

FHA

Program Guidelines

Eligible Borrowers

- Loans will be granted to natural persons only. Title must be held in individual names only.
- All borrowers must have a valid social security number.

Unless otherwise noted in a sub-section, the following are permitted:

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens

- FHA requirements regarding permanent and non-permanent resident aliens must be met.

Ineligible Borrowers

- Non-Profit organization borrowers
- Corporations including, but not limited to the following:
 - S Corporations
 - Life Estates
 - Real Estate Syndication
 - LLC's
 - DBA's
- Trusts



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Occupancy Types

- Primary Residence properties are eligible.
- Second Homes and Investment properties may be eligible for streamline refinance without appraisal only.

Property Types

- As permitted by FHA, the following properties are eligible for funding:
 - 1 to 4 Unit properties
 - Manufactured Homes that meet FHA and secondary market requirements
 - Condominiums which meet FHA requirements

Leasehold Estates

Permitted for Hawaii Home Land loans only

Ineligible Property Types

Unless otherwise specifically permitted by the applicable loan parameters, the following property types are not acceptable:

- Cooperative Share Units (Co-Op)
- Mobile Homes
- Subsidized Condos also known as Limited Equity Condos
- Hawaii Farm Dwellings

These program guidelines are intended as an overview of Indymac's FHA Program offering. For full program details, please refer to Indymac's *Lending Guide*.

Employment & Income

Employment & Income History

- Primary source of income for 24 months required. Employment gaps of more than 30 days must be explained.
- Part-time income with a minimum history of 24 months may be used.
- Overtime and bonus income may be used to qualify if the employer verifies borrower has received this for last 24 months and indicates it will continue.

Verification

- For salaried borrowers, one of the following must be used to verify current employment and income:
 - A "Request for Verification of Employment" using FNMA, HUD, CA or RD Forms AND the most recent paystub ; or
 - Paystubs or payroll earnings statements covering the most recent 30-day period AND W-2 tax forms for the previous 2 years AND a telephone verification of the applicant's current employment.
- Seasonal income and unemployment: 2 years tax returns are required.
- Self-employment income must be verified with 2 years previous tax returns and YTD P&L.
- Alimony, child support or separation maintenance may be used to qualify if borrower has received for last 12 months and proof of 3 year continuance provided, and applicant provides document that mandates the payment.
- Retirement income may be verified by letters from organizations providing income, tax returns, or W-2s with confirmation of 3 year continuance.
- Social Security income may be verified with copy of award letter and borrower's last 2 bank statements showing regular deposits of SSI. May be "grossed" up.
- Disability income may be verified with a recent copy of benefits letter and confirmation of 3 year continuance. May be "grossed up" if non-taxable.
- Foster care income may be used to qualify if borrower has received regular and consistent amounts for last 3 years and proof of continuance provided.

Down Payment Assistance

Indymac® will fund first mortgage FHA loans originated in accordance with down payment assistance programs that meet the guidelines outlined below.

Acceptable programs are Down Payment Assistance Programs (DAP); Up-Front Cost Assistance (CAP), and Housing Assistance Programs (HAP).

- The DAP, UCAP or HAP meets all published requirements of FHA.
- May not be used in combination with a buydown.
- The first Mortgage funding with Indymac is not subject to any terms or conditions of a bond program.
- The DAP, UCAP or HAP does not restrict the transfer of servicing rights of the first mortgage fund with Indymac. Additionally, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first mortgage's servicing rights.
- Must identify the loan as subject to a DAP.
- File must contain the signed DAP "gift" letter and settlement agent must verify the wired receipt of these funds.
- Indymac will recognize gift funds received from the following six seller-funded DAP programs until their tax exempt status is removed:
 - Ameridream
 - Buyer's Fund
 - Genesis
 - Nehemiah
 - Hart
 - Future's

NOTE: The non-profit must be tax exempt at the time the sales contract is executed. File must contain a copy of the IRS website confirming that the DAP has not had its non-profit status revoked/terminated.

Qualifying Ratios

Unless there are documented compensating factors or an AUS approval is received, limits may not exceed: **31% / 43%**

Reserves / Assets

Reserve Requirements:

- 3 month's PITI required on all 3-4 unit properties. May not come from a gift or DAP.
- Reserves are not required for all other transactions.

Asset Documentation:

- Written VOD with the most current bank statement OR
- Two months original bank statements covering the most recent 3-month period

Gift From Family Members:

- Gifts from family members of up to 100% of the borrower's required cash investment are permitted. May include the down payment, closing costs, prepaids and discount points. Must be in "Gift Letter" format.

Cash Saved at Home:

- Borrowers who saved cash at home and are able to adequately demonstrate the ability to do so, are permitted to use this money as an acceptable source of funds to close.
- Funds must be verified either on deposit in a financial institution or held by the escrow/title company.
- A budget letter must include evidence provided from the borrower showing ability to accumulate such a savings; and written explanation from the borrower on how such funds were accumulated and the amount of time taken to do so.
- Factors considered when determining the reasonableness of cash saved at home include the amount and duration of borrower's income, documented expenses, spending habits, and borrower's history of using financial institutions.