



ABC's of FHA Lending – Certification Program

Class Certification Outline & Syllabus

The following is a list and description of classes required for this level of FHA Certification:

Certified FHA Specialist (CFS)

The CFS educational track is designed to provide a loan originator with a complete understanding of the entire origination, processing, underwriting and closing fundamentals of the FHA lending program and process. Training includes basic FHA requirements of borrowers, FHA loan program and property standards; origination forms and proper application documentation; GFE, TIL and other disclosure requirements and completion; borrower income and credit analysis; appraisal, inspection and third party documentation; processing standards and pre-underwriting principals; FHA refinance guidelines and origination; sound marketing practices; FHA compliance; and best standards of practice relative to ethical lending and fraud prevention. Training includes case studies with complete file processing examples and testing to insure student comprehension of the concepts taught.

Training instruction: 14 hours

Course #	Title	Length
101	Introduction to FHA	(2 hrs.)
102	FHA Borrower Credit Analysis	(2 hrs.)
201	ABC's of FHA Origination	(2 hrs.)
103	ABC's of FHA Processing	(2 hrs.)
202	FHA Property Analysis	(2 hrs.)
203	ABC's of FHA Refinances	(1 hr.)
204	ABC's of FHA Marketing	(1 hr.)
205	ABC's of FHA Compliance	(1 hr.)
104	Ethical and Responsible Origination Practices	(1 hr.)

101 Introduction to FHA (2 hrs.)

The "Introduction to FHA" training module is designed to teach the origins and basics of FHA - including the history and structure of FHA; types of lender approvals and requirements; lending regions; various FHA programs and loan types; basic borrower and property eligibility

requirements; and new construction guidelines. It also focuses on maximum mortgage, UFMIP and mortgage insurance calculations.

1. Who is FHA
 - a. History of FHA
 - b. Structure of FHA
2. FHA Lenders & Requirements
 - a. Types of Lender Approvals
 - b. Licensing & Lending Regions
3. FHA Programs
 - a. FHA 203b Loans – General Mortgage Insurance Programs
 - b. FHA 251 – Adjustable Rate Mortgages (ARM's)
 - c. FHA 234(c) – Condominium Units
 - d. FHA 203(h) – Disaster Relief Program
 - e. FHA 245(a) – Graduated Payment and Graduated Equity Mortgages
 - f. FHA 203(k) – Rehabilitation Mortgages
 - g. FHA 255 – Reverse Mortgages (HECM)
 - h. Other FHA Programs
 - i. HUD REO - \$100 Down Program
 - j. Good Neighbor Next Door (GNND)
 - k. FHA Loan Assumptions
4. Types of FHA Loans
 - a. Fixed Rate Mortgages
 - b. Adjustable Rate Mortgages (ARM's)
 - c. Fixed-rate Buydowns
 - d. Secondary Financing
5. Borrower Eligibility
 - a. Borrowers Age
 - b. Citizenship & Immigration Status
 - c. Co-Borrowers and Co-Signers
 - d. Military Personnel
 - e. Living Trusts
 - f. Non-occupant Co-borrowers
 - g. Lender Employee Loans
6. Carrying Multiple FHA-Insured Loans
7. Eligible Property Types
 - a. Property Flipping
 - b. Condominiums
 - c. Planned Unit Developments - PUD's
 - d. Manufactured/Mobile Homes
 - e. Modular Homes

- f. Multi-family Properties
- g. Secondary Residences
- h. Investment & Commercial Properties
- 8. New Construction
 - a. Purchasing Vacant Land
 - b. ENPO Properties
 - c. Building on Own Land
 - d. Builder Requirements
 - e. Appraisal Requirements
 - f. Underwriting Considerations
 - g. Documentation Requirements
- 9. Getting Started With FHA
- 10. Regional Mortgage Limits
 - a. FHA "Floor Limits"
 - b. FHA "High Cost" Areas
 - c. Minimum Investment Requirements
- 11. Maximum Mortgage Calculations
 - a. Base Loan Amount
 - b. Total Loan Amount
- 12. Mortgage Insurance Premiums
 - a. Upfront Mortgage Insurance Premiums (UFMIP)
 - b. Rounding of Loan Amounts
 - c. Monthly Mortgage Insurance (MIP)
- 13. FHA Loan Calculations – CASE STUDY

102 FHA Borrower Credit Analysis (2 hrs.)

This training module focuses on qualifying the borrower, credit and asset analysis. It includes calculating ratios and income, reviewing liabilities and credit, a sample case study, and discusses acceptable sources of funds needed for the transaction.

- 1. Borrower Income Analysis
 - a. Front & Back Ratios
 - i. Exceeding Ratios
 - b. Acceptable Sources of Income
 - i. Salaries and Wages
 - ii. Overtime and Bonus Income
 - iii. Part-time employment
 - iv. Self-employment

- v. Seasonal Income
 - vi. Military Income
 - vii. Commission Income
 - viii. Retirement and Social Security
 - ix. Alimony, Child Support or Maintenance
 - x. Notes Receivable
 - xi. Interest and Dividends
 - xii. Mortgage Credit Certificates
 - xiii. Employer Differential Payments
 - xiv. VA Benefits
 - xv. Government Assistance Programs
 - xvi. Rental Income
 - xvii. Other Sources of Income
2. Borrower Credit Analysis
- a. Borrower Liabilities
 - b. Borrower Credit
 - c. Credit Reports
 - d. Credit Scoring
 - i. Lender credit “overlays”
 - e. Non-traditional Credit
 - f. Insufficient Credit
 - g. Bankruptcy
 - i. Chapter 7
 - ii. Chapter 13
 - h. Foreclosure & Short Sales
3. Income & Credit Analysis – CASE STUDY
4. Allowable Cash To Close
- a. Required Cash Calculations
 - b. Acceptable Sources of Funds
 - i. Earnest Money Deposit
 - ii. Checking and Savings Accounts
 - iii. Gift Funds
 - iv. Collateralized Loans
 - v. Sales Proceeds
 - vi. Sale of Personal Property
 - vii. Trade Equity
 - viii. Employer Guarantee Plans
 - ix. Employer Assistance Plans
 - x. Savings Bonds
 - xi. IRA, 401(k) & Keogh Accounts

- xii. Stocks & Bonds
- xiii. Cash Saved at Home
- xiv. Rent Credit
- xv. Sweat Equity
- xvi. Sales Commissions
- xvii. Disaster Relief Grants & Loans; Tax Credits
- xviii. Private Savings Clubs
- xix. Seller Credits
- xx. Lender Credits
- xxi. Non-Profit Organizations
- xxii. 60+ Age – Borrower Funds
- xxiii. Down-Payment Assistance Programs

201 ABC's of FHA Origination (2 hrs.)

This program module focuses on the art of proper FHA origination. Training includes borrower prequalification, origination forms, compliance and program disclosures. Includes a complete loan origination Case Study.

1. Prequalification and Borrower Preparation
 - a. Borrower Needs Assessment
2. Preparing the Good Faith Estimate
 - a. Allowable Closing Costs
 - b. Seller or Lender Paid Costs
 - c. Changed Circumstances
3. Truth In Lending – Reg Z
 - a. TIL Disclosure Preparation
4. The FHA Loan Origination Package
 - a. Preparing the Loan Application Package
 - b. Taking a Complete 1003 Application
 - c. FHA Forms & Disclosures
 - d. Company and Lender Disclosures
 - e. Program Disclosures
5. FHA Loan Origination – CASE STUDY

103 ABC's of FHA Processing (2 hrs.)

This training module looks at the complete role of the FHA processor. Discussions include customer and originator communication, loan file compliance, order case numbers and third-

party reports, automated and manual underwriting, and preparing for closing. Features a complete detailed FHA loan processing Case Study.

1. Role of the Processor
 - a. Customer Communication
 - b. Loan Originator Communication
2. Receiving the FHA Application
3. Disclosure Review
 - a. Application Disclosures
 - b. Program Disclosures
4. The FHA Connection System
 - a. Obtaining FHA Case Numbers
 - b. Cancelling & Reinstating Case Numbers
 - c. Transferring Case Numbers
 - d. Ordering Appraisals
5. Borrower Credit Review
 - a. Credit Report
 - b. CAIVRS Approval
 - c. LDP List Verification
 - d. EPLS System Check
6. Third-party Reports
 - a. Appraisal
 - i. Ordering Appraisals
 - ii. Assignments
 - b. Title Commitments
 - c. Survey
 - d. Property Inspections
 - i. Types and Scope of Inspections
 - ii. Property Repairs and Escrows
 - iii. Final Inspections
7. Underwriting FHA Loans
 - a. TOTAL Scorecard Automated Underwriting
 - b. Direct Endorsement (DE) Underwriting & CHUM's Numbers
 - c. Compensating Factors
8. Submission to Underwriting
 - a. Forms and Document Review
 - b. HUD-92900-LT Analysis
 - c. Conditional Commitments
 - d. Clearing Conditions
9. Submission to Closing

- a. Reviewing the HUD-1
 - b. Preparing the Borrower for Closing
 - i. Hazard & Homeowners Insurance
 - ii. Tax Escrows
 - iii. Cash Requirements
10. FHA Loan Processing – CASE STUDY

202 FHA Property Analysis

(2 hrs.)

The “FHA Property Analysis” training module teaches loan originators how to evaluate and understand acceptable FHA property collateral packages. Included is a detailed look at the appraisal process, role of the appraiser, and property appraisal and valuation review. Ineligible property situations, conditions and repairs are also reviewed.

- 1. Role of the FHA Appraiser
 - a. Appraisal Requirements
- 2. Acceptable Properties
- 3. Unacceptable Properties
- 4. Ordering Appraisals
 - a. FHA Appraisal Roster
 - b. Appraisal Management Companies
 - c. HVCC
- 5. Property Preparation
- 6. Understanding the Appraisal
 - a. Cost, Income & Market Approach
 - b. Market Data
 - c. Net and Gross Adjustments
- 7. Multi-Family Income Appraisals
- 8. Assignment of Appraisal
- 9. Appraisal Underwriting
- 10. Property Inspections
 - a. Repairs and Escrows
 - b. Final Inspections
- 11. Appraisal Review – CASE STUDY

203 ABC's of FHA Refinances

(1 hr.)

This training module introduces the different types of refinances, including rate/term, cash-out and streamlines. Origination, processing and underwriting requirements are presented, including necessary forms, maximum mortgage calculations, mortgage insurance, equity construction deals, MIP refunds and credit-qualifying.

1. FHA Refinance Programs
 - a. Three Types of Refinances
 - b. Loan Limits
 - c. Mortgage Insurance
2. Conventional to FHA Refinance
 - a. Eligible Borrowers
 - b. Loan Amount Calculation
 - c. Origination Requirements
 - d. Documentation Requirements
 - e. Appraisal Requirements
 - f. Underwriting Requirements
 - g. FHA Secure Reissues
3. Cash-out Refinances
4. FHA Streamline Refinances
 - a. FHA Streamline Without Appraisal
 - b. FHA Streamline With Appraisal
 - c. Credit Qualifying Streamline Refinances
 - d. FHA Program Streamline Qualifiers
5. UFMIP Refunds and Netting Authorizations
6. Building on Own Land – Equity Construction
7. Refinancing Into a 203(k)
8. FHA Loan Refinance – CASE STUDY

204 ABC's of FHA Marketing

(1 hr.)

Responsible FHA loan originators have an obligation to represent themselves and the FHA loan program in an honest and forthright manner. This module looks at clearly identifying prospects, developing a marketing strategy that is ethical and compliant, and how to present real value in the marketplace. Discussions include review of advertising laws (TILA) and overcoming everyday objections.

1. Identifying the Target Market
2. Developing a Marketing Plan
 - a. 7-Step Plan of Attack

3. Allowable Marketing Strategies
4. Illegal and Unethical Advertising
 - a. TILA Regulations
5. Providing Real Value
6. Overcoming Typical Objections

205 ABC's of FHA Compliance

(1 hr.)

This training module provides a quick review of the forms and documentation requirements for FHA origination, processing, underwriting and closing. It also discusses anti-discrimination compliance, lender protection and HUD audit procedures.

1. Origination Compliance
 - a. Forms and Documentation
2. Processing Compliance
 - a. Forms and Documentation
3. Underwriting Compliance
 - a. Forms and Documentation
4. Closing Compliance
 - a. HUD-1 vs. GFE
 - b. Right of Rescission
5. Borrower Discrimination
 - a. ECOA
 - b. Fair Housing Act
6. Lender Compliance
 - a. Representations
 - b. Originator Responsibilities
7. HUD Compliance
 - a. Post-close Audits (PETR)

104 Ethical and Responsible Origination Practices (1 hr.)

This training module looks at proper FHA loan origination practices and ethical standards. Included is a study of "responsible behavior" for loan originators and processors, including fraud prevention and detection.

1. The Definitions
 - a. Ethical

- b. Responsible
- 2. The Four Way Test
 - a. Is it the Truth?
 - b. Is it Fair to all Concerned?
 - c. Will it Build Goodwill and Better Relationships?
 - d. Will it be Beneficial to All Concerned?
- 3. The Principles of the Path
 - a. What Path Will You Take?
 - b. What Will Be the Destination?
- 4. Fiduciary Relationship
 - a. Do You Have One?
 - b. To Whom is it To?
- 5. Dual Agent or Double Agent
 - a. Which one are you?
- 6. Full Disclosure
 - a. To Whom Do You Give it To?
- 7. Advertising
 - a. Is it False?
 - b. Is it Misleading?
 - c. Is it Deceptive
- 8. Fraud in Loan Originations
 - a. Who are the Usual Suspects?
 - b. When is it Committed?
 - c. Where is it Committed?
- 9. If it Were Your Money
 - a. Would You Fund the Loan?
- 10. The Ten Commandments