

# HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance

---

## Chapter 1. Underwriting Overview

### **Section A. General Information on the Underwriting Process**

|  |        |
|--|--------|
| Overview .....   | 1-A-1  |
| 1. General Information on Underwriting and Credit Policy .....   | 1-A-2  |
| 2. Maximum Loan Limits, Mortgage Amounts and Mortgage Terms..... | 1-A-3  |
| 3. Policies on Interest Rates and Related Fees .....             | 1-A-9  |
| 4. General Information on Mortgage Credit Analysis .....         | 1-A-11 |
| 5. Borrower Approval or Rejection.....                           | 1-A-13 |

### **Section B. Documentation Requirements**

|   |        |
|---|--------|
| Overview .....  | 1-B-1  |
| 1. General Documentation Standards.....                 | 1-B-2  |
| 2. Required Documents for Mortgage Credit Analysis..... | 1-B-9  |
| 3. Mortgage Loan Application Document Processing .....  | 1-B-20 |

### **Section C. Credit Reporting Requirements**

|  |       |
|--|-------|
| Overview .....   | 1-C-1 |
| 1. Confidential Nature of Credit Information .....                             | 1-C-2 |
| 2. General Information on Traditional and Non-Traditional Credit Reports ..... | 1-C-3 |
| 3. Three Repository Merged Credit Report (TRMCR).....                          | 1-C-6 |
| 4. Residential Mortgage Credit Report (RMCR) .....                             | 1-C-8 |
| 5. Non-Traditional Credit Report (NTMCR) Requirements.....                     | 1-C-9 |

## Chapter 2. Maximum Mortgage Amounts/Cash Investment Requirements on Purchase Transactions

### **Section A. Calculating Maximum Mortgage Amounts on Purchase Transactions**

|  |        |
|--|--------|
| Overview .....   | 2-A-1  |
| 1. Maximum Mortgage Amounts on Purchases.....                        | 2-A-2  |
| 2. Calculating Maximum Mortgage Amounts on Purchases .....           | 2-A-4  |
| 3. Interested Third Party Contributions .....                        | 2-A-6  |
| 4. Inducements to Purchase.....                                      | 2-A-8  |
| 5. Additions to the Mortgage Amount for Repair and Improvement ..... | 2-A-11 |

---

*Continued on Next Page*

# HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance, Continued

---

## **Section B. Transactions Affecting Maximum Mortgage Calculations**

|  |        |
|--|--------|
| Overview .....   | 2-B-1  |
| 1. General Information on Transactions Affecting Maximum Mortgage Calculations.....  | 2-B-2  |
| 2. Identity of Interest Transactions .....   | 2-B-3  |
| 3. Non-Occupying Borrowers.....  | 2-B-6  |
| 4. Transactions Involving Three and Four Unit Properties.....  | 2-B-8  |
| 5. Loan Transactions for Building on Own Land .....  | 2-B-10 |
| 6. Loan Transactions for Paying Off Land Contracts .....   | 2-B-12 |
| 7. Transactions Involving Properties For Proposed Construction, Under Construction or Existing Construction Less Than One Year Old ..... | 2-B-14 |
| 8. Manufactured Home Construction-Permanent Loans .....  | 2-B-16 |

## **Chapter 3. Maximum Mortgage Amounts on Refinance Transactions**

### **Section A. Refinance Transaction Overview**

|  |       |
|--|-------|
| Overview .....   | 3-A-1 |
| 1. General Information on Refinance Transactions ..... | 3-A-2 |

### **Section B. Maximum Mortgage Amounts on No Cash Out/Cash Out Refinance Transactions**

|  |       |
|--|-------|
| Overview .....   | 3-B-1 |
| 1. No Cash Out Refinance Transactions With an Appraisal..... | 3-B-2 |
| 2. Cash Out Refinance Transactions.....                      | 3-B-8 |

### **Section C. Maximum Mortgage Amounts on Streamline Refinances**

|   |       |
|---|-------|
| Overview .....  | 3-C-1 |
| 1. General Information on Streamline Refinances .....                   | 3-C-2 |
| 2. Streamline Refinances Without an Appraisal .....                     | 3-C-3 |
| 3. Streamline Refinances With an Appraisal (No Credit Qualifying) ..... | 3-C-7 |

## **Chapter 4. Borrower Eligibility and Credit Analysis**

### **Section A. Borrower Eligibility Requirements**

|  |        |
|--|--------|
| Overview .....   | 4-A-1  |
| 1. Borrower, Coborrower, and Cosigner Eligibility Requirements ..... | 4-A-2  |
| 2. Eligibility for FHA-Insured Financing .....                       | 4-A-6  |
| 3. Citizenship and Immigration Status.....                           | 4-A-13 |
| 4. Living Trusts.....  | 4-A-15 |
| 5. Non-Purchasing Spouses .....                                      | 4-A-16 |

*Continued on Next Page*

# HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance, Continued

---

|  |        |
|--|--------|
| 6. Eligibility Requirements for Nonprofit Organizations and State and Local Government Agencies..... | 4-A-18 |
| 7. Using CAIVRS to Determine Eligibility for FHA Insured Mortgage Transactions                       | 4-A-21 |
| <b>Section B. <u>Property Ownership Requirements and Restrictions</u></b>                            |        |
| Overview .....   | 4-B-1  |
| 1. General Information on Property Requirements and Restrictions.....                                | 4-B-2  |
| 2. Eligibility Requirements for Principal Residences .....   | 4-B-5  |
| 3. Eligibility Requirements for Secondary Residences.....  | 4-B-9  |
| 4. Investment Property Eligibility and Underwriting Requirements .....                               | 4-B-11 |
| <b>Section C. <u>Borrower Credit Analysis</u></b>  |        |
| Overview .....   | 4-C-1  |
| 1. General Guidelines for Analyzing Borrower Credit.....   | 4-C-2  |
| 2. Guidelines for Credit Report Review .....   | 4-C-7  |
| 3. Evaluating Non-Traditional Credit and Insufficient Credit.....                                    | 4-C-16 |
| 4. Borrower Liabilities: Recurring Obligations .....   | 4-C-18 |
| 5. Borrower Liabilities: Contingent Liability .....  | 4-C-21 |
| 6. Borrower Liabilities: Projected Obligations and Obligations Not Considered Debt.....              | 4-C-23 |
| <b>Section D. <u>Borrower Employment and Employment-Related Income</u></b>                           |        |
| Overview .....   | 4-D-1  |
| 1. Stability of Income.....  | 4-D-2  |
| 2. Salary, Wage and Other Employment Related Income .....  | 4-D-5  |
| 3. Borrowers Employed by a Family Owned Business .....   | 4-D-11 |
| 4. General Information on Self-Employed Borrowers and Income Analysis .....                          | 4-D-12 |
| 5. Income Analysis: Individual Tax Returns (IRS Form 1040).....                                      | 4-D-17 |
| 6. Income Analysis: Corporate Tax Returns (IRS Form 1120) .....                                      | 4-D-20 |
| 7. Income Analysis: “S” Corporation Tax Returns (IRS Form 1120S).....                                | 4-D-22 |
| 8. Income Analysis: Partnership Tax Returns (IRS Form 1065).....                                     | 4-D-23 |
| <b>Section E. <u>Non-Employment Related Borrower Income</u></b>                                      |        |
| Overview .....   | 4-E-1  |
| 1. Alimony, Child Support and Maintenance Income .....   | 4-E-2  |
| 2. Investment and Trust Income.....  | 4-E-4  |
| 3. Military, Government Agency, and Assistance Program Income .....                                  | 4-E-7  |
| 4. Rental Income .....   | 4-E-10 |
| 5. Non Taxable and Projected Income.....   | 4-E-15 |

## HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance, Continued

---

### Section F. Borrower Qualifying Ratios

|   |       |
|---|-------|
| Overview .....                                      | 4-F-1 |
| 1. General Information on Borrower Qualifying ..... | 4-F-2 |
| 2. Qualifying Ratios .....                          | 4-F-3 |
| 3. Compensating Factors.....                        | 4-F-6 |

### Chapter 5. Borrower Funds to Close

#### Section A. Settlement Requirements

|   |       |
|---|-------|
| Overview .....  | 5-A-1 |
| 1. General Information on Settlement Requirements ..... | 5-A-2 |
| 2. Settlement Requirements Needed to Close.....         | 5-A-3 |

#### Section B. Acceptable Sources of Borrower Funds

|  |        |
|--|--------|
| Overview .....   | 5-B-1  |
| 1. General Information on Acceptable Sources of Borrower Funds.....        | 5-B-2  |
| 2. Cash and Savings/Checking Accounts as Acceptable Sources of Funds ..... | 5-B-4  |
| 3. Investments as an Acceptable Source of Funds .....                      | 5-B-8  |
| 4. Gifts as an Acceptable Source of Funds .....                            | 5-B-10 |
| 5. Gift Fund Required Documentation.....                                   | 5-B-15 |
| 6. Property-Related Acceptable Sources of Funds .....                      | 5-B-18 |
| 7. Loans and Grants as Acceptable Sources of Funds .....                   | 5-B-24 |
| 8. Employer Programs as Acceptable Sources of Funds .....                  | 5-B-26 |

#### Section C. Borrower Secondary Financing

|  |        |
|--|--------|
| Overview .....   | 5-C-1  |
| 1. General Information on Secondary Financing .....                          | 5-C-2  |
| 2. Government Agency Secondary Financing .....                               | 5-C-4  |
| 3. Nonprofit Agency Secondary Financing .....                                | 5-C-7  |
| 4. Organizations and Private Individuals Providing Secondary Financing ..... | 5-C-10 |
| 5. Family Member Secondary Financing.....                                    | 5-C-12 |
| 6. Secondary Financing for Borrowers 60 Years of Age or Older .....          | 5-C-16 |

---

*Continued on next page*

# HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance, Continued

## Chapter 6. Special Underwriting

### **Section A. Special Underwriting Instructions**

|   |        |
|---|--------|
| Overview .....  | 6-A-1  |
| 1. FHA’s TOTAL Mortgage Scorecard .....   | 6-A-2  |
| 2. Temporary Interest Rate Buydowns.....  | 6-A-7  |
| 3. Construction Permanent Mortgage Program Eligibility Criteria .....                           | 6-A-10 |
| 4. Construction Permanent Mortgage Program Requirements .....                                   | 6-A-13 |
| 5. Construction Permanent Mortgage Documentation Requirements for Closing and Endorsement ..... | 6-A-16 |
| 6. Mortgage Insurance for Disaster Victims .....  | 6-A-17 |
| 7. Energy Efficient Homes .....   | 6-A-25 |
| 8. Restriction on Advanced Mortgage Payments .....  | 6-A-28 |
| 9. Condominium Units Utility Expenses.....  | 6-A-29 |
| 10. HUD Real Estate Owned (REO) Acquisitions.....   | 6-A-30 |

### **Section B. ARMs**

|  |        |
|--|--------|
| Overview .....   | 6-B-1  |
| 1. Terms and Definitions.....  | 6-B-2  |
| 2. General Information on ARMs .....                                   | 6-B-3  |
| 3. ARM Underwriting Requirements.....                                  | 6-B-5  |
| 4. Interest Rate Index .....   | 6-B-9  |
| 5. Calculating Interest Rate Adjustments.....                          | 6-B-13 |
| 6. Computing Monthly Installment Payments .....                        | 6-B-18 |
| 7. Annual Adjustment Notice Requirement .....                          | 6-B-20 |
| 8. Failure to Provide a Timely/Accurate Annual Adjustment Notice ..... | 6-B-23 |
| 9. ARM Assumptions and Transfers of Servicing .....                    | 6-B-25 |
| 10. Tracking ARMs.....   | 6-B-27 |

### **Section C. Streamline Refinances**

|  |        |
|--|--------|
| Overview .....   | 6-C-1  |
| 1. General Information on Streamline Refinances .....                    | 6-C-2  |
| 2. Credit Qualifying Streamline Refinances .....                         | 6-C-6  |
| 3. Streamline Refinance Borrower and Property Related Requirements ..... | 6-C-8  |
| 4. Types of Permissible Streamline Refinances .....                      | 6-C-11 |
| 5. Establishing Net Tangible Benefit of Streamline Refinance .....       | 6-C-16 |

*Continued on next page*

## HUD 4155.1, Mortgage Credit Analysis for Mortgage Insurance, Continued

---

### Section D. [Energy Efficient Mortgage Program](#)

|   |        |
|---|--------|
| Overview .....  | 6-D-1  |
| 1. General Information on the EEM Program .....               | 6-D-2  |
| 2. Basic EEM Program Requirements and Criteria .....          | 6-D-6  |
| 3. Home Energy Rating System (HERS) Report Requirements ..... | 6-D-12 |
| 4. Processing and Underwriting Requirements .....             | 6-D-15 |

### Section E. [HOPE for Homeowners \(H4H\) Program](#)

|   |       |
|---|-------|
| Overview .....  | 6-E-1 |
| 1. General Information on the HOPE for Homeowners (H4H) Program ..... | 6-E-2 |

### Section F. [Refinance of Borrowers in Negative Equity Positions Program](#)

|   |       |
|---|-------|
| Overview .....  | 6-F-1 |
| 1. General Information on the Refinance of Borrowers in Negative Equity Positions Program ..... | 6-F-2 |

### Chapter 7. [Assumptions](#)

#### [Overview](#)

|   |     |
|---|-----|
| 1. General Information on Assumptions .....         | 7-1 |
| 2. Creditworthiness Review for Assumptions .....    | 7-5 |
| 3. LTV Reduction Requirements for Assumptions ..... | 7-8 |

### Chapter 8. [TBD]

### Chapter 9. [Glossary](#)

#### [Overview](#)

|                                     |      |
|-------------------------------------|------|
| 1. Glossary of Handbook Terms ..... | 9-1  |
| 2. Acronyms .....                   | 9-10 |

---