



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: October 8, 2026

Mortgagee Letter 2026-11

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All FHA-Approved Title I Lenders
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Updated Minimum Decision Credit Score Methodology for the
Implementation of Alternative Credit Scores

Purpose This Mortgagee Letter (ML) updates FHA's Minimum Decision Credit
Score (MDCS) methodology to facilitate the adoption of alternative credit
score models.

Effective Date The provisions of this ML are effective for case numbers assigned on or
after January 1, 2027.

All updates will be incorporated into a forthcoming update of the HUD
Handbook 4000.1, *FHA Single Family Housing Policy Handbook*
(Handbook 4000.1).

Affected Programs The provisions of this ML apply to all FHA-insured Title II Single Family
mortgage programs.

Background The Administration has prioritized reducing housing costs, expanding access
to mortgage credit, and promoting competition and innovation in the
mortgage market. Consistent with these priorities, FHA is adopting
alternative credit score models, FICO 10T and VantageScore 4.0, alongside
Classic FICO, to modernize its credit scoring framework. The new models

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leverage trended data which analyzes a consumers' credit behavior over time. They also leverage non-traditional credit like rent and utilities which, along with the trended data, provide greater predictive power allowing FHA to better quantify risk and increase access to homeownership.

FHA will continue to require a tri-merge credit report, and the existing minimum credit score thresholds remain unchanged regardless of Credit Score Model Type.

The Home Equity Conversion Mortgage (HECM) program does not rely on credit scores as an underwriting component. Accordingly, the reference to the MDCS is being deleted from the general eligibility requirements for the program.

Summary of Changes

This ML:

- updates Minimum Decision Credit Score (II.A.1.b.ii(A)(3)) to revise the methodology for determining the MDCS when multiple credit score models are present;
- updates LTV Limitations Based on Minimum Decision Credit Score (II.A.2.b.i) to align headings and terminology;
- updates Approvable Ratio Requirements (Manual) (II.A.5.d.viii) to align terminology;
- updates Loan-to-Value Ratios for Refinance (II.A.8.a.x(A)) to align headings and terminology;
- updates Borrower Eligibility – Credit Score (II.A.8.b.ii(A)(3)) to align terminology;
- updates Streamline Refinance Exemptions (II.A.8.d.vi(C)(1)) to align terminology;
- updates Section 203(b) (II.A.8.o.vi(A)) to align terminology; and
- removes Borrower Minimum Decision Credit Score (II.B.2.b.ii(A)(8)), as HECMs do not rely on credit scores, and renumbers subsequent sections.

The Handbook 4000.1 sections impacted by this ML are provided in [Attachment 1](#), with changes tracked in redline to help users clearly identify the policy requirements being revised or removed from the Handbook.

FHA Single Family Housing Policy Handbook 4000.1

The policy changes will be incorporated into Handbook 4000.1 as follows:

Minimum Decision Credit Score (II.A.1.b.ii(A)(3))

(a) Definitions

**Origination
Through Post-
Closing/
Endorsement**

A Credit Score Model Type refers to a credit scoring model (e.g. Classic FICO, VantageScore 4.0, or FICO 10T) on a credit report that contains scores from the credit repositories for a Borrower.

A Borrower-Level Score refers to the credit score selected for each Borrower after evaluating the scores from each Credit Score Model Type submitted.

Minimum Decision Credit Score (MDCS) refers to the lowest Borrower-Level Score among all Borrowers on the transaction.

(b) Standard

(i) Determining the Minimum Decision Credit Score (MDCS)

To determine the MDCS, the Mortgagee must first determine the Borrower-Level Score for each Borrower by evaluating the scores from each Credit Score Model Type submitted.

Select the score from each Credit Score Model Type as follows:

- if three differing scores are reported, use the middle score;
- if two differing scores are reported, use the lowest score;
- if only one score is reported, use that score

The Borrower-Level Score is the lowest score of the selected scores from each Credit Score Model Type submitted. If only one Credit Score Model Type is submitted, the score selected from the process above is the Borrower-Level Score.

The MDCS is the lowest Borrower-Level Score among all Borrowers for the transaction.

Where the transaction involves multiple Borrowers and one or more of the Borrowers do not have any credit scores (non-traditional or insufficient credit), the MDCS is the lowest Borrower-Level Score among the Borrowers with credit score(s).

(ii) Eligibility

The Mortgagee may submit one or more Credit Score Model Type(s), provided the same model type(s) are used for all Borrowers. For example, the Mortgagee may not submit FICO 10T for the primary Borrower and VantageScore 4.0 for the co-Borrower.

The credit report retained in the case binder must include all Credit Score Model Type(s) submitted in the final TOTAL submission. The credit report may include additional Credit Score Model Types that were not submitted to TOTAL. For example, if VantageScore 4.0 and FICO

10T are submitted in the final TOTAL submission, the credit report retained in the case binder must include both VantageScore 4.0 and FICO 10T, but may also include Classic FICO.

The **transaction** is not eligible for FHA-insured financing if the MDCS is less than 500.

Loan-to-Value Limits (II.A.2.b)

i. **LTV** Limitations Based on **Minimum Decision** Credit Score (Applies to All Transactions)

The Mortgagee must review the credit report(s) for all Borrowers on a **transaction** to determine the Minimum Decision Credit Score (MDCS), except for Mortgages to be insured under [Section 247](#) (II.A.8.h), [Section 248](#) (II.A.8.g), [Streamline Refinances](#) (II.A.8.d), and [Assumptions](#) (II.A.8.n).

The MDCS will be used to determine the maximum insured financing available to a Borrower with traditional credit.

The table below describes the relationship between the MDCS and the LTV ratio for which **the transaction is** eligible. Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing but must be underwritten using the procedures in [Manual Underwriting of the Borrower](#) (II.A.5).

If the MDCS is:	Then the transaction is :
at or above 580	eligible for maximum financing
between 500 and 579	limited to a maximum LTV of 90%

Final Underwriting Decision (Manual) (II.A.5.d)

viii. Approvable Ratio Requirements (Manual)

The maximum Total Mortgage Payment to Effective Income Ratio (PTI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.

The qualifying ratios for Borrowers with no **Borrower-Level Credit Scores** are computed using income only from Borrowers occupying the Property and obligated on the Mortgage. Non-occupant co-Borrower income may not be included.

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Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Transactions with Minimum Decision Credit Scores (MDCS) below 580, or with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	One of the following: • verified and documented cash Reserves; • minimal increase in housing payment; or • residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	Two of the following: • verified and documented cash Reserves; • minimal increase in housing payment; • significant additional income not reflected in Effective Income; and/or • residual income.

Maximum Mortgage Amount for Refinance (II.A.8.a.x)

(A) Loan-to-Value Ratios for Refinance

The table below describes the relationship between the [Minimum Decision Credit Score](#) and the LTV ratio for transaction eligibility.

If the MDCS is:	Then the transaction is:
at or above 580	eligible for maximum financing of 97.75%
between 500 and 579	limited to a maximum LTV of 90%

Borrower Eligibility II.A.8.b.ii(A)

(1) Application Deadline

The FHA case number must be assigned within one year of the date the PDMDA is declared, unless an additional period of eligibility is provided.

(2) Principal Residence

The mortgaged Property must be the Borrower's Principal Residence.

(3) Credit Score

The **transaction** must have an **MDCS** of 500.

Streamline Refinance Exemptions (II.A.8.d.vi(C)(1)

(a) Non-credit Qualifying Exemptions

Unless otherwise stated in this section, the following sections of [Origination through Post-closing/Endorsement](#) (II.A) do not apply to non-credit qualifying Streamline Refinances:

- Ordering Appraisal
- Transferring Existing Appraisal
- Ordering Second Appraisal
- Ordering an Update to an Appraisal
- Minimum Decision Credit Score
- Borrower and Co-Borrower Ownership and Obligation Requirements
- Co-signer Requirements
- Principal Residence in the United States
- Military Personnel Eligibility
- Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt
- Delinquent Federal Tax Debt
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on **MDCS**
- Underwriting the Property
- Underwriting the Borrower Using the TOTAL Mortgage Scorecard
- Credit Requirements (Manual)
- Income Requirements (Manual)
- Asset Requirements (Manual)
- Underwriting of Credit and Debt (Manual)
- Underwriting of Income (Manual)
- Underwriting of Assets (Manual)
- Calculating Qualifying Ratios (Manual)

- Approvable Ratio Requirements (Manual)
- Documenting Acceptable Compensating Factors (Manual)

(b) Credit Qualifying Exemptions

The following sections of [Origination through Post-closing/Endorsement](#) (II.A) do not apply to credit qualifying Streamline Refinances:

- Ordering Appraisal
- Transferring Existing Appraisal
- Ordering Second Appraisal
- Ordering an Update to an Appraisal
- Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt
- Delinquent Federal Tax Debt
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on **MDCS**
- Underwriting the Property
- Underwriting the Borrower Using the TOTAL Mortgage Scorecard

Maximum Mortgage Amounts (II.A.8.o.vi)

(A) Section 203(b)

Mortgagees must calculate the maximum mortgage amounts in accordance with the requirements of Calculating Maximum Mortgage Amounts for Purchases, using the applicable Loan-To-Value ratio (LTV) from this section, subject to [LTV Limitations Based on **Minimum Decision Credit Score**](#).

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0328; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

**Feedback or
Questions**

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Joseph M. Gormley
Performing the delegable duties of the Assistant Secretary for Housing -
Federal Housing Commissioner

Attachment 1
Handbook 4000.1 Pages Impacted by this Mortgagee Letter

The Handbook 4000.1 sections impacted by this Mortgagee Letter (ML) are provided in this attachment, with changes tracked in redline to help users clearly identify the policy requirements being revised or removed from the Handbook.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

1. Origination/Processing

(1) Social Security Number

(a) Standard

Each Borrower must provide evidence of their valid SSN to the Mortgagee.

Exception

Individuals employed by the World Bank, a foreign embassy or equivalent employer identified by HUD, state and local government agencies, Instrumentalities of Government, and HUD-approved Nonprofit organizations are not required to provide an SSN.

(b) Required Documentation

The Mortgagee must:

- validate and document an SSN for each Borrower, co-Borrower, or Co-signer on the Mortgage by:
 - entering the Borrower's name, date of birth, and SSN in the Borrower/address validation screen through [FHAC](#); and
 - examining the Borrower's original pay stubs; IRS Form W-2s, *Wage and Tax Statement*; valid Tax Returns obtained directly from the IRS; or other document relied upon to underwrite the Mortgage; and
- resolve any inconsistencies or multiple SSNs for individual Borrowers that are revealed during Mortgage processing and underwriting using a service provider to verify the SSN with the SSA.

(2) Borrower Age Limits

The Borrower must be old enough to enter into a mortgage Note that can be legally enforced in the state, or other jurisdiction, where the Property is located. There is no maximum age limit for a Borrower.

(3) ~~Borrower~~ Minimum Decision Credit Score

(a) Definitions

A Credit Score Model Type refers to a credit scoring model (e.g. Classic FICO, VantageScore 4.0, or FICO 10T) on a credit report that contains scores from the credit repositories for a Borrower.

A Borrower-Level Score refers to the credit score selected for each Borrower after evaluating the scores from each Credit Score Model Type submitted.

Minimum Decision Credit Score (MDCS) refers to the lowest Borrower-Level Score among all Borrowers on the transaction. ~~The Minimum Decision Credit Score (MDCS) refers to the credit score reported on the Borrower's credit~~

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

1. Origination/Processing

~~report when all reported scores are the same. Where three scores are reported, the median score is the MDCS. Where two differing scores are reported, the MDCS is the lowest score. Where only one score is reported, that score is the MDCS.~~

~~An MDCS is determined for each Borrower. Where the Mortgage involves multiple Borrowers, the Mortgagee must determine the MDCS for each Borrower, and then select the lowest MDCS for all Borrowers.~~

(b) Standard

(i) Determining the Minimum Decision Credit Score (MDCS)

To determine the MDCS, the Mortgagee must first determine the Borrower-Level Score for each Borrower by evaluating the scores from each Credit Score Model Type submitted.

Select the score from each Credit Score Model Type as follows:

- if three differing scores are reported, use the middle score;
- if two differing scores are reported, use the lowest score;
- if only one score is reported, use that score

The Borrower-Level Score is the lowest score of the selected scores from each Credit Score Model Type submitted. If only one Credit Score Model Type is submitted, the score selected from the process above is the Borrower-Level Score.

The MDCS is the lowest Borrower-Level Score among all Borrowers for the transaction.

Where the ~~Mortgage~~ transaction involves multiple Borrowers and one or more of the Borrowers do not have any credit scores (non-traditional or insufficient credit), the MDCS is the lowest Borrower-Level Credit Score among Mortgagee must select the lowest MDCS of the Borrower(s) with credit score(s).

(ii) Eligibility Standard

The Mortgagee may submit one or more Credit Score Model Type(s), provided the same model type(s) are used for all Borrowers. For example, the Mortgagee may not submit FICO 10T for the primary Borrower and VantageScore 4.0 for the co-Borrower.

The credit report retained in the case binder must include all Credit Score Model Type(s) submitted in the final TOTAL submission. The credit report may include additional Credit Score Model Types that were not submitted to TOTAL. For example, if VantageScore 4.0 and FICO 10T are submitted in the final TOTAL submission, the credit report retained in the case

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

1. Origination/Processing

binder must include both VantageScore 4.0 and FICO 10T, but may also include Classic FICO.

The ~~Borrower~~ transaction is not eligible for FHA-insured financing if the MDCS is less than 500.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

2. Allowable Mortgage Parameters

The maximum amount of repair costs that may be added to the sales price is the lesser of:

- the amount by which the value of the Property exceeds the sales price;
- the Appraiser's estimate of repairs; or
- the amount of the contractor's bid.

(B) Energy-Related Weatherization Repairs and Improvements

A Mortgagee may add energy-related weatherization costs, to be paid for by the Borrower, in accordance with [Weatherization](#) policies.

(C) Solar Energy Systems

A Mortgagee may add the cost of a solar energy system (including active and passive solar- and wind-driven systems) to the Mortgage in accordance with [Solar and Wind Technologies](#) policies.

When adding the cost of a solar energy system to the mortgage amount, the maximum insurable mortgage limit may be exceeded by up to 20 percent.

b. Loan-to-Value Limits (02/16/2021)

The maximum LTV ratios vary depending upon the type of Borrower, type of transaction (purchase or refinance), program type, and stage of construction.

The Mortgagee must apply the lowest applicable LTV percentage as determined under the requirements in this section.

i. ~~Loan-to-Value~~ **LTV** Limitations Based on ~~Borrower's~~ **Minimum Decision** Credit Score (Applies to All Transactions)

The Mortgagee must review the credit report **(s) for all Borrowers on a transaction** to determine the ~~Borrower's~~ Minimum Decision Credit Score (MDCS), except for Mortgages to be insured under [Section 247](#), [Section 248](#), [Streamline Refinances](#), and [Assumptions](#).

The MDCS will be used to determine the maximum insured financing available to a Borrower with traditional credit.

The table below describes the relationship between the ~~Borrower's~~ MDCS and the LTV ratio for which ~~they are~~ **the transaction is** eligible. Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing but must be underwritten using the procedures in [Manual Underwriting of the Borrower](#).

If the Minimum Decision Credit Score MDCS is:	Then the Borrower transaction is:
at or above 580	eligible for maximum financing
between 500 and 579	limited to a maximum LTV of 90%

II. ORIGATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

5. Manual Underwriting of the Borrower

- the total Mortgage Payment; and
- monthly obligations on all debts and liabilities.

viii. Approvable Ratio Requirements (Manual)

The maximum Total Mortgage Payment to Effective Income Ratio (PTI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.

The qualifying ratios for Borrowers with no **Borrower-Level Credit Scores** ~~credit score~~ are computed using income only from Borrowers occupying the Property and obligated on the Mortgage. Non-occupant co-Borrower income may not be included.

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Borrowers Transactions with Minimum Decision Credit Scores (MDCS) below 580, or with no credit score may not exceed 31/43 ratios. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required. Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	One of the following: • verified and documented cash Reserves; • minimal increase in housing payment; or • residual income.
580 and above	40/40	No discretionary debt.
580 and above	40/50	Two of the following: • verified and documented cash Reserves; • minimal increase in housing payment; • significant additional income not reflected in Effective Income; and/or • residual income.

ix. Documenting Acceptable Compensation Factors (Manual)

The following describes the compensating factors and required documentation that may be used to justify approval of manually underwritten Mortgages with qualifying ratios as described above.

II. ORIGATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products – 203(k) Rehabilitation Mortgage Insurance Program (11/10/2026)

- Financeable Mortgage Fees, for [Standard 203\(k\)](#) or [Limited 203\(k\)](#);
 - Financeable Contingency Reserves, for [Standard 203\(k\)](#) or [Limited 203\(k\)](#); and
 - Financeable Mortgage Payment Reserves, for [Standard 203\(k\)](#) only; or
 - 110 percent of the After Improved Value (100 percent for condominiums); or
3. the [Nationwide Mortgage Limits](#).

(A) Loan-to-Value Ratios for Refinance

The table below describes the relationship between the [Borrower's Minimum Decision Credit Score](#) and the LTV ratio for [transaction eligibility](#) which they are eligible.

If the Borrower's Minimum Decision Credit Score MDCS is:	Then the Borrower transaction is:
at or above 580	eligible for maximum financing of 97.75%
Between 500 and 579	limited to a maximum LTV of 90%

For Secondary Residences, the maximum LTV is 85 percent.

(B) Required Documentation

The Mortgagee must obtain the mortgage payoff statement for existing debt.

xi. Maximum Mortgage Amounts for Energy Efficient Mortgages, Weatherization Items, and Solar Energy Systems

The Mortgagee must calculate the maximum mortgage amount without factoring in the cost of Energy Efficient Mortgage ([EEM](#)) items, [Weatherization](#) items, and [solar energy systems](#). The Mortgagee may then add the cost of these improvements to determine the Base Loan Amount. The Base Loan Amount may not exceed 110 percent of the After Improved Value of the Property (100 percent for condominiums).

For Limited 203(k) transactions, the costs for energy improvements can be in addition to the \$75,000 limit on total rehabilitation costs.

xii. Combined Loan-to-Value

(A) Secondary Financing Provided by Governmental Entities, Homeownership and Opportunity for People Everywhere Grantees, and HUD-Approved Nonprofits

There is no maximum Combined Loan-to-Value (CLTV) for secondary financing meeting the requirements found in [Governmental Entities, Homeownership and Opportunity for People Everywhere \(HOPE\) Grantees, and HUD-Approved Nonprofits](#).

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products – Disasters and 203(h) Mortgage Insurance for Disaster Victims (09/14/2015)

b. Disasters and 203(h) Mortgage Insurance for Disaster Victims (09/14/2015)

i. Definition

Section 203(h) of the National Housing Act authorizes FHA to insure Mortgages to victims of a Presidentially-Declared Major Disaster Area (PDMDA) for the purchase or reconstruction of a Single Family Property.

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 controls.

ii. Eligibility Requirements

(A) Borrower Eligibility

(1) Application Deadline

The FHA case number must be assigned within one year of the date the PDMDA is declared, unless an additional period of eligibility is provided.

(2) Principal Residence

The mortgaged Property must be the Borrower's Principal Residence.

(3) Credit Score

The ~~Borrower~~ **transaction** must have an **MDCS** ~~minimum credit score~~ of 500.

(B) Property Eligibility

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](#)).

The purchased or reconstructed Property must be a Single Family Property or a unit in an FHA-Approved Condominium Project.

(C) Minimum Required Investment/Maximum Loan-to-Value

The Borrower is not required to make the Minimum Required Investment (MRI). The maximum Loan-to-Value (LTV) ratio limit is 100 percent of the Adjusted Value. If a 203(k) is used in conjunction with a 203(h), the 203(k) LTV applies.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products – Refinances (11/10/2026)

Cash to the Borrower resulting from the refund of Borrower's unused escrow balance from the previous Mortgage must not be considered in the \$500 cash back limit whether received at or subsequent to mortgage Disbursement.

(c) Excess Cash Back

When the estimated costs utilized in calculating the maximum mortgage amount resulted in greater than \$500 cash back to the Borrower at mortgage Disbursement, Mortgagees may reduce the Borrower's principal balance on the subject loan to satisfy the \$500 cash back requirement.

(d) Required Documentation

The Mortgagee must obtain the payoff statement for the existing Mortgage being refinanced.

(4) Upfront and Annual Mortgage Insurance Premium

See [Appendix 1.0 – Mortgage Insurance Premiums](#) for assessing upfront and annual MIP.

(C) Streamline Refinances

Streamline Refinance may be used when the proceeds of the Mortgage are used to extinguish an existing FHA-insured first mortgage lien. Mortgagees must manually underwrite all Streamline Refinances in accordance with the guidance provided in this section

(1) Streamline Refinance Exemptions

(a) Non-credit Qualifying Exemptions

Unless otherwise stated in this section, the following sections of [Origination through Post-closing/Endorsement](#) do not apply to non-credit qualifying Streamline Refinances:

- Ordering Appraisal
- Transferring Existing Appraisal
- Ordering Second Appraisal
- Ordering an Update to an Appraisal
- ~~Borrower~~ Minimum Decision Credit Score
- Borrower and Co-Borrower Ownership and Obligation Requirements
- Co-signer Requirements
- Principal Residence in the United States
- Military Personnel Eligibility
- Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt
- Delinquent Federal Tax Debt

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products – Refinances (11/10/2026)

- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on ~~Borrower's Credit Score~~ **MDCS**
- Underwriting the Property
- Underwriting the Borrower Using the TOTAL Mortgage Scorecard
- Credit Requirements (Manual)
- Income Requirements (Manual)
- Asset Requirements (Manual)
- Underwriting of Credit and Debt (Manual)
- Underwriting of Income (Manual)
- Underwriting of Assets (Manual)
- Calculating Qualifying Ratios (Manual)
- Approvable Ratio Requirements (Manual)
- Documenting Acceptable Compensating Factors (Manual)

(b) Credit Qualifying Exemptions

The following sections of [Origination through Post-closing/Endorsement](#) do not apply to credit qualifying Streamline Refinances:

- Ordering Appraisal
- Transferring Existing Appraisal
- Ordering Second Appraisal
- Ordering an Update to an Appraisal
- Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt
- Delinquent Federal Tax Debt
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on ~~Borrower's Credit Score~~ **MDCS**
- Underwriting the Property
- Underwriting the Borrower Using the TOTAL Mortgage Scorecard

2) Borrower Eligibility

(a) Occupancy Requirements

(i) Standard

Streamline Refinances may be used for Principal Residences, HUD-approved Secondary Residences, or non-owner occupied Properties.

II. ORIGATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products – HUD Real Estate Owned Purchasing (09/20/2021)

(2) Section 203(k)

Mortgagees must order appraisals in accordance with the requirements of [Ordering Appraisals](#) and [Appraisals for Standard 203\(k\) and Limited 203\(k\)](#).

(B) Appraisal Review and Property Acceptability

The Mortgagee must review the appraisal and property conditions in accordance with the requirements of [Underwriting the Property](#).

v. Occupancy Types

(A) Principal Residence

An Owner-Occupant Borrower may purchase HUD REO Properties using Section 203(b), Section 203(b) with Repair Escrow, and Section 203(k).

(B) Investment Property

(1) Eligible Nonprofit or State or Local Government Agency Borrower

An eligible nonprofit or state or local government agency Borrower may purchase HUD REO Properties using Section 203(b), Section 203(b) with Repair Escrow, and Section 203(k).

(2) Investor Buyer

A Borrower may purchase HUD REO Properties as Investment Properties using Section 203(b) or Section 203(b) with Repair Escrow. These transactions must be scored through TOTAL Scorecard and then [manually underwritten](#). The Mortgagee must downgrade and manually underwrite any Mortgage that received an Accept recommendation through TOTAL.

vi. Maximum Mortgage Amounts

(A) Section 203(b)

Mortgagees must calculate the maximum mortgage amounts in accordance with the requirements of [Calculating Maximum Mortgage Amounts for Purchases](#), using the applicable Loan-To-Value ratio (LTV) from this section, subject to [LTV Limitations Based on Minimum Decision](#) ~~Borrower's Credit Score~~.

(1) Owner-Occupant Borrower

The maximum LTV is 96.5 percent.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

B. Title II Insured Housing Programs Reverse Mortgages

2. Origination/Processing

(6) Marital Status

The Mortgagee must require all Borrowers to state whether they are legally married at the time of initial application and confirm this information at closing by signing the appropriate certification.

(7) Social Security Number

(a) Standard

Each Borrower must provide evidence of their valid SSN to the Mortgagee.

Exception

Individuals employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD are not required to provide an SSN.

(b) Required Documentation

The Mortgagee must:

- validate and document an SSN for each Borrower by:
 - entering the Borrower's name, date of birth, and SSN in the Borrower/address validation screen through [FHAC](#); and
 - examining the Borrower's original pay stubs, IRS Form W-2s, *Wage and Tax Statement*, valid Tax Returns obtained directly from the IRS; or other document relied upon to process the HECM; and
- resolve any inconsistencies or multiple SSNs for individual Borrowers that are revealed during HECM processing using a service provider to verify the SSN with the SSA.

~~(8) Borrower Minimum Decision Credit Score~~

~~(a) Definition~~

~~The Minimum Decision Credit Score (MDCS) refers to the credit score reported on the Borrower's credit report when all reported scores are the same. Where three differing scores are reported, the middle score is the MDCS. Where two differing scores are reported, the MDCS is the lowest score. Where only one score is reported, that score is the MDCS.~~

~~(b) Standard~~

~~There is no MDCS for a HECM. Credit scores are not a criterion for processing or evaluating a HECM.~~