

**FHA Manual Underwriting  
Exceeding 31% / 43% DTI Eligibility Quick Reference  
(Applies to Case Numbers Assigned on or after April 21, 2014)**

<b>Credit Score/ Compensating Factor(s)*</b>	<b>Maximum DTI</b>	<b>Requirements (Specific details noted on page 2)</b>
620+ and No Compensating Factor	31% / 43%	<ul style="list-style-type: none"> <li>• Max DTI cannot be exceeded (new FHA requirement; underwriter discretion to exceed is no longer allowed. DTI cannot be exceeded without HUD eligible compensating factor)</li> <li>• Must meet manual underwriting cash reserve requirement:               <ul style="list-style-type: none"> <li>- 1-2 units: Minimum 1 month reserves (new FHA requirement)</li> <li>- 3-4 units: Minimum 3 months reserves (previously required by FHA)</li> </ul> </li> </ul>
620+ and One Compensating Factor	37% / 47%	Compensating factor <b>must be one</b> of the following: <ul style="list-style-type: none"> <li>• Additional cash reserves               <ul style="list-style-type: none"> <li>- 1-2 units: Minimum 3 months reserves</li> <li>- 3-4 units: Minimum 6 months reserves</li> </ul> </li> <li>• Minimal housing increase**</li> <li>• Residual income**</li> <li>• Additional income not used for qualification**</li> </ul>
620+ and Two Compensating Factors	40% / 50%	Compensating factors <b>must be two</b> of the following: <ul style="list-style-type: none"> <li>• Additional cash reserves               <ul style="list-style-type: none"> <li>- 1-2 units: Minimum 3 months reserves</li> <li>- 3-4 units: Minimum 6 months reserves</li> </ul> </li> <li>• Minimal housing increase**</li> <li>• Residual income**</li> <li>• Additional income not used for qualification**</li> </ul>
620+ and No Discretionary Debt	40% / 40%	<ul style="list-style-type: none"> <li>• All requirements under the “No Discretionary Debt” topic detailed on the table on page 2 must be met.</li> <li>• Must meet manual underwriting cash reserve requirement:               <ul style="list-style-type: none"> <li>- 1-2 units: Minimum 1 month reserves</li> <li>- 3-4 units: Minimum 3 months reserves</li> </ul> </li> </ul>

\*Acceptable compensating factors detailed on page 2&3.

\*\*Minimum reserve requirements for manually underwritten loans must still be met:

- 1-2 units: Minimum 1 month reserves
- 3-4 units: Minimum 3 months reserves

**FHA Manual Underwriting  
Exceeding 31% / 43% DTI Eligibility Quick Reference  
(Applies to Case Numbers Assigned on or after April 21, 2014)**

Eligible Compensating Factors for Manually Underwritten Loans with DTI > 31%/43%	
Compensating Factor	Requirements
1. <b>Additional Cash Reserves</b>	<ul style="list-style-type: none"> <li>• 1 and 2 units: 3 months or more of the total monthly mortgage payment (PITI + MIP)</li> <li>• 3 and 4 units: 6 months or more of the total monthly mortgage payment (PITI + MIP)</li> </ul> <p>Retirement accounts (IRA, 401K, Keogh, etc.) are eligible to satisfy reserve requirements subject to:</p> <ul style="list-style-type: none"> <li>• Maximum 60% of the vested account, minus any outstanding loan balance(s) may be used (any funds used for loan settlement must be excluded)</li> <li>• The account allows for withdrawals other than for retirement, death or employment termination. If not, the funds are ineligible towards reserves.</li> </ul> <p>The following are <b>ineligible</b> to meet reserve requirements:</p> <ul style="list-style-type: none"> <li>• Any cash-back from the transaction</li> <li>• Gift or borrowed funds</li> <li>• Equity in other real estate owned</li> </ul>
2. <b>Minimal Housing Increase</b>	<p>Minimal housing increase defined as:</p> <ul style="list-style-type: none"> <li>• New monthly mortgage payment (PITI + MIP) does not exceed the current housing payment by the lesser of: <ul style="list-style-type: none"> <li>- \$100, <b>or</b></li> <li>- 5% of the current housing payment, <b>and</b></li> </ul> </li> <li>• Borrower <b>must have</b> a documented 12 month housing history; if 12 months housing cannot be documented the minimal housing increase cannot be used as a compensating factor. The following applies to the required housing history:</li> <li>• Purchase and rate/term refinance transactions: <ul style="list-style-type: none"> <li>- Maximum 1x30 in previous 12 months</li> <li>- Cash-out transactions: 0x30 in previous 12 months</li> </ul> </li> </ul>
3. <b>No Discretionary Debt</b>	<p>May be considered a compensating factor when:</p> <ul style="list-style-type: none"> <li>• The <b>only</b> open account with an outstanding balance that is not paid off monthly is the borrower's mortgage (N/A to purchase borrowers who currently rent), <b>and</b></li> <li>• The borrower's credit report indicates established tradelines, open a minimum of 6 months, in the borrower's name (authorized user accounts <b>not</b> eligible), <b>and</b></li> <li>• The borrower has paid any account balances in full for the previous 6 months (documentation of payment is required).</li> </ul>

**FHA Manual Underwriting  
Exceeding 31% / 43% DTI Eligibility Quick Reference  
(Applies to Case Numbers Assigned on or after April 21, 2014)**

Eligible Compensating Factors for Manually Underwritten Loans with DTI > 31%/43%	
Compensating Factor	Requirements
4. <b>Additional Income</b> (not used to qualify for the loan)	<p>The following additional income is eligible, if not used for qualification:</p> <ul style="list-style-type: none"> <li>• Bonus,</li> <li>• Overtime,</li> <li>• Part-time/seasonal</li> </ul> <p>The borrower must be able to document receipt of the income for a minimum of 1 year but &lt; 2 years and is likely to continue <b>AND</b> if the income had been used for qualifying the DTI would not be more than 37%/47%.</p> <p>Eligible as follows:</p> <ul style="list-style-type: none"> <li>• If DTI will <b>not</b> exceed 37%/47% may be used as the only compensating factor; no additional compensating factor required.</li> <li>• If DTI exceeds 37%/47% but is not more than 40%/50% another compensating factor is required in addition to using additional income.</li> </ul> <p>NOTE: Income from anyone not a borrower on the loan may <b>not</b> be used (non-borrowing spouse, domestic partner, etc.)</p>
5. <b>Residual Income*</b>	<p>Eligible subject to VA residual income guidelines.</p> <ul style="list-style-type: none"> <li>• <b>All</b> of the borrower's household members are counted regardless of the relationship to the borrower or if they will be on the loan with the exception of "self-sufficient" household members (i.e. the household member who fully supports themselves, with verifiable income, and that income was not used for qualifying)</li> <li>• Residual income is determined by taking the gross monthly income of all occupying borrowers and <b>deducting</b> the following: <ul style="list-style-type: none"> <li>- Federal and state taxes, social security, retirement (figures from current paystub may be used)</li> <li>- Proposed housing payment (PITI + HOA, assessments, if applicable),</li> <li>- Fixed monthly debt/obligations, and</li> <li>- Expected home maintenance/utility costs (calculated at 14¢per square foot)</li> </ul> </li> </ul> <p>NOTE: Non-taxable income cannot be grossed up meet residual income requirements.</p>

\* Refer to page 4 for the VA Residual Income Chart

**FHA Manual Underwriting  
Exceeding 31% / 43% DTI Eligibility Quick Reference  
(Applies to Case Numbers Assigned on or after April 21, 2014)**

---

VA Residual Income Requirements				
Loan Amounts ≤ 79,999				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
<b>Over 5</b>	Add \$75.00 for each additional family member up to 7.			

VA Residual Income Requirements				
Loan Amounts ≥ 80,000				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
<b>Over 5</b>	Add \$80.00 for each additional family member up to 7			

Refer to page 5 for a list of geographic regions.

**FHA Manual Underwriting  
Exceeding 31% / 43% DTI Eligibility Quick Reference  
(Applies to Case Numbers Assigned on or after April 21, 2014)**

---

<b>Geographic Regions as Defined by VA For Residual Income Requirements</b>			
<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming