



FHA Program (203b)

revised 05/03/2022

FSB will manually underwrite an FHA loan if the min score requirement is met, and the following apply:

- 1) Min score of 600 (*for scores between 600-659, please see the section labeled **Overlays**. **Overlays will apply on all loans in this score range***)
- 2) Minimum tradelines for a manual underwrite will be determined by the underwriter. Credit depth is needed to show the borrower's willingness and ability to pay. Analysis will be completed of all tradelines old and opened. If the underwriter determines that further credit profile is needed to support the approval of the borrower, they will condition accordingly. In addition, the Underwriter can require Homebuyer Education in lieu of additional tradelines.
- 3) 1 months' reserves are required. Reserves will be calculated by PITI payment and must be the borrower's own funds. The reserves cannot be gift funds. If ratio guidance dictates a higher reserve amount needed, then that guidance takes precedence.
- 4) Verification of Rent always required, if available

5) A pricing adjustment will apply for all manual underwritten FHA files – please see rate sheet for adjustment amount

6) DTI may not exceed 31/43 without compensating factors – see chart for further information on ratios

7) **When using Gift funds or DPA/Grant funds, any debt ratios that are over 45% must meet manual guidelines for ratios and compensating factors. If no compensating factors are available, max DTI will be 45%.**

Approvable Ratio Requirements (Manual Underwriting)

The maximum Total Mortgage Payment to Effective Income Ratio (PTI) and Total Fixed Payments to Effective Income Ratio, or DTI, applicable to manually underwritten Mortgages are summarized in the matrix below.

The qualifying ratios for Borrowers with no credit score are computed using income only from Borrowers occupying the property and obligated on the Mortgage. Non-Occupant Co-borrower income may not be included.

Manual Underwriting Matrix		
Lowest Min Decision Credit Score	Max Qualifying Ratios (%)	Acceptable Compensating Factors
620 and above	31/43	No compensating factors required unless AUS shows reserves are required or underwriter determines there is a need.
620 and above	37/47	One of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves (borrower's own funds) • Minimal increase in housing payment; or • Residual income
620 and above	40/40	No discretionary debt
620 and above	40/50	Two of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves (borrower's own funds) • Minimal increase in housing payment; • Significant additional income not reflected in Effective Income and/or
		• Residual income