



IMPORTANT UPDATE

BULLETIN 21 06112024

Issued to: All Channels

Date: June 11, 2024

Subject: FHA Changes

Effective: Immediately

The following 4000.1 Handbook revisions go into effect August 19, 2024; **however, can be implemented immediately.**

Source of Funds:

- Individual deposits must be sourced if greater than 50% of the total monthly income – previously this amount was 1% of the Adjusted Value. Either calculation can be used until August 19, 2024.
- Verification that the deposits are commensurate with the borrower's income and savings history and no debts were incurred as a result is also required.

Documenting the Transfer of Gift Funds:

Verification and documentation of the transfer of gifts from the donor to the borrower are required as follows:

- For gifts that will be verified prior to settlement, one of the following must be obtained:
 - The donor's bank statement showing the withdrawal and evidence of the deposit into the borrower's account;
 - A copy of the donor's cancelled check and evidence of deposit into the borrower's account;
 - A copy of the donor's withdrawal receipt and evidence of deposit into the borrower's account; or
 - Evidence of the electronic transfer of funds from the donor's account to the borrower's account.
- For gifts that will be verified at settlement, one of the following must be obtained:
 - Evidence of electronic transfer of funds from the donor's account;
 - Bank certified check;
 - Cashier's check; or
 - Other official bank check.

- For gifts of land, the following must be obtained:
 - Proof of ownership by the donor; and
 - Evidence of transfer of title to the borrower.

Rental Income from ADU Changes:

Rental income from the subject property may be considered when the property is or will be a one-unit dwelling with an ADU, a two-to-four-unit dwelling, or an acceptable one-to-four-unit dwelling.

One-Unit with an Accessory Dwelling Unit

- The proposed rental income from the ADU must be supported by a Form 1007/1000 Single Family Comparable Rent Schedule showing fair market rent and, if available, the prospective fully executed lease agreement.
- The amount of the rental income from the ADU must not exceed 30% of the total monthly income used to qualify the borrower.
- If rental income is being used to qualify, 2 months' PITIA reserves after closing will be required to be verified and documented.

Individual Water Supply Systems (Wells):

If the subject property has a water source that includes a mechanical chlorinator or is served by springs, lakes, rivers, sand- point wells or artesian wells, the property is not eligible for FHA financing.

Maximum Mortgage Amounts:

For refinance transactions:

- Properties acquired by the borrower within 12 months of the case number assignment by inheritance, through a gift from a family member, or through a non-monetary transaction may utilize the calculation of Adjusted Value for properties purchased 12 months or greater, which means the appraised value may be used.

Should you have any questions, please contact your Account Executive.

We appreciate your business!