



# WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

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## 21W-023

**Attention: AEs, Business Development Managers & Mortgage Brokers****March 31, 2021****Please take a moment to read the important information contained in this bulletin.****Included in this Bulletin: FHA 4000.1 Handbook Revisions**

FHA has announced revisions and clarifications to the 4000.1 Handbook.

The following revisions and clarifications have been incorporated into the most recent version of the 4000.1 Handbook.

Refer to the applicable Handbook section for complete details on these changes.

<b>Handbook Section</b>	<b>Revision</b>
II.A.1.a.i(A)(3) Signature Requirements for all Application Forms	Updated use of Power of Attorney for application forms for military personnel.
II.A.1.b.i(C) Mortgage Purpose – Refinance	Removed Refinance for Borrowers in Negative Equity Positions Program (Short Refi) from list of refinance types, as this program has expired.
II.A.1.b.iv(A)(3)(b)(i) Time Restriction on Transfers of Title	Clarified definition of resale date.
II.A.1.b.iv(B)(1) Property Types – One Unit	Updated definition of one-unit Property to clarify that an Accessory Dwelling Unit may be eligible with a one-unit Property.
II.A.1.b.iv(B)(3) Property Types – Three to Four Unit	Updated definition to provide guidance on Accessory Dwelling Units.
II.A.1.b.iv(B)(4) Property Types – Accessory Dwelling Unit	Added new section with guidance on how to consider Accessory Dwelling Units. Subsequent sections, Condominium Unit and Manufactured Housing, are re-numbered.
II.A.1.b.iv(B)(5)(b) Property Types – Condominium Unit – Site Condominiums	Clarified language in Standard for Site Condominium insurance and maintenance costs.

II.A.2.a Allowable Mortgage Parameters – Maximum Mortgage Amounts	Moved guidance on Loan-to-Value (LTV) ratios to Loan-to-Value Limits section.
II.A.2.b Allowable Mortgage Parameters – Loan-to Value Limits	Added guidance on LTV ratios from Maximum Mortgage Amounts section.
II.A.2.b.ii(A)(3)(a) Exceptions to the Maximum LTV– Family Member Transactions; II.A.2.b.ii(A)(3)(d) Exceptions to the Maximum LTV – Tenant Purchase	Updated guidance that a lease or other written evidence must verify that both tenancy and occupancy are met.
II.A.3.a.i Underwriting the Property –Property Acceptability Criteria – Defective Conditions	Clarified instruction to Mortgagees for approval of Properties with defective conditions.
II.A.3.a.ii(O)(2)(a) Individual Water Supply Systems (Wells) – Requirements for Well Water Testing	Updated property guidance to clarify that water flow must be continuous.
II.A.3.a.ii(O)(3) Water Supply Systems – Shared Wells	Clarified guidance for shared wells according to construction status.
II.A.3.a.ii(S) Minimum Property Requirements and Minimum Property Standards – Special Airport Hazards	Incorporated guidance consistent with language from Appraiser section to address special airport hazards and moved Borrower’s acknowledgement requirement from Appraiser section to this section.
II.A.4.a.i Use of Total Mortgage Scorecard	Updated guidance that Mortgages made to Borrowers who do not have Social Security Numbers do not need to be run through TOTAL.
II.A.4.b.iv(A) General Liabilities and Debts (TOTAL); II.A.5.a.iv(A)(1) General Liabilities and Debts (Manual) – Standard	Clarified the requirement that closed-end debts do not have to be included in underwriting calculations if they will be paid off within 10 months is based upon the date of closing.
II.A.4.b.iv(C) Undisclosed Mortgage Debt (TOTAL)	Expanded options for verification of Mortgage when an existing debt or obligation that is secured by a Mortgage but is not listed on the credit report and not considered by the Automated Underwriting System (AUS) is revealed during the application process.
II.A.4.c Section 8 Homeownership Vouchers (TOTAL) – Calculation of Effective Income; II.A.5.b.xii(E)(3).xii(E)(3) Section 8 Homeownership Vouchers (Manual) – Calculation of Effective Income	Added guidance that the income received from Section 8 cannot be Grossed Up.
A. II 4.c.xii(I)(2)(a) Rental Income Received from the Subject Property (TOTAL) – Standard; II.A.b.xiii(I)(2)(a) Rental Income Received from the Subject Property (Manual) – Standard	Added guidance that any commercial space may not be included in Rental Income calculations
II.A.4.d.i(B)(2)(i) Interested Party Contributions on the	

<p>Closing Disclosure; II.A.4.d.iii(G)(1) Interested Party Contributions (TOTAL) – Definition; II.A.5.c.i(B)(2)(i) Interested Party Contributions on the Closing Disclosure; II.A.5.c.iii(G)(1) Interested Party Contributions (Manual) – Definition</p>	<p>Updated the allowable costs and fees that can be paid with Interested Party contributions for consistency with terminology throughout the Handbook.</p>
<p>II.A.4.d.iii(R)(3) Sweat Equity (TOTAL) – Required Documentation; II.A.5.c.iii(R)(3) Sweat Equity (Manual) – Required Documentation</p>	<p>Clarified Required Documentation is applicable to all New Construction types.</p>
<p>II.A.5.c.i(B)(2)(j) Real Estate Tax Credits</p>	<p>Added guidance to clarify when prepaid items should be considered to align with TOTAL section.</p>
<p>II.A.8.d.i(B) Types of Refinances</p>	<p>Removed subsection for Refinance of Borrowers in Negative Equity Positions (also known as Short Refinance) since the program expired in 2016. Subsequent sections were renumbered.</p>
<p>II.A.8.i.vii(A)(2) Operating Oil or Gas Wells</p>	<p>Clarified terminology of New Construction applicable to oil or gas wells.</p>
<p>II.A.8.i.vii(A)(4) Special Airport Hazards</p>	<p>Clarified terminology of New Construction applicable to special airport hazards.</p>
<p>II.A.8.i.viii Completion of Construction</p>	<p>Updated to provide correct form for Mortgagee certification of property condition.</p>
<p>II.A.8.p.ii(E)(2)(a) Individual Owner Concentration – Definition; II.A.8.p.iii(D)(6)(c)(i) Individual Owner Concentration – Definition; II.C.2.c.vi(B)(3)(a) Individual Owner Concentration – Definition</p>	<p>Clarified definition for Related Party.</p>
<p>II.A.8.p.iii(D)(6)(a)(ii) Financial Stability – Standard; II.C.2.c.vi(B)(1) All Projects</p>	<p>Clarified calculation for minimum amount required for a Capital expenditures reserve account.</p>
<p>II.A.8.p.iii(D)(7)(d)(ii) Fidelity Insurance – Standard; II.C.2.c.vii(C)(2) Fidelity Insurance – Standard</p>	<p>Updated insurance coverage requirements to address states that limit coverage to less than FHA requirements.</p>
<p>II.A.8.p.iv(B) Site Condominium – Standard</p>	<p>Clarified language for Site Condominium insurance and maintenance costs consistent with clarification made to Section II.A.1.b.iv(B)(5)(b) Property Types – Condominium Unit – Site Condominiums.</p>

II.C.2.d.i Construction Types – New Construction	Added guidance for projects that have units that have been sold but have been operating for one year or less.
II.D.3.b.iii(B) Determination of Defective Conditions – Standard	Clarified that the Property must comply with MPR or MPS.
II.D.3.c.iii(C)(3) Special Airport Hazards	Clarified guidance for special airport hazards based upon construction status and moved Borrower’s acknowledgement requirement to II.A.3.a.ii(S).
II.D.3.m Crawl Space Observation Requirements	Clarified deficient reporting requirements for crawl spaces.
II.D.4.a Photograph, Exhibits and Map Requirements	Removed rentals from photograph exhibits category. Updated guidance to clarify when Appraisers should take photographs at an angle to depict both the front and the side during the required exterior viewing of the comparable from the street.
II.D.5.c.ii (B) Existing Construction for Manufactured Housing – Standard	Removed skirting content, which is now incorporated into Perimeter Enclosure section
II.D.5.c.ii(C) Existing Construction for Manufactured Housing – Required Analysis and Reporting	Removed reference to MPS as it does not apply to Existing Construction
II.D.5.e Perimeter Enclosure	Added definition for perimeter enclosure and updated skirting definition to include the purpose of skirting. Revised the Standard section to include that skirting must be permanently affixed to both the Manufactured Home and the foundation or perimeter enclosure. Revised Required Analysis and Reporting section to match updated Standard section.
II.D.6.b Condominium Projects – Required Analysis and Reporting	Removed requirement for the Appraiser to verify if a Condominium Project is on the list of FHA-approved Condominiums and updated requirement to clarify which form Appraisers must use to report an appraisal.
II.D.12.e.iii(F)(2) Insurable With Repair Escrow; II.D.12.e.iii(F)(3) Uninsurable	Updated repair escrow limit to \$10,000, to be consistent with Final Rule “Disposition of HUD-Acquired Single-Family Properties; Updating HUD’s Single-Family Property Disposition Regulations,” published August 11, 2016.
<u>II.D.12.e.iv</u> Appraisals for HUD Real Estate Owned Properties Purchased with a New FHA-insured Mortgage	Clarified that the appraisal must be prepared in accordance with the requirements of HUD Appraisal protocols.

If you have any questions, contact your local Account Executive, Production Coordinator, or Regional Vice President. Thank you. Brian Daily, SVP Wholesale: [Brian.Daily@mwfinc.com](mailto:Brian.Daily@mwfinc.com), 909-255-8332

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