

April 18, 2023

**DIRECTIVE 2023-04**

**TO: ALL PARTICIPATING LENDERS**  
**SUBJECT: THE MARYLAND MORTGAGE PROGRAM ANNOUNCES MANUAL UNDERWRITING IS NOW ELIGIBLE FOR FHA LOAN PRODUCTS**

Effective today, the restriction on FHA manually underwritten loans is being lifted; these loans are now eligible for MMP financing. **As always, the loan must meet the most restrictive guidelines of MMP, US Bank, and the insurer.**

Here is an excerpt from US Bank's guidelines; additional guidelines attached for convenience, but should always be checked for updates:

- **Maximum DTI Ratios** – Housing Ratio may not exceed 31% and Total Debt to Income Ratio may not exceed 41%
- **Reserve Requirements** – 2 Months
- **Manual Underwriting Guidelines** – Loans may only be manually underwritten for erroneous, inaccurate, or insufficient credit, loans with no credit scores, or for manual downgrades per FHA requirements. Loans that score a Refer/Caution for any other reason may not be manually underwritten. Loans must comply with the requirements of the FHA guidelines per the selected product. This includes but is not limited to the following requirements:
  - ❖ Not Allowed on: Manufactured Homes
- **Appraisal Requirements** – Full Appraisal with interior and exterior inspection is required

As always, we appreciate your continued participation in our programs. If you have any questions concerning this Directive or suggestions for improvements, please email [singlefamilyhousing.dhcd@maryland.gov](mailto:singlefamilyhousing.dhcd@maryland.gov).

Sincerely,

*Karl Metzgar*

Assistant Director / Operations Manager  
Single Family Housing

## Maryland Community Development Administration

<b>Government Loan Products</b>																															
<b>FHA, VA, USDA/RD</b>																															
Where this Product Guide is silent or for information not contained herein, Lenders must follow the more restrictive guidelines of the <a href="#">Maryland CDA</a> Program guides, FHA, VA, or USDA/RD requirements.																															
<b>Loan Purpose and Product</b>	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Fixed Rate with 30 Year Amortization</li> <li>• Conforming loan limits</li> <li>• Refinance</li> <li>• Refer to <a href="#">Maryland CDA</a> for more details on allowable transactions</li> </ul>																														
<b>Borrower Eligibility</b>	Loans must comply with the more restrictive requirements of the <a href="#">Maryland CDA</a> guide or the underlying product guidelines for FHA, VA, or USDA/RD.																														
<b>Co-Signer</b>	Loans must comply with the more restrictive requirements of the <a href="#">Maryland CDA</a> guide or the underlying product guidelines for FHA, VA, or USDA/RD.																														
<b>Income Limits</b>	Loans must comply with the more restrictive requirements of the <a href="#">Maryland CDA</a> guide or the underlying product guidelines for FHA, VA, or USDA/RD.																														
<b>Sales Price Limits</b>	Refer to the <a href="#">Maryland CDA</a> guidelines for details.																														
<b>Eligible Property Type</b>	<b>Eligible Properties</b> <ul style="list-style-type: none"> <li>• 1 Unit</li> <li>• Approved Condos and Townhomes</li> <li>• Manufactured Homes</li> </ul>		<b>Ineligible Properties</b> <ul style="list-style-type: none"> <li>• Manufactured Home Condos</li> <li>• Single-wide Manufactured Homes</li> <li>• Co-ops</li> <li>• 2 – 4 Units</li> </ul>																												
<b>Loan to Values (LTV/TLTV/CLTV)</b>	For LTV and TLTV/CLTV requirements all loans must comply with the more restrictive requirements of the <a href="#">Maryland CDA</a> guide or the underlying product guidelines for FHA, VA, or USDA/RD.																														
<b>Debt to Income (DTI)</b>	<b>AUS Submissions – Accept/Approve Eligible</b>																														
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	<ol style="list-style-type: none"> <li>1. Refer to <a href="#">Manual Underwriting</a> below for additional information and guidance for borrowers with no credit score.</li> <li>2. Maximum DTI, if <a href="#">Maryland CDA</a>, FHA, VA, or USDA/RD require a lower DTI, the lowest required DTI must be used.</li> <li>3. Minimum credit score shown is required for all borrowers <b>who have a credit score</b>. If <a href="#">Maryland CDA</a>, FHA, VA, or USDA/RD require a higher credit score, the highest required credit score must be used.</li> <li>4. Refer to <a href="#">Condo Project Approval Requirements</a> below for condo approval information.</li> <li>5. Manufactured homes must meet all <a href="#">Maryland CDA</a>, FHA, VA, USDA/RD, U.S. Bank, and State requirements. Refer to the HFA Lending Guide <a href="#">900: H. Manufactured Housing Requirements</a>, <a href="#">713.19 Manufactured Housing</a>, <a href="#">1500: Manufactured Housing</a>, <a href="#">Maryland CDA</a>, and <a href="#">Ginnie Mae</a> for additional information.</li> </ol>																														

<b>Automated Underwriting Systems (AUS)</b>	<p>Loans must comply with the requirements of the FHA, VA, or USDA/RD guidelines per the selected underlying product. This includes but is not limited to the following requirements:</p> <ul style="list-style-type: none"> <li>• GUS – Accept/Eligible only, no exceptions</li> <li>• Loan Product Advisor (LPA) – Accept</li> <li>• Desktop Underwriter (DU) – Approve</li> <li>• For maximum DTI and credit scores, refer to the <a href="#">DTI / Credit Score tables</a> above</li> </ul>
<b>Manual Underwriting Guidelines</b>	<p>Loans may only be manually underwritten for erroneous, inaccurate, or insufficient credit, loans with no credit scores, or for manual downgrades per FHA requirements. Loans that score a Refer/Caution for any other reason may not be manually underwritten.</p> <p>Loans must comply with the requirements of the VA or USDA/RD guidelines per the selected product. This includes but is not limited to the following requirements:</p> <ul style="list-style-type: none"> <li>• Not Allowed on: <ul style="list-style-type: none"> <li>◦ Manufactured Homes</li> </ul> </li> <li>• If the HFA, FHA, VA, or USDA/RD require more in reserves than listed in the <a href="#">LTV / DTI / Credit Score tables</a> above; the greater number of months must be documented.</li> <li>• For maximum DTI and credit scores, refer to the <a href="#">DTI / Credit Score table</a> above.</li> </ul>
<b>Appraisal Requirements</b>	Appraisal with interior and exterior inspection
<b>Condominium Project Review Requirements</b>	Refer to the HFA Lending Guide <a href="#">800: Condominium Project Review</a> sections 810 and 812 for all U.S. Bank condo requirements and the <a href="#">Maryland CDA</a> Program for additional Condo eligibility details.
<b>Home Buyer Education</b>	Follow the requirements of the <a href="#">Maryland CDA</a> Program, FHA, VA, or USDA/RD guides. The more restrictive guidelines must be followed.
<b>Subordinate Financing</b>	Allowed per the FHA, VA, or USDA/RD underlying product guidelines.
<b>HFA Program Fees</b>	Refer to the <a href="#">HFA Lending Guide Program Fees</a> and <a href="#">Maryland CDA</a> guide for other fees.
<b>Lender Compensation</b>	Refer to the <a href="#">Maryland CDA</a> guide for details on compensation and fees.
<b>Assumable</b>	<ul style="list-style-type: none"> <li>• Loans must comply with the more restrictive requirements of the <a href="#">Maryland CDA</a> guide or the selected underlying product, FHA, VA, or USDA/RD.</li> <li>• Assumptions section of the Final Closing Disclosure must be checked as applicable with “Will Allow” or “Will Not Allow”.</li> </ul>
<b>Buydowns</b>	Allowed on FHA per the FHA guide. Not allowed on VA or USDA/RD.
<b>Escrow Waivers</b>	Not allowed
<b>Correspondent Disclaimer</b>	<p>Loans underwritten by U.S. Bank Home Mortgage are subject to additional underwriting requirements. Refer to the <a href="#">HFA Lending Guide</a>, Bulletins and Communications for requirements.</p> <p>The information contained in this product description does not modify, replace, or substitute any requirements or information under FHA, VA, USDA/RD, Freddie Mac Loan Product Advisor guide, Fannie Mae Desktop Underwriter guide, RD/GUS system, related release notes, or any supplements. Lenders are responsible for checking FHA, VA, USDA/RD, U.S. Bank HFA Division, and <a href="#">Maryland CDA</a> communications for updates, current underwriting guidelines and ensuring the loan meets all requirements.</p> <p>Several states and local municipalities have enacted legislation that define High Cost loans based on APR and fee thresholds which may or may not relate to the HOEPA thresholds. These types of loans typically have various restrictions. <b><i>It is the policy of U.S. Bank Home Mortgage not to purchase any loan defined as High Cost under any federal or state law/regulation, local ordinances, and any subsequent amendments thereto.</i></b></p>