

FHA 4000.1 Manual updated 7/20/2021: A Side-by-Side Comparison of FHA previous guidance vs new guidance  
 Effective for mortgages with case numbers assigned on or after 9/20/2021

	TOPIC	FHA GUIDANCE PRIOR TO 7/19/2021	FHA NEW GUIDANCE ON OR AFTER 7/20/2021
APPRaisal	INITIAL DOCUMENT PROCESSING - ORDERING AN UPDATE TO AN APPRAISAL	<p><b>Reference: II.A.1.a.iii(B)(10)</b>            TPO may use an update of appraisal only if:</p> <ul style="list-style-type: none"> <li>It is performed by the FHA Appraiser who performed the original appraisal, who is currently in good standing on the FHA Appraiser Roster.</li> </ul>	<p><b>Reference: II.A.1.a.iii (b)(10)</b>            TPO may use an update of appraisal only if:</p> <ul style="list-style-type: none"> <li>It is performed by an FHA Appraiser who is currently in good standing on the FHA Appraiser Roster;</li> <li>A substitute Appraiser is used due to the lack of the original Appraiser Availability; the substitute Appraiser must state they concur with the analysis and conclusions in the original appraisal report and the TPO must document the case binder why the original Appraiser was not used.</li> </ul>
LIABILITIES AND DEBT	EVALUATING LIABILITIES AND DEBTS (TOTAL)  STUDENT LOANS (TOTAL)  EVALUATING LIABILITIES AND DEBTS (MANUAL)  STUDENT LOANS (MANUAL)	<p><b>Reference: II.A.4.b.iv(H) &amp; II.A.5.a.iv(G)</b>            For outstanding student loans, regardless of the payment states, TPO must use:</p> <ul style="list-style-type: none"> <li>The greater of:               <ul style="list-style-type: none"> <li>1% of the outstanding balance on the loan; or</li> <li>The monthly payment reported on the borrower's credit report; or</li> </ul> </li> <li>The actual documented payment, provided the payment will fully amortize the loan over its term.</li> </ul>	<p><b>Reference: II.A.4.b.iv(H) &amp; II.A.5.a.iv(G)</b>            If the payment used for the monthly obligation is less than the monthly payment reported on the Borrower's credit report, TPO must obtain written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor or student loan servicer. TPO may exclude the payment from the Borrower's monthly debt calculation where written documentation from the student loan program, creditor, or student loan servicer indicates that the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.</p> <p>Calculation of Monthly Obligation</p> <ul style="list-style-type: none"> <li>For outstanding Student Loans, regardless of payment status, TPO must use:               <ul style="list-style-type: none"> <li>the payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or</li> <li>0.5 percent of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.</li> </ul> </li> </ul>
OTHER SOURCES OF INCOME	OTHER SOURCES OF EFFECTIVE INCOME (TOTAL) – FOSTER CARE PAYMENT  OTHER SOURCES OF EFFECTIVE INCOME (MANUAL) – FOSTER CARE PAYMENT	<p><b>Reference: II.A.4.c.xii(Q) &amp; II.A.5.b.xii(Q)</b>             No previous guidance on this subject</p>	<p><b>Reference: II.A.4.c.xii(Q) &amp; II.A.5.b.xii(Q)</b>  <b>Foster Care Payment:</b></p> <ul style="list-style-type: none"> <li>Definition           <ul style="list-style-type: none"> <li>Foster Care Payment refers to payment received from a state- or county-sponsored organization for providing temporary care for one or more individuals.</li> </ul> </li> <li>Standard           <ul style="list-style-type: none"> <li>Foster care payment may be considered acceptable and stable income if the Borrower has a two-year history of providing foster care services and receiving foster care payment and that the foster care payment is reasonably likely to continue.</li> </ul> </li> <li>Required Documentation           <ul style="list-style-type: none"> <li>TPO must obtain a written verification of foster care payment from the organization providing it, verify and document that the Borrower has a two-year history of providing foster care services and receiving foster care payment, and that the foster care payment is reasonably likely to continue.</li> </ul> </li> <li>Calculation of Effective Income           <ul style="list-style-type: none"> <li>TPO must calculate foster care payment by using the lesser of:               <ul style="list-style-type: none"> <li>average foster care payment received over the previous two years; or</li> <li>average foster care payment received over the previous year.</li> </ul> </li> </ul> </li> </ul>



TOPIC	FHA GUIDANCE PRIOR TO 7/19/2021	FHA NEW GUIDANCE ON OR AFTER 7/20/2021
<b>INSURANCE REQUIREMENTS</b>	<p><b>REQUIREMENTS FOR UNITS IN APPROVED CONDOMINIUM PROJECTS – INSURANCE – EXCEPTION TO FHA INSURANCE REQUIREMENTS</b></p> <p><b>SINGLE-UNIT APPROVAL REQUIREMENTS FOR ELIGIBLE PROPERTIES – INSURANCE COVERAGE – EXCEPTION FOR FHA INSURANCE REQUIREMENTS</b></p> <p><b>INSURANCE COVERAGE – EXCEPTION FOR FHA INSURANCE REQUIREMENTS</b></p>	<p><b>Reference: II.A.8.p.ii(F)(4), II.A.8.p.iii(D)(7)(f), &amp; II.C.2.c.vii(E)</b></p> <p>No previous guidance on this subject.</p> <p><b>Detached Condominium Housing Project</b></p> <ul style="list-style-type: none"> <li>If the governing documents require the Unit owners to maintain all applicable property insurance coverage for the dwelling, site area and any Personal Property contained within, the DCHP Condominium Association or HOA is not required to maintain:             <ul style="list-style-type: none"> <li>a blanket Hazard Insurance policy, provided the governing documents require the Unit owners to maintain individual Hazard Insurance;</li> <li>a Liability Insurance policy, provided the governing documents require the Unit owners to maintain individual Liability Insurance; and</li> <li>a Flood Insurance policy, provided the governing documents require the Unit owners to maintain individual Flood Insurance.</li> </ul> </li> <li>The Condominium Association or HOA must carry master or blanket insurance for Structures/improvements that are considered common areas of the project outside the footprint of the individual site.</li> </ul> <p><b>Common Interest Housing Development</b></p> <ul style="list-style-type: none"> <li>If the governing documents require the Unit owners of the detached Single-Family homes, Site Condominiums, duplex, or two- to-four units within the project to maintain and carry property insurance for the dwelling, site area and any Personal Property contained therein, the Condominium Association or HOA is not required to maintain:             <ul style="list-style-type: none"> <li>a blanket Hazard Insurance policy, provided the governing documents require the Unit owners to maintain individual Hazard Insurance;</li> <li>a Liability Insurance policy, provided the governing documents require the Unit owners to maintain individual Liability Insurance; and</li> <li>a Flood Insurance policy, provided the governing documents require the Unit owners to maintain individual Flood Insurance.</li> </ul> </li> <li>The Condominium Association or HOA must maintain and carry master/blanket Hazard, Flood, and Liability Insurance for the Structures that contain the attached units and the common areas of the project.</li> </ul> <p><b>Required Documentation</b></p> <ul style="list-style-type: none"> <li>The Condominium Project must have form HUD-9992 and certificates of insurance or complete copies of the insurance policies from the Unit owners and Condominium Association.</li> </ul>
<b>ADDITIONAL</b>	<p><b>HELPFUL LINKS</b></p> <p><b>Land Home Financial Resources:</b></p> <ul style="list-style-type: none"> <li><a href="#">eScenarios</a></li> <li><a href="#">LHFSWholesale.com</a></li> <li><a href="#">FHA Matrix (standard properties)</a></li> <li><a href="#">FHA Matrix (Manufactured Homes)</a></li> <li><a href="#">FHA Streamline</a></li> <li><a href="#">Within Reach™ FHA</a></li> </ul>	<p><b>FHA Links:</b></p> <ul style="list-style-type: none"> <li><a href="#">4000.1 PDF</a></li> <li><a href="#">4000.1 Online</a></li> <li><a href="#">FHA FAQ</a></li> <li><a href="#">FHA Approved Condo Lookup</a></li> <li><a href="#">FHA Approved Condo Questionnaire</a></li> <li><a href="#">FHA Streamline Loan Amount Calculator</a></li> </ul>

\*This document is not meant to be a complete list of updates. LHFS has made every attempt to ensure accuracy and reliability of the information provided. Guidelines are for use by mortgage professionals only and subject to change without notice.\*  
 Each loan will be evaluated for layers of risk, reasonability, ability and willingness to repay debt. Additional items for consideration include but are not limited to payment shock, assets, reserves, negative balances in bank accounts, housing history, slow pays, financing management evidenced by credit and asset reviews, red flags, multiple layers of risk, etc. May require additional documentation or explanations above and beyond the AUS requirements.

