the Borrower was three or more months delinquent if extenuating circumstances are documented by the Mortgagee
Foreclosure, Deed in Lieu of Foreclosure	<p>Minimum of 3 years from transfer of title</p> <ul style="list-style-type: none"> Exceptions may be allowed for a foreclosure date that is less than 2 years from the application date if extenuating circumstances can be documented. In no case is a foreclosure sale less than 12 months acceptable.
Short Sale	<p>Minimum of 3 years from transfer of title</p> <ul style="list-style-type: none"> Exceptions may be allowed if the borrower can document an extenuating circumstance and the borrower had no delinquency in the 12 months prior to the short sale.
Bankruptcy Chapter 7	<p>Minimum of 2 years from discharge date</p> <ul style="list-style-type: none"> Borrower must have no late payments on mortgages, installment debt or other credit obligations within the past 12 months. Exceptions may be allowed for a bankruptcy that was discharged less than 2 years from the application date if extenuating circumstances can be documented and the borrower has demonstrated the ability to manage financial affairs since the bankruptcy. In no case is a bankruptcy discharged less than 12 months acceptable.
Bankruptcy Chapter 13	<ul style="list-style-type: none"> Minimum of 1 year established payment history is required, proving all bankruptcy plan payments have been made in full and on time. If Bankruptcy is discharged, no waiting period applies, but mortgage payment history may not have any lates Court approval is required if the bankruptcy is not discharged.
Secondary Financing	<ul style="list-style-type: none"> FHA eligible Down Payment Assistance programs are allowed if the program is approved by Cardinal. Down Payment Assistance programs from government entities are permitted in accordance with FHA's guidelines. All other sources of secondary financing must meet FHA's requirements. <p>Subordinate Financing Restrictions</p>

		Combined LTV and Maximum Mortgage Amount with Secondary Financing		
		Entity Type	CLTV	Maximum Loan Amount
		Governmental Entity and HOPE Grantee	No max. CLTV for secondary financing loans	The insured first mortgage may not exceed the FHA Nationwide Mortgage Limit for the area in which the Property is located.
		HUD-Approved Nonprofit	No max. CLTV for secondary financing loans	
		Family Members	Base Loan Amount and secondary financing amount must not exceed 100 percent of the Adjusted Value	
		Private Individuals and Other Organizations	Base Loan Amount and secondary financing amount must not exceed the applicable FHA Loan-to-Value (LTV) limit	The Base Loan Amount <u>and</u> secondary financing amount must not exceed the Nationwide Mortgage Limit for the area in which the Property is located.
Gift Funds	<p>Gift funds are eligible for down payment, closing costs and reserve requirements (if required)</p> <p>A gift is acceptable if the donor is:</p> <ul style="list-style-type: none"> • A relative of the borrower. Refer to the Family Member Definition topic for HUDs definition of a family member/relative, or • The borrower’s employer, or • A close friend with a clearly defined and documented interest in the borrower, or • A charitable organization approved by FHA, or • A government agency or public entity that has a program providing homeownership assistance to low and moderate income families or first-time home buyers; or • Non-profit (501(c) (3) that is an instrumentality of the government. Nonprofits that are not an instrumentality of the government may not provide funds. <p>NOTE: As a reminder, while HUD does allow gift funds from an interested party to the transaction, when they meet all other gift funds requirement, funds from an interested party cannot be used to meet the borrower’s minimum required investment (MRI)</p> <p>Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor’s own funds</p>			
Down payment assistance from Charitable Organizations/Non-Profit	FHA eligible Down Payment Assistance programs are allowed if the program is approved by Cardinal.			

Agencies	
----------	--



WWW.CARDINALFINANCIALWHOLESALE.COM

Copyright 2019. All rights reserved. Cardinal Financial Company, Limited Partnership is an Equal Housing Opportunity Lender. This is not a commitment to lend. Information is intended for the use of mortgage professionals only and not intended for public use or distribution. This is not an advertisement pursuant to 12 C.F.R. 1026.2(a)(2). While Cardinal strives to provide accurate information, Cardinal makes no guarantee or promise regarding the accuracy of the above content. All information is subject to change at anytime without notice. Cardinal Financial Company, Limited Partnership | NMLS #66247.