

December 11, 2013

FHA SINGLE FAMILY HOUSING



NEWS

## NEWS AND UPDATES

**TO: All FHA-Approved Mortgagees**

### ***What's New***

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#### **Manual Underwriting Policy Final Notice Published Today in *Federal Register***

Today, FHA's Office of Single Family Housing published a Final Notice in the *Federal Register* with details on upcoming revisions to FHA policies for manually underwriting FHA mortgages. A copy of this Final Notice, Docket No. FR-5995-N-01, *Federal Housing Administration (FHA) Risk Management Initiatives: New Manual Underwriting Requirements*, is posted in the *Federal Register* at <http://www.gpo.gov/fdsys/pkg/FR-2013-12-11/pdf/2013-29170.pdf>. This information is published for mortgagees' thorough review.

As outlined in the Final Notice, the policy revisions provide FHA-approved lenders with objective standards to make responsible risk-based underwriting decisions on manually underwritten mortgages, and establish clear requirements for mortgagees when manually underwriting loans.

A Mortgagee Letter will be issued shortly and will incorporate the policy revisions published in today's Final Notice, as well as additional operational and implementation information for Mortgagees. FHA's current policies remain in effect until the effective date that will be announced in the Mortgagee Letter.

### ***Policy Change Highlights***

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The Manual Underwriting policy revisions:

- Provide requirements for manual underwriting that are designed to facilitate the mortgagees' ability to underwrite to FHA's full spectrum of eligibility.
- Provide specific requirements for underwriters to document the compensating factors necessary to approve a mortgage with a debt-to-income ratio that exceeds FHA's basic qualifying debt-to-income ratios.
- Balance access to mortgage credit and sustainable homeownership opportunities with prudent risk management protecting the solvency of FHA's Mutual Mortgage Insurance Fund.

Today's Final Notice provides information for Mortgagees on future FHA policy revisions for manually underwritten mortgages. The revised policies will apply to all credit qualifying mortgages where FHA's TOTAL Mortgage Scorecard

issues a “Refer” scoring recommendation, or where the mortgage receiving an “Accept” scoring recommendation is manually downgraded by the underwriter. The revised policies will also apply where the mortgage was not scored through FHA’s TOTAL Mortgage Scorecard.

Specific policy revisions include:

- Establishing maximum qualifying ratios for all manually underwritten mortgages based on the borrower’s credit score and compensating factors;
- A revised list of acceptable compensating factors with clear and objective documentation requirements for assessing these compensating factors
- A requirement for reserves for manually underwritten mortgages on 1- and 2-unit properties

Until the effective date of the policy revisions to be announced in an upcoming Mortgagee Letter, FHA’s current requirements for manually underwritten mortgages remain in effect.

## Learn More

- Review the policy revisions published in today’s *Federal Register* at <http://www.gpo.gov/fdsys/pkg/FR-2013-12-11/pdf/2013-29170.pdf>.
- Questions? Call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). TDD/TTY 1-877-TDD-2HUD (1-877-833-2483).

## RESOURCE INFORMATION

<b>FHA HOMEOWNERSHIP LISTSERV ARCHIVE PAGE:</b>	<p>FHA recently began posting prior messages from this Homeownership Listserv on a Departmental web site. Currently the archives include messages from calendar year 2013 and a portion of calendar year 2012. To view messages sent by <a href="mailto:fhainfo@hud.gov">fhainfo@hud.gov</a> and previously by <a href="mailto:jerrold.mayer@hud.gov">jerrold.mayer@hud.gov</a>, please visit the following site: <a href="#">FHA INFO Listserv Archive</a></p>
<b>HAVE FHA QUESTIONS?</b>	<p>For FHA technical support, please search the <a href="#">FHA Frequently Asked Questions</a> site or contact the FHA Resource Center by email at: <a href="mailto:answers@hud.gov">answers@hud.gov</a> or by telephone toll-free between 8:00 AM &amp; 8:00 PM ET at: (800) CALLFHA or (800) 225-5342.</p>
<b>SUBSCRIBE/UNSUBSCRIBE INSTRUCTIONS:</b>	<p>To subscribe to the FHA Single Family Housing News mailing list you can use this link: <a href="#">SFH News</a> or send a request by email to: <a href="mailto:answers@hud.gov">answers@hud.gov</a>. Bulk subscriptions: To sign up your entire office or a large group, send the list of email addresses (in the format below) to: <a href="mailto:answers@hud.gov">answers@hud.gov</a>  <a href="mailto:aaa@xyz.com">aaa@xyz.com</a>  <a href="mailto:bbb@xyz.com">bbb@xyz.com</a>  <a href="mailto:ccc@xyz.com">ccc@xyz.com</a>  <a href="#">To Unsubscribe</a> follow the unsubscribe instructions on that page.</p>
<b>RESOURCE LINKS:</b>	<p><a href="#">Archived FHA Webinars</a> <a href="#">Foreclosure Assistance</a></p>

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