



## FHA Back to Work – Economic Event Initiative

HUD's Back to Work – Economic Event initiative is effective with case numbers assigned  $\geq$  August 15, 2013 through September 30, 2016.

Borrowers with a recent history of bankruptcy, foreclosure, judgment, short sale, loan modification or deed-in-lieu can apply and get FHA-approved for an FHA-insured mortgage if they can show they have experienced an *Economic Event* by providing supporting documentation:

- certain credit impairments were the result of a Loss of Employment or a significant loss of Household Income beyond the borrower's control;
- the borrower has demonstrated full recovery from the event; and,
- the borrower has completed housing counseling by a HUD approved agency.

The following financial difficulties may be eligible:

- Pre-foreclosure sales
- Short sales
- Deed-in-lieu
- Foreclosure
- Chapter 7 bankruptcy
- Chapter 13 bankruptcy
- Loan modification
- Forbearance agreements

Here are some "Back to Work" FAQs for Borrowers:

**Q:** Can I use the FHA Back to Work initiative for first-time home buyers?

**A:** Yes, you can use the FHA Back to Work initiative for first-time buyers.

**Q:** Can I use the FHA Back to Work initiative as a repeat home buyer?

**A:** Yes, you can use the FHA Back to Work initiative as a repeat home buyer.

**Q:** Does the FHA Back to Work initiative waive the traditional 3-year waiting period after a foreclosure, short sale, or deed-in-lieu?

**A:** Yes, the FHA Back to Work initiative waives the agency's three-year waiting period. You no longer need to wait three years to apply for an FHA loan after experiencing a foreclosure, short sale or deed-in-lieu so long as you can verify with supporting documentation the economic event which occurred.

**Q:** Does the FHA Back to Work initiative waive the traditional 2-year waiting period after bankruptcy?

**A:** Yes, the FHA Back to Work initiative waives the agency's two-year waiting period. You no longer need to wait two years to apply for an FHA loan after experiencing a Chapter 7 or Chapter 13 bankruptcy so long as you can verify with supporting documentation the economic event which occurred.

**Q:** Which types of Economic Events are covered by the FHA Back to Work – Extenuating Circumstances initiative?

**A:** The FHA Back To Work – Extenuating Circumstances initiative can be used by anyone who's experienced a pre-foreclosure sale, short sale, deed-in-lieu, foreclosure, Chapter 7 bankruptcy, Chapter 13 bankruptcy, loan modification; or who has entered into a forbearance agreement.

**Q:** How do I apply for the FHA Back to Work – Extenuating Circumstances initiative?

**A:** You can apply for an FHA Back to Work – Extenuating Circumstances mortgage with any FHA-approved lender. The mortgage approval process is the same for any other FHA-insured mortgage.

**Q:** What are current mortgage rates for the FHA Back to Work initiative?

**A:** Contact your Loan Originator (retail) or Account Executive (wholesale) for interest rate information.

**Q:** My current lender says they are not participating in this initiative? What do I do?

**A:** Contact a Loan Originator (retail) or an Account Executive (wholesale) with PRMG, a participating lender.

**Q:** What are the minimum eligibility requirements of the FHA Back to Work initiative?

**A:** In order to qualify for the FHA Back to Work initiative, you must meet several minimum eligibility standards:

- The first is that you must have experienced an Economic Event (e.g.; pre-foreclosure sale, short sale, deed-in-lieu, foreclosure, Chapter 7 bankruptcy, Chapter 13 bankruptcy, loan modification, forbearance agreement).
- The second is that you must demonstrate a full recovery from the event.
- The third is you must agree to complete housing counseling by an approved HUD Housing Counseling agency 30 days prior to sign/dating the initial loan application.
- Finally, you must be able to document your household income declined by 20% or more for a period of at least 6 months, which coincided with the above Economic Event time frame.

**Q:** How do I document a 20% loss of household income for the FHA?

**A:** In order to document a 20% loss of household income, you must present 2yrs federal tax returns or W-2's evidencing your prior income amount. For loss of income based on seasonal or part-time employment, 2yrs of seasonal or part-time employment in the same field must be verified and documented as well. Income after the onset of the Economic Event, which would represent a loss of at least 20% for at least six months, should be verified according to standard FHA guidelines. Your lender will help you determine the best method of verification.

**Q:** How do I document a “satisfactory” credit history since my Economic Event for FHA?

**A:** Your lender will review your credit report as part of the FHA Back to Work approval process. All accounts will be reviewed, including account which went delinquent, and accounts which remained current. Your lender will attempt to determine three things; 1. That you had good credit history prior to the Economic Event; 2. That your derogatory credit occurred after the onset of the economic event; and, 3. That you have re-established a 12-month history of perfect payment history on major accounts.

**Q:** Does the “20 percent loss of income” eligibility condition apply to me only, or to everyone in the household?

**A:** The “20 percent loss of income” eligibility condition applies to everyone in the household who was on the original loan. If one member of the household lost income as the result of a job loss but the household income did not fall by 20 percent or more for a period of at least six months, the borrower will not meet the FHA “Back to Work” Extenuating Circumstances.

**Q:** Is the FHA Back to Work initiative limited by loan size?

**A:** No, the FHA Back to Work initiative is not limited by loan size. FHA will always insure up to your area's local FHA loan limits, as will PRMG.

**Q:** Is there a counseling requirement in order to use the FHA Back to Work initiative?

**A:** Yes, in order to use the FHA Back to Work initiative, you must agree to attend a HUD approved Housing Counseling agency.

**Q:** Why do I need to take housing counseling for the FHA Back to Work initiative?

**A:** The housing counseling required by the FHA Back to Work initiative will address the cause of your economic event, and help you consider actions which may prevent reoccurrence.

**Q:** How long is the housing counseling session I am required to take?

**A:** The housing counseling required for the FHA Back to Work initiative will typically last one to four hours.

**Q:** Do I have to take housing counseling in-person?

**A:** No, you do not have to take the housing counseling in-person. Housing counseling may also be conducted by phone or via the internet.

**Q:** If I complete counseling, am I automatically approved for the FHA loan?

**A:** No, you are not automatically approved for the new FHA Back to Work loan if you complete the housing counseling required. You must still qualify for the FHA home loan based on Federal Housing Administration mortgage guidelines.

**Q:** What is the minimum credit score requirement for the FHA Back to Work initiative?

**A:** Minimum credit score requirement for the FHA Back to Work initiative mirror the standard FHA Mortgage initiative at PRMG.

**Q:** Are modified mortgages eligible for the FHA Back to Work initiative?

**A:** Yes, modified mortgages are eligible for the FHA Back to Work initiative.

**Q:** Are loans on a payment plan eligible for the FHA Back to Work initiative?

**A:** Yes, loans on a payment plan are eligible for the FHA Back to Work initiative.

**Q:** I am still in Chapter 13 bankruptcy. Do I need the court's permission to enter into a new mortgage?

**A:** Yes, if your Chapter 13 bankruptcy has not been discharged prior to the date of your loan application, you must have written permission from Bankruptcy Court to enter into the new purchase transaction.

**Q:** When does the FHA Back to Work – Extenuating Circumstances initiative end?

**A:** The FHA Back to Work – Extenuating Circumstances initiative ends September 30, 2016.

Sources:

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HELP <http://www.freehomeownershiphelp.org/index.php>

FHA Mortgagee Letter 13-26: <http://bit.ly/HUDml>