II.A.1.a.i(E)(1)(a)(iii)

(E) Sales Contract and Supporting Documentation

(1) Sales Contract

(a) Standard

(iii) **Property Assessed Clean Energy**

Where the subject Property is encumbered with a Property Assessed Clean Energy (PACE) obligation, the sales contract must include a clause specifying that the PACE obligation will be satisfied by the seller at, or prior to, closing.

II.A.1.a.iii(B)(6)(e)

(B) Initial Document Processing

(6) Ordering Appraisals

(e) Additional Requirements When Ordering an Appraisal

The Mortgagee must provide to the selected Appraiser the FHA case number and a complete copy of the subject sales contract including all addendums, land lease, surveys and other legal documents contained in the mortgage file necessary to analyze the Property.

The Mortgagee must disclose all known information regarding any environmental hazard that is in or on the subject Property, or in the vicinity of the Property, whether obtained from the Borrower, the real estate broker, or any other party to the transaction.

Where the Mortgagee determines that the Property is subject to a PACE obligation, it must notify the Appraiser that the PACE obligation will be paid off as a condition of loan approval.

II.A.1.b.iv(A)(6)

iv. Property Eligibility and Acceptability Criteria

(A) General Property Eligibility

(6) Property Assessed Clean Energy

Property Assessed Clean Energy (PACE) refers to an alternative means of financing energy and other PACE-allowed improvements for residential properties using financing provided by private enterprises in conjunction with state and local governments. Generally, the repayment of the PACE obligation is collected in the same manner as a special assessment tax; it is collected by the local government rather than paid directly by the Borrower to the party providing the PACE financing.

Generally, the PACE obligation is also secured in the same manner as a special assessment tax against the Property. In the event of a sale, including a foreclosure sale, of the Property with outstanding PACE financing, the obligation will continue with the Property causing the new homeowner to be responsible for the payments on the outstanding PACE amount. In cases of foreclosure, priority collection of delinquent payments for the PACE assessment may be waived or relinquished.

Properties which will remain encumbered with a PACE obligation are not eligible for FHA mortgage insurance.

II.A.4.a.iii(A)(1)

iii. Function of TOTAL Mortgage Scorecard

(A) Automated Underwriting System Data Entry Requirements

(1) Mortgagees

The Mortgagee must verify the integrity of all data elements entered into the AUS to ensure the outcome of the Mortgage credit risk evaluation is valid including:

- Borrower’s Credit Report
- Borrower’s Liabilities/Debt
- Borrower’s Effective Income
- Borrower’s Assets/Reserves
- Adjusted Value
- Borrower’s total Mortgage Payment including Principal, Interest, Taxes, and Insurance (PITI)

The Borrower’s total Mortgage Payment includes:

- Principal and Interest (P&I);
- real estate taxes;
- hazard insurance;
- flood insurance as applicable;
- Mortgage Insurance Premium;
- HOA or condominium association fees or expenses;
- Ground Rent;
- special assessments;
- payments for any acceptable secondary financing; and
- any other escrow payments.

II.A.5.d.vii(B)

d. Final Underwriting Decision (Manual)

vii. Calculating Qualifying Ratios (Manual)

(B) Calculating Total Mortgage Payment

The total Mortgage Payment includes:

- P&I;
- real estate taxes;
- hazard insurance;
- flood insurance as applicable;
- MIP;
- HOA or condominium association fees or expenses;
- Ground Rent;
- special assessments;
- payments for any acceptable secondary financing; and
- any other escrow payments.

The Mortgagee may deduct the amount of the Mortgage Credit Certificate or Section 8 Homeownership Voucher if it is paid directly to the Servicer.

II.A.6.a.viii(A)

a. Mortgagee Closing Requirements

viii. Projected Escrow

(A) Monthly Escrow Obligations

The Mortgagee must collect a monthly amount from the Borrower that will enable it to pay all escrow obligations in accordance with 24 CFR § 203.23. The escrow account must be sufficient to meet the following obligations when they become due:

- hazard insurance premiums;
- real estate taxes;
- Mortgage Insurance Premiums (MIP);
- special assessments;
- flood insurance premiums if applicable;
- Ground Rents if applicable;
- servicing, maintenance, repair and replacement of water purification equipment; and
- any item that would create liens on the Property positioned ahead of the FHA-insured Mortgage, other than condominium or Homeowners' Association (HOA) fees.

II.A.8.d.vi(A)(2)(b)(i)

vi. No Cash-Out Refinances

(A) Rate and Term

(2) Maximum Mortgage Amount

(b) Calculating Maximum Mortgage Amount

***(i)* Standard**

The maximum mortgage amount for a Rate and Term refinance is:

- the lesser of:
  - the Nationwide Mortgage Limit;
  - the maximum LTV based on the Maximum LTV Ratio from above; or
  - the sum of existing debt and costs associated with the transaction as follows:
    - existing debt includes:
      - the unpaid principal balance of the first Mortgage as of the month prior to mortgage Disbursement;

        - the unpaid principal balance of any purchase money junior Mortgage as of the month prior to mortgage Disbursement;
        - the unpaid principal balance of any junior liens over 12 months old as of the date of mortgage Disbursement. If the balance or any portion of an equity line of credit in excess of $1,000 was advanced within the past 12 months and was for purposes other than repairs and rehabilitation of the Property, that portion above and beyond $1,000 of the line of credit is not eligible for inclusion in the new Mortgage;
        - ex-spouse or co-Borrower equity, as described in "Refinancing to Buy out Title Holder Equity" below;
        - interest due on the existing Mortgage(s);
        - the unpaid principal balance of any unpaid PACE obligation;
        - Mortgage Insurance Premium (MIP) due on existing Mortgage;
        - any prepayment penalties assessed;
        - late charges; and
        - escrow shortages;
    - allowed costs include all Borrower paid costs associated with the new mortgage; and
    - any Borrower-paid repairs required by the appraisal;
- less any refund of the Upfront Mortgage Insurance Premium (UFMIP).

II.D.12.d.iv(B)

d. Special Energy-Related Building Components

iv. Property Assessed Clean Energy

(B) Required Analysis and Reporting

The Appraiser must review the sales contract and property tax records for the Property to determine the amount of any outstanding PACE obligation:

- if the Mortgagee notifies the Appraiser that the subject Property is subject to a PACE obligation;
- when the Appraiser observes that the property taxes for the subject Property are higher than average for the neighborhood and type of dwelling; or
- when the Appraiser observes energy-related building components or equipment or is aware of other PACE-allowed improvements during the inspection process.

The Appraiser must report the outstanding amount of the PACE obligation for the subject Property.

Where energy and other PACE-allowed improvements have been made to the Property through a PACE program, the Appraiser must analyze and report the impact on the value of the Property from the PACE-related improvements subject to the PACE assessments being extinguished.

Glossary

Property Assessed Clean Energy (PACE)

Property Assessed Clean Energy (PACE) refers to an alternative means of financing energy and other PACE-allowed improvements to residential properties using financing provided by private enterprises in conjunction with state and local governments. Generally, the repayment of the PACE obligation is collected in the same manner as a special assessment taxes is collected by the local government rather than paid directly by the Borrower to the party providing the PACE financing.

Generally, the PACE obligation is also secured in the same manner as a special assessment against the property. In the event of a sale, including a foreclosure sale, of the property with outstanding PACE financing, the obligation will continue with the property causing the new homeowner to be responsible for the payments on the outstanding PACE amount. In cases of foreclosure, priority collection of delinquent payments for the PACE assessment may be waived or relinquished.

Properties that will remain encumbered with a PACE obligation after closing are not eligible for FHA mortgage insurance.