



## FHA REPAIR ESCROW

| PROGRAM SPECIFICATIONS  |   |
|---|---|
| Description   | HUD offers its acquired properties (Real Estate Owned “REO”) for sale with FHA –insured financing provided they meet the intent of FHA’s minimum property standards (MPS). The property does not meet HUD’s MPR in it’s as-is condition, but if repairs of no more than \$10,000 are completed; the HUD REO Property would meet HUD’s MPR. HUD will determine the cost of the necessary repairs. An escrow account to complete the repairs to meet MPR after closing is required.   |
| Channels  | <ul style="list-style-type: none"> <li>• Broker</li> <li>• Correspondent <ul style="list-style-type: none"> <li>○ Non-Delegated UW</li> <li>○ Delegated UW <ul style="list-style-type: none"> <li>▪ <b>Important:</b> CDE clients <u>must</u> complete an interview with the AFR Renovation Department and be approved <u>prior</u> to submission on any FHA 203(k) transaction.</li> </ul> </li> </ul> </li> </ul>   |
| FICO  | <p>Minimum Qualifying Credit Scores:</p> <ul style="list-style-type: none"> <li>• 580 for all qualifying borrowers</li> <li>• 1 credit score required for all qualifying borrowers,</li> <li>• User the middle score if 3 credit scores, or</li> <li>• The lowest of the two if 2 credit scores.</li> <li>• Lowest representative score from all borrowers will be used for qualification purposes.</li> </ul>  |
| UW Method   | <ul style="list-style-type: none"> <li>• Total Scorecard: <ul style="list-style-type: none"> <li>○ Desktop Underwriter (DU)</li> <li>○ Loan Product Advisor (LPA)</li> </ul> </li> </ul>  |
| AUS Recommendation  | <ul style="list-style-type: none"> <li>• Approve/Eligible – DU</li> <li>• Refer/Eligible - DU</li> <li>• Risk Class Accept – LPA</li> <li>• Risk Class Refer – LPA</li> </ul>   |
| Eligible Terms  | <ul style="list-style-type: none"> <li>• 10Yr., 15Yr., 20Yr., 25Yr., 30Yr. Fixed</li> <li>• 5/1 Hybrid ARM - Suspended 7/14/2022 until further notice</li> </ul>  |
| Eligible Transaction Types  | <ul style="list-style-type: none"> <li>• Purchase</li> </ul>  |
| Eligible Property Types   | <p>HUD Owned Properties – Owner Occupied Only</p> <ul style="list-style-type: none"> <li>• 1-4 Unit Primary Residence</li> <li>• Manufactured Housing</li> <li>• FHA Approved Condominiums</li> <li>• PUDs</li> </ul>   |
| Maximum LTV/CLTV/HCLTV  | <ul style="list-style-type: none"> <li>• HUD REO Purchase 96.50% + maximum of \$10,000 in repairs not to exceed county limit</li> </ul>   |
| Maximum DTI   | <ul style="list-style-type: none"> <li>• Approve/Eligible or Risk Class Accept - Follow AUS</li> <li>• Refer/Eligible or Manual Underwriting – Follow FHA Guidelines</li> </ul>   |
| Maximum Escrow Amount   | <ul style="list-style-type: none"> <li>• The maximum escrow amount must be based on the sum of the repairs required to meet the intent of HUD’s MPR, <b>plus a 10 percent contingency</b>. The total escrow amount, including the 10 percent contingency, <b>must not exceed \$11,000</b>.</li> </ul>   |
| Geographic Restrictions   | <ul style="list-style-type: none"> <li>• Hawaii <ul style="list-style-type: none"> <li>○ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions.</li> </ul> </li> <li>• AFR requires the use of AFR’s Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3<sup>rd</sup> party for document preparation and require 48 hours for both title review and to generate a closing package.</li> </ul> |
| 4000.1  | <a href="http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1_4000.1_II.A.8">http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_4000-1_4000.1_II.A.8</a>   |
| Forms   | See FORMS Section of the Resource Center  |
| OVERLAYS  |   |
| <p>Follow all overlays outlined in the FHA 203(b) Program Matrix and:</p> <ul style="list-style-type: none"> <li>• AFR will require applicable testing for utilities if the PCR report shows that the utilities were never tested.</li> <li>• AFR will permit Self-Help on FHA 203(b) Repair Escrow transactions when the appraisal is marked “subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed” and when the repair does not require a license. The loan must adhere to all FHA guidelines and requirements. AFR will require the borrower to provide photos to prove completion of repair and an executed Borrower Completion Certification.</li> </ul> |   |



- 2nd level review by AFR Management on any property that is identified to have a current “As-is” property condition rating of C5 or C6. Loan is subject to additional requirements/conditions. Note: “As Completed” Property Condition Rating as determined by the Appraiser must be C1-C4.
- AFR does not permit the renovation or construction of an Accessory Dwelling Unit (A.D.U.).

