

WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

[Guidelines](#)

[Bolt Training](#)

[Wholesale Website](#)

[Previous Bulletins](#)

17W-118

Attention: Business Development Managers & Mortgage Brokers **December 15, 2017**

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: Paying Off PACE/HERO Lien with FHA Financing

In Mortgagee Letter ML2017-18, FHA announced that properties encumbered with PACE/HERO obligations will no longer be eligible for FHA insured financing.

PACE/HERO obligations may now be paid off with a Rate/Term Refinance or a Cash Out Refinance.

FHA Streamlines with a PACE/HERO obligation will need to be converted to a credit qualifying Rate/Term Refinance.

Purchase transactions will require the PACE/HERO obligation to be paid off and removed. A PACE/HERO obligation may no longer be subordinated.

Guidance is effective for all case numbers issued on or after January 7, 2018.

Currently, in order to pay off a PACE/HERO obligation, the transaction must be considered a “cash out” refinance, regardless of when the PACE/HERO obligation was originated.

All guidance updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1.

Author: Underwriting