

Announcement #24-74

Date: August 16, 2024

## FHA Info 2024-30: Handbook 4000.1 Updates

On May 20, 2024, FHA issued Info 2024-30 announcing the publication of the updated Single Family Housing Policy Handbook 4000.1. The updates were extensive and included new guidance, clarifications, and incorporated previously published mortgagee letters. Pennymac is aligning with these changes.

A few notable updates are included within this announcement and may be implemented immediately, but must be implemented for mortgages with case numbers assigned, appraisal effective dates, and/or condominium project approval submissions on or after August 19, 2024.

### New Guidance

- **Checking and Savings (TOTAL and Manual UW) Large Deposits**
  - Updated guidance to require individual deposits of more than 50 percent of the total monthly effective income must be documented, and the lender must also verify that the deposits are commensurate with the borrower's income and savings history and no debts were incurred to obtain part, or all, of the minimum required investment (MRI).
- **Condominiums: Insurance Requirements**
  - Hazard Insurance:
    - Updated language to require master or blanket hazard insurance policy must be in an amount to fully cover the insurable replacement cost of all units and all insurable common elements.
  - Fidelity Insurance:
    - New tolerance for existing policies added for the calculation of fidelity insurance which permits an uninsured amount within 3 percent of the required calculations or \$10,000, whichever is less.
- **Site Condominiums**
  - Added language that the unit owner must be responsible for all required insurance and maintenance costs associated with the unit dwelling, excluding landscaping of the site condominium, to ensure compliance with FHA Site Condominiums requirements.
  - Clarified site condominium definition includes attached townhouse-style dwellings.
- **Required Documentation for New Construction Financing**
  - Added well water analysis can be provided by local health authority or qualified lab.

### Clarifications

- **Bankruptcy (Manual UW)**
  - Chapter 7: Clarified the borrower must have reestablished good credit, or chosen not to incur new credit obligations during the most recent two years.

- Chapter 13: Clarified the borrower's payment performance has been satisfactory and all required payments have been made on time during the most recent 12 months.
- **Individual Water Supply Systems (Wells)**
  - To ensure alignment and conformity throughout the Handbook, existing guidance from the Acceptable Appraisal Reporting Forms and Protocols section of the 4000.1 Handbook was published within the Underwriting the Property section. If the subject Property has a water source that includes a mechanical chlorinator or is served by springs, lakes, rivers, sand-point wells or artesian wells, the Property is not eligible for FHA mortgage insurance.
- **Refinances: Payment History Requirements**
  - Clarified mortgage repayment history requirements apply to when the current subject property mortgage is not in the name of the borrower for both TOTAL Scorecard and manually underwritten refinance loan transactions. **Note:** FHA requirements for legal title and borrower eligibility must be met.
- **Appraisal Updates**
  - Clarified the expectations for use of the Compliance Inspection Report (HUD-92051) and of the Fannie Mae Form 1004D/Freddie Mac Form 442 (Appraisal Update and/or Completion Report).
  - If the appraiser is being utilized to provide evidence of completion of repairs or conditions noted in the original appraisal report, Fannie Mae Form 1004D/Freddie Mac Form 442 must be used. **Note:** Appraiser must be an FHA Appraiser in good standing on the FHA Appraiser Roster.

Please refer to FHA Info 2024-30 and updated SFR Policy Handbook 4000.1 for complete information on all updates, clarifications, new requirements, and applicable effective dates included within the change.

Please contact your Sales Representative with any questions.