



Attention Please!!

TEMPORARY GUIDANCE DUE TO COVID-19
 This direction supersedes standard guidance on this matrix!

Due to the unprecedented impact of the coronavirus on the industry, temporary guidance has been issued regarding a number of different topics. To ensure your borrower is accurately qualified in this challenging time, please refer to the [Temporary Guidance due to COVID-19 document](#).

FHA HUD REO Program

Through the Property Disposition Insured Sales Program, HUD offers its Real Estate Owned (REO) properties for sale with FHA-insured financing available. Properties must meet the intent of the FHA's Minimum Property Standards (MPS) for existing properties to be eligible for this program.

Credit Requirements	Minimum 600 FICO required. Manual underwrites not permitted on loans with mid scores < 640.
Loan Purpose	Purchases only
Loan Amount	Maximum \$510,400
Loan Terms	Fixed rate terms and 5/1 ARMs available
LTV	96.5% LTV
	99.9% LTV (for \$100 Down incentive. Not available in all areas).
Appraisals	"As is" appraisal is required (not "as repaired"). The broker must contact HUD's Management and Marketing (M&M) contractor to obtain a copy of the Property Condition Report (PCR). <i>See guidelines for specifics on appraisals over 120 days old</i>
Property Types	<ul style="list-style-type: none"> ● Single family dwellings ● Condominiums (must be FHA-approved) ● Planned Unit Developments (PUDs) ● 2-4 units
Occupancy	Owner occupied, primary residences only. Non-occupant coborrowers not permitted.
Qualifying Ratios	As determined by the AUS for loans with an Approve/Eligible recommendation. Otherwise, max ratios 31/43% unless strong compensating factors exist
Gift Funds	Permitted - see guidelines for specifics. Cash gifts not allowed.
Mortgage Insurance	Upfront MIP is required on all loans, and must be entirely financed into the mortgage amount or paid entirely in cash. See chart in the guidelines for annual MIP factors.
Escrow Waiver	Not permitted.
Underwriting	All loans will be underwritten according to standard FHA guidelines, and may be run against TOTAL Scorecard using FNMA's DU or manually underwritten.
Minimum Cash Investment	3.5% of the sales price, which must be all downpayment (with the exception of \$100 Down)
Repair Escrows	<p>Properties that need less than \$10,000 worth of repairs to meet MPS will be offered for sale with insured financing available, provided a cash escrow is established to ensure the completion of repairs (non-livability issues)</p> <p>Repair Escrow Financing: The repair escrow must be financed in the FHA loan, and is not to be taken from HUD proceeds</p> <p>Repair Escrow Amount: Equal to 110% of the estimated cost of repairs. Since the max cost of repairs is \$10,000, the maximum escrow amount may not exceed \$11,000 (a 10% overage is calculated in). The escrow account is to be administered by MiMutual</p> <p>Cost of Repairs: Repair escrow is taken from line 4 of the sales contract. If additional repairs are revealed during the loan process (i.e. as the result of a home inspection), then 2 bids will be required with a list of repairs needed to make the property insurable and the estimated cost of repairs, and the underwriter will determine the additional required escrow amount.</p> <p>Completion of Repairs: Generally, all repairs are to be completed within 90 days of closing.</p>

FOR FURTHER DETAILS, PLEASE REFER TO FHA GUIDELINES (HUD REO CHAPTER)