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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: **November 18, 2026**

Mortgagee Letter 2026-14

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 Updates to Borrower Eligibility Requirements

Purpose

This Mortgagee Letter (ML) implements new requirements for determining eligibility for Borrowers with delinquent child support subject to federal administrative offset through an automated process in FHA Connection (FHAC).

This ML also simplifies existing lender requirements for Borrowers with delinquent federal non-tax debt, including Credit Alert Verification Reporting System (CAIVRS) screening, by removing unnecessary language on procedural redundancies. These revisions do not substantively change Borrower eligibility requirements.

Effective Date

The provisions of this ML must be implemented for FHA case numbers assigned on or after March 18, 2027 and on March 18, 2027 for Servicing requirements.

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 Title II Single Family forward mortgage and Home Equity Conversion Mortgage (HECM) programs.
Background	Federal law establishes restrictions on providing federal financial assistance, including FHA-insured Mortgages, to individuals with delinquent federal non-tax debt or who are subject to federal administrative offset due to delinquent child support obligations. These requirements protect the integrity of federal programs and promote responsible stewardship of public funds. The Debt Collection Improvement Act of 1996 addresses restrictions on federal loan insurance for individuals with delinquent federal debt, while the Improper Payments Elimination and Recovery Improvement Act (IPERIA) supports agency efforts to verify eligibility and prevent improper payments through database reviews. This action aligns with Administration policy to defend against financial fraud and improper payments, per Executive Order 14249, "Protecting America's Bank Account Against Fraud, Waste and Abuse". This action also responds to findings and recommendations from a HUD Office of Inspector General (OIG) audit regarding FHA's controls for identifying Borrowers with delinquent child support obligations. Delinquent child support obligations subject to federal administrative offset are reported to the U.S. Department of the Treasury through the Treasury Offset Program (TOP) Debt Check database within the Do Not Pay (DNP) portal. The U.S. Department of Health and Human Services (HHS) Office of Child Support Enforcement (OCSE) provides this information to the Treasury to facilitate federal administrative offset. FHA has established an automated interface within FHAC, similar to the CAIVRS process, to screen Borrowers against the Treasury's database, enabling consistent identification of Borrowers who are ineligible for FHA-insured financing due to delinquent child support subject to offset until the obligation is resolved in accordance with applicable requirements. FHA will continue to screen Borrowers for delinquent federal non-tax debt through CAIVRS. Existing policy for Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt is being simplified to clarify eligibility determinations and documentation standards, and to remove unnecessary procedural redundancies.
Summary of Changes	This ML:

- adds Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support (II.A.1.b.ii(A)(11)) and renumbers subsequent sections;
- updates Alimony, Child Support, and Maintenance (TOTAL) – Standard (II.A.4.b.iv(E)(2));
- updates Alimony, Child Support, and Maintenance (Manual) – Standard (II.A.5.a.iv(D)(2));
- updates Severe Case Warnings (II.A.7.d.vi(A));
- updates Streamline Refinance Exemptions (II.A.8.d.vi(C)(1));
- updates Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt (II.A.1.b.ii(A)(10));
- adds Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support (II.B.2.b.ii(A)(12)) and renumbers subsequent sections;
- updates Preliminary Review of Borrower Eligibility Requirements (II.B.2.a.iii(B)(5));
- updates Alimony, Child Support, and Maintenance (II.B.5.d.iii(E)(2));
- updates Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt (II.B.2.b.ii(A)(11)); and
- updates Eligibility to Participate in HUD Programs (III.A.2.h.iii(A)).

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

Origination Through Post-closing/ Endorsement

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

General Borrower Eligibility Requirements (II.A.1.b.ii(A))

(11) Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support

(a) Standard

Borrowers are ineligible for an FHA-insured Mortgage if they have delinquent child support obligations subject to federal administrative offset. Identification of these obligations is determined in FHA Connection (FHAC) through an automated screening against the U.S. Department of the Treasury's Treasury Offset Program (TOP) Debt Check database within the Do Not Pay (DNP) portal.

(b) Verification and Required Documentation

If a Borrower is identified through FHAC as being subject to federal administrative offset for delinquent child support, the Mortgagee must notify the Borrower and provide them with the TOP website https://fiscal.treasury.gov/debt-management/treasury-offset-program-top to obtain information on resolving the delinquency.

To document resolution, the Mortgagee must obtain:

- a subsequent clear screening of the Borrower through FHAC; or
- documentation provided by the Borrower from the relevant child support enforcement authority verifying that the child support obligation is no longer subject to the federal administrative offset.

A Borrower may become eligible for FHA-insured financing once the delinquent child support obligation is no longer subject to federal administrative offset.

Alimony, Child Support, and Maintenance (TOTAL) (II.A.4.b.iv(E))

(2) Standard

For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the Mortgagee's calculation of the Borrower's gross income, the Mortgagee must include the monthly obligation in the calculation of the Borrower's debt.

Child Support and Maintenance are to be treated as a recurring liability and the Mortgagee must include the monthly obligation in the Borrower's liabilities and debt.

Mortgagees must also follow requirements in Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support for Borrowers with delinquent child support subject to federal administrative offset.

Alimony, Child Support, and Maintenance (Manual) (II.A.5.a.iv(D))

(2) Standard

For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the Mortgagee's calculation of the Borrower's gross income, the Mortgagee must verify and include the monthly obligation in its calculation of the Borrower's debt.

Child Support and Maintenance are to be treated as a recurring liability and the Mortgagee must include the monthly obligation in the Borrower's liabilities and debt.

Mortgagees must also follow requirements in Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support for Borrowers with delinquent child support subject to federal administrative offset.

Case Warnings – Lender Insurance (II.A.7.d.vi)

(A) Severe Case Warnings

Severe case warnings are case warnings that make the Mortgage ineligible for Lender Insurance (LI), which include:

- a Borrower failed or is pending SSN validation;
- a Borrower has a record in CAIVRS;
- a Borrower has a record in FHAC (from the U.S. Department of the Treasury's database) for delinquent child support subject to federal administrative offset; or
- a deficiency exists causing risks to HUD. FHA will add text to the case warning message screen identifying the reasons requiring submission of the case binder to FHA for a pre-endorsement review.

Once the severe case warning is corrected, documentation in support of clearing the case warning and the case binder must be submitted to FHA for pre-endorsement review and endorsement processing.

Streamline Refinances (II.A.8.d.vi(C))

(1) Streamline Refinance Exemptions

(a) Non-credit Qualifying Exemptions

Unless otherwise stated in this section, the following sections of Origination through Post-closing/Endorsement (II) 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
- Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on Borrower's Credit Score
- 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) 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
- Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on Borrower's Credit Score
- Underwriting the Property
- Underwriting the Borrower Using the TOTAL Mortgage Scorecard

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General Borrower Eligibility Requirements (II.A.1.b.ii.A)

(10) Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt

(a) Standard

Borrowers are ineligible for an FHA-insured Mortgage if they have delinquent federal non-tax debt, including deficiency Judgments and other debt associated with past FHA-insured Mortgages, until the debt is resolved. Mortgagees must determine whether the Borrowers have delinquent federal non-tax debt by obtaining information from public records, credit reports or equivalent, and checking all Borrowers against the Credit Alert Verification Reporting System (CAIVRS).

(b) Verification and Required Documentation

If a delinquent federal non-tax debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, the Mortgagee must notify the Borrower and provide them with the reported information to contact the creditor agency and obtain information on resolving the delinquency.

Mortgagees must obtain documentation from the Borrower supporting the verification and resolution of the debt in accordance with the Debt Collection Improvement Act. For debts reported through CAIVRS, evidence of resolution may be obtained through a clear CAIVRS report.

A Borrower may become eligible for FHA-insured financing once the delinquency is resolved or by documenting that the information is invalid.

General Borrower Eligibility Requirements (II.B.2.b.ii(A))

(12) Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support

(a) Standard

Borrowers are ineligible for an FHA-insured HECM if they have delinquent child support obligations subject to federal administrative offset. Identification of these obligations is determined in FHA Connection (FHAC) through an automated screening against the U.S. Department of the Treasury's Treasury Offset Program (TOP) Debt Check database within the Do Not Pay (DNP) portal.

(b) Verification and Required Documentation

If a Borrower is identified through FHAC as being subject to federal administrative offset for delinquent child support, the Mortgagee must

notify the Borrower and provide them with the TOP website https://fiscal.treasury.gov/debt-management/treasury-offset-program-top to obtain information on resolving the delinquency.

To document resolution, the Mortgagee must obtain:

- a subsequent clear screening of the Borrower through FHAC; or
- documentation provided by the Borrower from the relevant child support enforcement authority verifying that the child support obligation is no longer subject to the federal administrative offset.

A Borrower may become eligible for FHA-insured financing once the delinquent child support obligation is no longer subject to federal administrative offset.

Initial Document Processing (II.B.2.a.iii(B))

(5) Preliminary Review of Borrower Eligibility Requirements

Before any charges may be incurred by the prospective Borrower, the Mortgagee must preliminarily review whether:

- the Borrower will be at least 62 years of age by closing;
- the Borrower has any unresolved delinquent Federal Debt – see Delinquent Federal Tax Debt (II.B.2.b.ii(A)(10)) and Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt;
- the Borrower is ineligible due to federal administrative offset for delinquent child support – see Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support; and
- the Property securing the HECM will be the Borrower's Principal Residence.

If, after a review of these requirements, the Mortgagee finds that the Borrower is ineligible, the Mortgagee must notify the Borrower in writing of their ineligibility and cease processing of the application. The Mortgagee can charge the Borrower for any services performed after this determination.

Alimony, Child Support, and Maintenance (II.B.5.d.iii(E))

(2) Standard

For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the Mortgagee's calculation of the Borrower's gross income, the Mortgagee must verify and include the monthly obligation in its calculation of the Borrower's monthly expenses.

Child Support and Maintenance are to be treated as a recurring liability and the Mortgagee must include the monthly obligation in the Borrower's liabilities and monthly expenses.

Mortgagees must also follow requirements in Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support for Borrowers with delinquent child support subject to federal administrative offset.

General Borrower Eligibility Requirements (II.B.2.b.ii(A))

(11) Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt

(a) Definition

Judgment refers to any debt or monetary liability of the Borrower created by a court or other adjudicating body.

(b) Standard

Borrowers are ineligible for an FHA-insured HECM if they have delinquent federal non-tax debt, including deficiency Judgments and other debt associated with past FHA-insured Mortgages, until the debt is resolved. Mortgagees must determine whether the Borrowers have delinquent federal non-tax debt by obtaining information from public records, credit reports or equivalent, and checking all Borrowers against the Credit Alert Verification Reporting System (CAIVRS).

(c) Verification and Required Documentation

If a delinquent federal non-tax debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, the Mortgagee must notify the Borrower and provide them with the reported information to contact the creditor agency and obtain information on resolving the delinquency.

Mortgagees must obtain documentation from the Borrower supporting the verification and resolution of the debt in accordance with the Debt Collection Improvement Act. For debts reported through CAIVRS, evidence of resolution may be obtained through a clear CAIVRS report.

A Borrower may become eligible for an FHA-insured HECM once the delinquency is resolved or by documenting that the information is invalid.

FHA Single Family Housing

Loss Mitigation Program – Standard (III.A.2.h.iii)

Policy Handbook 4000.1

Servicing and Loss Mitigation

(A) Eligibility to Participate in HUD Programs

The Mortgagee must verify that the Borrowers are eligible to participate in HUD's Loss Mitigation Program.

To be eligible to participate in HUD's Loss Mitigation Program, the Borrower:

- may not own other real estate subject to FHA insurance, except within the stated exceptions (II.A.1.b.iii(A)(2)(c));
- has not been the Borrower, except through inheritance or as a co-signer only, on prior loans on which an FHA claim has been paid within the past three years;
- for purposes of a Loan Modification, Partial Claim, Combination Loan Modification and Partial Claim, or Payment Supplement, must not be debarred, suspended or subject to a HUD Limited Denial of Participation (LDP) as determined in accordance with Excluded Parties (II.A.1.b.ii(B)) requirements; and
- for purposes of a Partial Claim, Combination Loan Modification and Partial Claim, or Payment Supplement, may not have unresolved delinquent Federal Debt or delinquent child support subject to federal administrative offset as determined in accordance with Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt and Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support requirements. The Delinquent FHA-insured Mortgage associated with the Loss Mitigation does not constitute a disqualifying delinquent Federal Debt.

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

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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.

The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.

(d) Required Documentation

The Mortgagee must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report.

(11) Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support

(a) Standard

Borrowers are ineligible for an FHA-insured Mortgage if they have delinquent child support obligations subject to federal administrative offset. Identification of these obligations is determined in FHA Connection (FHAC) through an automated screening against the U.S. Department of the Treasury's Treasury Offset Program (TOP) Debt Check database within the Do Not Pay (DNP) portal.

(b) Verification and Required Documentation

If a Borrower is identified through FHAC as being subject to federal administrative offset for delinquent child support, the Mortgagee must notify the Borrower and provide them with the TOP website https://fiscal.treasury.gov/debt-management/treasury-offset-program-top to obtain information on resolving the delinquency.

To document resolution, the Mortgagee must obtain:

- a subsequent clear screening of the Borrower through FHAC; or
- documentation provided by the Borrower from the relevant child support enforcement authority verifying that the child support obligation is no longer subject to the federal administrative offset.

A Borrower may become eligible for FHA-insured financing once the delinquent child support obligation is no longer subject to federal administrative offset.

(~~11~~12) Eligibility Period for Borrowers Delinquent on FHA-Insured Mortgages

If a Borrower is currently delinquent on an FHA-insured Mortgage, they are ineligible for a new FHA-insured Mortgage unless the delinquency is resolved.

(3) Required Documentation

The Mortgagee must include documentation from the federal agency evidencing the repayment agreement and verification of payments made, if applicable.

(E) Alimony, Child Support, and Maintenance (TOTAL)

(1) Definition

Alimony, Child Support, and Maintenance are court-ordered or otherwise agreed upon payments.

(2) Standard

For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the Mortgagee's calculation of the Borrower's gross income, the Mortgagee must include the monthly obligation in the calculation of the Borrower's debt.

Child Support and Maintenance are to be treated as a recurring liability and the Mortgagee must include the monthly obligation in the Borrower's liabilities and debt.

Mortgagees must also follow requirements in Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support for Borrowers with delinquent child support subject to federal administrative offset.

(3) Required Documentation

The Mortgagee must verify and document the monthly obligation by obtaining the official signed divorce decree, separation agreement, maintenance agreement, or other legal order.

The Mortgagee must also obtain the Borrower's pay stubs covering no less than 28 consecutive Days to verify whether the Borrower is subject to any order of garnishment relating to the Alimony, Child Support, and Maintenance.

(4) Calculation of Monthly Obligation

The Mortgagee must calculate the Borrower's monthly obligation from the greater of:

- the amount shown on the most recent decree or agreement establishing the Borrower's payment obligation; or
- the monthly amount of the garnishment.

(D) Alimony, Child Support, and Maintenance (Manual)

(1) Definition

Alimony, Child Support, and Maintenance are court-ordered or otherwise agreed upon payments.

(2) Standard

For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the Mortgagee's calculation of the Borrower's gross income, the Mortgagee must verify and include the monthly obligation in its calculation of the Borrower's debt.

Child Support and Maintenance are to be treated as a recurring liability and the Mortgagee must include the monthly obligation in the Borrower's liabilities and debt.

Mortgagees must also follow requirements in Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support for Borrowers with delinquent child support subject to federal administrative offset.

(3) Required Documentation

The Mortgagee must obtain the official signed divorce decree, separation agreement, maintenance agreement, or other legal order.

The Mortgagee must also obtain the Borrower's pay stubs covering no less than 28 consecutive Days to verify whether the Borrower is subject to any order of garnishment relating to the Alimony, Child Support, and Maintenance.

(4) Calculation of Monthly Obligation

The Mortgagee must calculate the Borrower's monthly obligation from the greater of:

- the amount shown on the most recent decree or agreement establishing the Borrower's payment obligation; or
- the monthly amount of the garnishment.

(E) Non-Borrowing Spouse Debt in Community Property States (Manual)

(1) Definition

Non-Borrowing Spouse Debt refers to debts owed by a spouse that are not owed by, or in the name of the Borrower.

vi. Case Warnings – Lender Insurance

Case warnings are issued by FHAC based on system edits. They identify issues that must be addressed before the Mortgage can be insured. There are two kinds of case warnings: non-severe and severe.

(A) Severe Case Warnings

Severe case warnings are case warnings that make the Mortgage ineligible for Lender Insurance (LI), which include:

- a Borrower failed or is pending SSN validation;
- a Borrower has a record in CAIVRS; ~~or~~
- a Borrower has a record in FHAC (from the U.S. Department of the Treasury's database) for delinquent child support subject to federal administrative offset; or
- a deficiency exists causing risks to HUD. FHA will add text to the case warning message screen identifying the reasons requiring submission of the case binder to FHA for a pre-endorsement review.

Once the severe case warning is corrected, documentation in support of clearing the case warning and the case binder must be submitted to FHA for pre-endorsement review and endorsement processing.

(B) Non-severe Case Warnings

Non-severe case warnings are warnings to provide guidance to the Mortgagee that conditions have been detected and must be researched before the Mortgage can be endorsed. If, after researching the matter, the Mortgagee determines that HUD requirements have not been violated, the Mortgagee may resubmit the Mortgage for insurance.

By resubmitting the information, the Mortgagee is representing that the warning has been reviewed and the Mortgage is eligible for insurance endorsement. FHAC will then allow the Mortgage to be insured by the Mortgagee.

vii. Mortgagee with Conditional Direct Endorsement Approval (Test Case)

Mortgagees who receive a Direct Endorsement Program Test Case Phase approval letter from FHA must follow the Test Case Phase Case Binder Submission process.

e. Endorsement and Post-endorsement (04/18/2023)

i. Endorsement

Upon successful completion of a pre-endorsement review either by FHA or the LI

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

- Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on Borrower's Credit Score
- 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
- Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support
- Property Eligibility and Acceptability Criteria
- National Housing Act's Statutory Limits
- Nationwide Mortgage Limits
- LTV Limitations Based on Borrower's Credit Score
- 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) Required Documentation

For Borrowers who are citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau, the mortgage file must include evidence of such citizenship.

(10) Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt

(a) Standard

Borrowers are ineligible ~~Mortgagees are prohibited from processing an application~~ for an FHA-insured Mortgage if they have ~~for Borrowers with~~ delinquent federal non-tax debt, including deficiency Judgments and other debt associated with past FHA-insured Mortgages, until the debt is resolved. Mortgagees must ~~are required to~~ determine whether the Borrowers have delinquent federal non-tax debt by~~. Mortgagees may~~ obtaining information ~~on delinquent Federal Debts~~ from public records, credit reports or equivalent, and ~~must~~ checking all Borrowers against the Credit Alert Verification Reporting System (CAIVRS).

(b) Verification and Required Documentation

If a delinquent ~~F~~federal non-tax ~~D~~debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, the Mortgagee must notify the Borrower and provide them with the reported information to ~~verify the validity and delinquency status of the debt by~~ contacting the creditor agency and obtain information on resolving the delinquency ~~to whom the debt is owed. If the debt was identified through CAIVRS, the Mortgagee must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report~~.

Mortgagees must obtain documentation from the Borrower supporting the verification and resolution of the debt in accordance with ~~If the creditor agency confirms that the debt is valid and in delinquent status as defined by~~ the Debt Collection Improvement Act.~~,~~ For debts reported through CAIVRS, evidence of resolution may be obtained through a clear CAIVRS report. ~~then the Borrower is ineligible for an FHA-insured Mortgage until the Borrower resolves the debt with the creditor agency.~~

A Borrower may become eligible for FHA-insured financing once the delinquency is resolved or by documenting that the information is invalid. ~~The Mortgagee may not deny a Mortgage solely on the basis of CAIVRS information that has not been verified by the Mortgagee. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the Mortgagee may continue to process the mortgage application.~~

~~**(c) Resolution**~~

~~In order for a Borrower with verified delinquent Federal Debt to become eligible, the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act.~~

~~The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.~~

~~**(d) Required Documentation**~~

~~The Mortgagee must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report.~~

(11) Eligibility Period for Borrowers Delinquent on FHA-Insured Mortgages

If a Borrower is currently delinquent on an FHA-insured Mortgage, they are ineligible for a new FHA-insured Mortgage unless the delinquency is resolved.

(12) Delinquent Federal Tax Debt

(a) Standard

Borrowers with delinquent Federal Tax Debt are ineligible.

Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments.

The Mortgagee must include the payment amount in the agreement in the calculation of the Borrower's Debt-to-Income (DTI) ratio.

(b) Verification

Mortgagees must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their Property for a debt owed to the federal government.

(c) Required Documentation

The Mortgagee must include documentation from the IRS evidencing the repayment agreement and verification of payments made, if applicable.

The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.

(e) Required Documentation

The Mortgagee must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report.

(12) Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support

(a) Standard

Borrowers are ineligible for an FHA-insured HECM if they have delinquent child support obligations subject to federal administrative offset. Identification of these obligations is determined in FHA Connection (FHAC) through an automated screening against the U.S. Department of the Treasury's Treasury Offset Program (TOP) Debt Check database within the Do Not Pay (DNP) portal.

(b) Verification and Required Documentation

If a Borrower is identified through FHAC as being subject to federal administrative offset for delinquent child support, the Mortgagee must notify the Borrower and provide them with the TOP website https://fiscal.treasury.gov/debt-management/treasury-offset-program-top to obtain information on resolving the delinquency.

To document resolution, the Mortgagee must obtain:

- a subsequent clear screening of the Borrower through FHAC; or
- documentation provided by the Borrower from the relevant child support enforcement authority verifying that the child support obligation is no longer subject to the federal administrative offset.

A Borrower may become eligible for FHA-insured financing once the delinquent child support obligation is no longer subject to federal administrative offset.

(~~12~~13) Valid First and Second Liens

The Mortgagee must ensure that the mortgaged Property will be free and clear of all liens or that any permissible liens are subordinated to the first HECM lien and any second lien held by the Commissioner. The Mortgagee must ensure there are no restrictions on conveyance, unless such restrictions are permitted by FHA regulations.

The original Mortgagee may provide processing documents but is not required to do so.

The original Mortgagee may not charge the Borrower for the transfer of any documents, but the original Mortgagee may negotiate a fee with the new Mortgagee for providing the processing documents.

(b) Case Number Transfer Involving a Sponsored Third-Party Originator

Where a case number is transferred to a new approved Mortgagee or sponsored TPO, the original Mortgagee, its authorized agent, or sponsored TPO that is also an FHA-approved Mortgagee must complete the appropriate sections in FHAC as described in the FHAC Guide – Case Processing Support Functions.

(5) Preliminary Review of Borrower Eligibility Requirements

Before any charges may be incurred by the prospective Borrower, the Mortgagee must preliminarily review whether:

- the Borrower will be at least 62 years of age by closing;
- the Borrower has any unresolved delinquent Federal Debt – see Delinquent Federal Tax Debt and Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt;
- the Borrower is ineligible due to federal administrative offset for delinquent child support – see Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support; and
- the Property securing the HECM will be the Borrower's Principal Residence.

If, after a review of these requirements, the Mortgagee finds that the Borrower is ineligible, the Mortgagee must notify the Borrower in writing of their ineligibility and cease processing of the application. The Mortgagee can charge the Borrower for any services performed after this determination.

(6) Ordering Title Commitments

The Mortgagee must order a title commitment to ensure the Property will be properly titled and the HECM secured in accordance with FHA requirements.

(7) Ordering Appraisals

The Mortgagee must order a new appraisal for each HECM case number assignment and may not reuse an appraisal that was performed under another active or endorsed case number, even if the prior appraisal is not yet more than 180 Days old.

The Mortgagee must obtain a written explanation from the Borrower for all inquiries shown on the credit report that were made in the last 90 Days.

(2) Required Documentation

The Mortgagee must document all undisclosed debt and support for its analysis of the Borrower's debt.

(D)Federal Debt

(1) Definition

Federal Debt refers to debt owed to the federal government for which regular payments are being made.

(2) Standard

The amount of the required payment must be included in the calculation of the Borrower's monthly expenses.

(3) Required Documentation

The Mortgagee must include documentation from the federal agency evidencing the repayment agreement and verification of payments made, if applicable.

(E) Alimony, Child Support, and Maintenance

(1) Definition

Alimony, Child Support, and Maintenance are court-ordered or otherwise agreed upon payments.

(2) Standard

For Alimony, if the Borrower's income was not reduced by the amount of the monthly alimony obligation in the Mortgagee's calculation of the Borrower's gross income, the Mortgagee must verify and include the monthly obligation in its calculation of the Borrower's monthly expenses.

Child Support and Maintenance are to be treated as a recurring liability and the Mortgagee must include the monthly obligation in the Borrower's liabilities and monthly expenses.

Mortgagees must also follow requirements in Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support for Borrowers with delinquent child support subject to federal administrative offset.

(3) Required Documentation

(11) Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt

(a) Definition

Judgment refers to any debt or monetary liability of the Borrower created by a court or other adjudicating body.

(b) Standard

Borrowers are ineligible ~~Mortgagees are prohibited from processing an application~~ for an FHA-insured HECM ~~for Borrowers with~~ if they have delinquent federal non-tax debt, including deficiency Judgments and other debt associated with past FHA-insured Mortgages until the debt is resolved. ~~Mortgagees must suspend processing of the application until the debt has been resolved with the creditor agency.~~ Mortgagees must ~~are required to~~ determine whether the Borrowers have delinquent federal non-tax debt by ~~. Mortgagees may~~ obtaining information ~~on delinquent Federal Debts~~ from public records, credit reports or equivalent, and ~~must~~ checking all Borrowers against the Credit Alert Verification Reporting System (CAIVRS).

(c) Verification **and Required Documentation**

If a delinquent ~~F~~federal non-tax ~~D~~debt is reflected in a public record, credit report or equivalent, or CAIVRS or an Equivalent System, the Mortgagee must notify the Borrower and provide them with the reported information to ~~verify the validity and delinquency status of the debt by~~ contacting the creditor agency and obtain information on resolving the delinquency ~~to whom the debt is owed. If the debt was identified through CAIVRS, the Mortgagee must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report~~.

Mortgagees must obtain documentation from the Borrower supporting the verification and resolution of the debt in accordance with ~~If the creditor agency confirms that the debt is valid and in delinquent status as defined by~~ the Debt Collection Improvement Act.~~,~~ For debts reported through CAIVRS, evidence of resolution may be obtained through a clear CAIVRS report.

A Borrower may become eligible for an FHA-insured HECM once the delinquency is resolved or by documenting that the information is invalid. ~~then the Borrower is ineligible for an FHA-insured HECM until the Borrower resolves the debt with the creditor agency.~~

~~The Mortgagee may not deny a HECM solely based on the CAIVRS information that has not been verified by the Mortgagee. If resolved either by determining that the information in CAIVRS is no longer valid or by resolving the delinquent status as stated above, the Mortgagee may continue to process the HECM application.~~

~~**(d) Resolution**~~

~~For a Borrower with verified delinquent Federal Debt to become eligible, the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act.~~

~~The creditor agency that is owed the debt can verify that the debt has been resolved in accordance with the Debt Collection Improvement Act.~~

~~**(e) Required Documentation**~~

~~The Mortgagee must include documentation from the creditor agency to support the verification and resolution of the debt. For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report.~~

(12) Valid First and Second Liens

The Mortgagee must ensure that the mortgaged Property will be free and clear of all liens or that any permissible liens are subordinated to the first HECM lien and any second lien held by the Commissioner. The Mortgagee must ensure there are no restrictions on conveyance, unless such restrictions are permitted by FHA regulations.

An existing lien of record, unless prohibited, may be subordinated to the first HECM lien and any second lien held by the Commissioner if the following two conditions are satisfied:

- the subordinate lien does not intervene between the first and second HECM liens; and
- the subordinate lien must not arise or be made in connection with obtaining HECM financing. FHA regulations at 24 CFR 206.32 provide that there must not be any outstanding or unpaid obligations incurred by the Borrower in connection with the HECM transaction.

(a) Tax Liens

Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the lien holder to make regular payments on the debt and the Borrower has made timely scheduled payments for at least three consecutive months. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. Except for federal tax liens, the lien holder must subordinate the tax lien to the FHA insured HECM. For more on federal tax liens, see Delinquent Federal Tax Debt.

- utilize HUD's Loss Mitigation Options to avoid foreclosure, when feasible; and
- re-evaluate each Delinquent Mortgage for Loss Mitigation Options, as required.

When reviewing Borrowers for Loss Mitigation Options, a streamlined or refinanced Mortgage on the same Property and by the same Borrowers is not considered a new Mortgage for seasoning requirements.

The Mortgagee may offer eligible Borrowers Loss Mitigation Options in accordance with program-specific procedures for:

- Section 203(q) Mortgages, Mortgages on Property in Allegany Reservation of Seneca Indians;
- Section 248 Mortgages on Indian Land insured pursuant to Section 248 of the National Housing Act; and
- Section 247 Mortgages, Mortgages on Hawaiian Home Lands insured pursuant to Section 247 of the National Housing Act.

i. Definitions

For the purposes of loss mitigation, the following definitions apply:

Borrower refers to the original Borrower who signs the Note and their heirs, executors, administrators, assigns, and approved substitute Borrowers. This includes any Borrower who is occupying or not occupying the Property.

Financial Hardship refers to an increase in living expenses or a loss of income affecting the Borrower's ability to continue their Mortgage Payments as attested by the Borrower.

ii. Servicemember Status

The Mortgagee must offer eligible servicemember Borrowers mortgage protections under the SCRA and Servicing FHA-Insured Mortgages for Servicemember-Borrowers.

iii. Standard

(A) Eligibility to Participate in HUD Programs

The Mortgagee must verify that the Borrowers are eligible to participate in HUD's Loss Mitigation Program.

To be eligible to participate in HUD's Loss Mitigation Program, the Borrower:

- may not own other real estate subject to FHA insurance, except within the stated exceptions;
- has not been the Borrower, except through inheritance or as a co-signer only, on prior loans on which an FHA claim has been paid within the past three years;
- for purposes of a Loan Modification, Partial Claim, Combination Loan Modification and Partial Claim, or Payment Supplement, must not be

debarred, suspended or subject to a HUD Limited Denial of Participation (LDP) as determined in accordance with Excluded Parties requirements; and

- for purposes of a Partial Claim, Combination Loan Modification and Partial Claim, or Payment Supplement, may not have unresolved delinquent Federal Debt or delinquent child support subject to federal administrative offset as determined in accordance with Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt and Borrower Ineligibility Due to Federal Administrative Offset for Delinquent Child Support requirements. The Delinquent FHA-insured Mortgage associated with the Loss Mitigation does not constitute a disqualifying delinquent Federal Debt.

(1) Occupancy

(a) Definitions

An Owner-Occupant Borrower refers to a Borrower residing in the Property secured by the FHA-insured Mortgage as a Principal Residence.

A Non-Occupant Borrower refers to a Borrower on a Mortgage securing a Property that is not occupied by any Borrower or is not the Principal Residence.

(b) Standard

The Mortgagee must consider Owner-Occupant Borrowers and Non-Occupant Borrowers for all Loss Mitigation Options.

(2) Non-Borrowers Who Acquired Title through an Exempted Transfer

The Mortgagee may consider Repayment Plans, Forbearances, Permanent Home Retention Options, and Home Disposition Options for a non-borrower if the Mortgage is not due and payable pursuant to the Garn-St. Germain Depository Institutions Act, (i.e., an Exempted Transfer), and that the non-borrower:

- must meet the criteria for loss mitigation assistance; and
- for a Permanent Home Retention Option:
  - acquires title to a Property securing an FHA-insured Mortgage;
  - assumes personal liability for repayment of the Mortgage;
  - will occupy the home as a Principal Residence;
  - successfully completes a six-month TPP; and
  - has a valid SSN or EIN or meets the eligibility requirement exception regarding social security numbers.

(B) 90-Day Review

A Mortgagee is required to complete an evaluation of a Defaulted Mortgage for appropriate Loss Mitigation Options before four monthly installments are due and