



FHA \$100 Down Overlay

Product Description

The \$100 Down Payment Option is available on HUD REO sales for owner occupied properties as determined by HUD. Generally, HUD's requirement is that in order to be eligible, a full price offer must be made to and accepted by HUD.

As determined by HUD and disclosed on the Purchase contract, HUD may pay up to 3% of the list price for closing costs. In addition, FHA may allow an incentive of up to \$2,500 paid by HUD. This incentive is to be reflected on the HUD-1 Settlement Statement as a lump sum Seller contribution, and is not included in the 6% maximum Seller contribution.

Cash back to the borrower is not allowed.

Eligible Programs

The \$100 Down Payment Option is available on the following FHA programs:

- 203(b)
 - 234(c) condominiums
- (ARMS and Temporary Buy Downs not available)

Product Codes

- FF30-HUD100
- FF15-HUD100

Eligible Borrowers

All borrowers eligible for FHA financing.

Loans must comply with standard FHA underwriting guidelines, except that *the loan must have a DU Approve/Ineligible recommendation, with ineligibility based solely on maximum mortgage amount not meeting standard FHA down payment criteria.*

Eligible/Ineligible Financing Costs

Buyers who have been approved by FHA to acquire HUD REO properties under an authorized \$100 minimum cash investment initiative may finance the cost of the UFMIP through their FHA insured loan product, **provided the total mortgage amount including the UFMIP does not exceed 100% of the 'as is' appraised value.** Approved borrowers acquiring HUD REO properties under any such initiative are not eligible to finance prepaid expenses and financing/closing costs through their FHA-insured mortgage.

The LTV, including the financed up-front mortgage insurance premium may not exceed 100% of the as-is appraised value of the property. Therefore, if the appraised value for the property is less than the total loan amount, including the financed up-front mortgage insurance premium, the borrower must make an additional down payment that yields an LTV of 100% or less

FHA \$100 down calculator, posted on HSOA's website, may be used to assure compliance with this requirement.

Example

The current appraisal used to determine the original listing price is \$100,000. FHA accepts a bid from an eligible homebuyer for \$95,000. The homebuyer qualifies for both FHA financing and participation in the \$100 down payment program. Closing costs and prepayments equal \$2,375 and the UFMIP is \$949 {(1.0 percent of the (\$95,000 - \$100))}.

In this example, the maximum FHA loan amount the homebuyer can receive is \$95,849 (\$94,900 in remaining principal, plus UFMIP (\$94,900 x 1.0%, or \$949). If the homebuyer receives no other subsidies, cash at settlement required from the homebuyer is \$2,475 (\$100 down payment + \$2,375 in closing and prepayment costs) in order to purchase the property.

Eligible Collateral

- Single Family Residence
- Planned Unit Development (PUD)
- Condominiums (*FHA Project Acceptance is required*)
- 2-4 Units

Purchase Contract Eligibility and Required Repairs

HUD PD sales list different financing options, HSOA requirements and acceptance relative to repairs are as follows:

- **\$100 down 203(b) financing**
Subject to approval by HSOA management, escrow holdback allowed for minor repairs not exceeding \$3,333 in cost; contractor bids/invoices are required. All work must be completed within 10 business days. Final inspection and photos required. Originator's fees will be withheld until all funds disbursed. Borrowers must provide the funds for the down payment and as required for the repair escrow.
- **\$100 down 203(b) with Repair Escrow**
Not accepted. HSOA does not allow transactions where the repair escrow amount is added to the mortgage.
- **\$100 down with 203(k) Streamline Repair Escrow**
Not accepted
- **Uninsurable**
Not accepted (under any program)

Required Documentation

- The HUD purchase contract must reflect the \$100 down payment amount on line 4 of the sales contract, and if applicable, the \$2,500 incentive granted by HUD.
- HUD/REO Appraisal required. Underwriter to review to confirm if the property condition is acceptable to investor standards, which may be more stringent than HUD's Minimum Property Standards.

Underwriting

Maximum DTI 45%; must have Approval/eligible findings and not a manual down grade