

Helping Disaster Victims Replace Lost Homes

Atlantic Coast Financial Services is pleased to offer FHA 203(H) loans with 100% financing to those who have been displaced from their current home because of Hurricane Florence.

Recovering from a major disaster is never easy, especially when a loved home is destroyed. With this product, we can make a major difference in helping borrowers get into a new home quickly.

FHA financing for home buyers in Presidentially Declared Major Disaster Areas (PDMDAs)

The FHA 203(h) loan is designed specifically for disaster victims who are replacing a lost home, and is available for single-family properties and FHA-approved condominium units. Features include:

- 100% financing no down payment required
- Displaced homeowners and renters may qualify
- 15- and 30-year fixed-rate loan terms
- Minimum FICO scores from 580
- High-balance loans allowed
- Gift funds supplied by friends and family members may be allowed

If you know someone whose house or apartment was damaged from Hurricane Florence, contact Bill or Justin today.

** Subject to Lending/FHA underwriting guidelines for the 203(H) program. Your home must have been destroyed or damaged to such an extent that reconstruction or replacement is necessary. Your damaged home may be rebuilt or new home may be purchased inside or outside the disaster area.*

The logo for Atlantic Coast Financial Services features a large, stylized, cursive letter 'A' on the left. To the right of the 'A', the words 'Atlantic Coast' are written in a large, elegant serif font, and 'Financial Services' is written below it in a smaller, similar serif font. A decorative, wavy horizontal line underlines the text.

Atlantic Coast
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Insider's Guide to 203(h) Disaster Loans

The Section 203(h) program allows the Federal Housing Administration (FHA) to insure mortgages made by qualified lenders to victims of a major disaster who have lost their homes and are in the process of purchasing a Single Family Property.

This program provides Federal Government assistance to victims in Presidentially-Declared Major Disaster Areas (PDMDA) recovery by making it easier for them to get mortgages and become homeowners or re-establish themselves as homeowners.

Underwriter Considerations

- **Maximum Loan Amount:** The maximum mortgage amount is \$294,515 in most of our Local Area's affected by Hurricane Florence
- **Closing Costs:** Closing costs and prepaid expenses must be paid either by the borrower, or paid by the Lender through premium pricing, or paid by the seller (subject to a 6 percent limitation on seller concessions), or any combination of the three.
- **AUS Determination:** Loan must receive an DU/LP Accept/Eligible, DU/LP Accept/Ineligible due to "Minimum FHA Statutory Investment Requirement" only or approved through a manual underwrite.
- **Credit Score:** Typically look for 580 and above
- **Application Deadline:** The FHA Case Number must be assigned *within one year of the date the PDMDA is declared*, unless an additional period of eligibility is provided.
- **Property Eligibility:** The previous residence (***Either Owned or Rented***) must have been located in a PDMDA and destroyed or damaged to such an extent that reconstruction or replacement is necessary. A list of the specified affected counties and cities and corresponding disaster declarations are provided by the [Federal Emergency Management Agency \(FEMA\)](#). The purchased property must be a Single Family Property or a unit in an FHA-approved Condominium Project.
- **Minimum Required Investment/Maximum Loan-to-Value:** The Borrower is not required to make the Minimum Required Investment (MRI). That means 100% Financing
- **Underwriting:** The Underwriter should be as flexible as prudent decision making permits. The Underwriter is required to make every effort to obtain traditional documentation regarding employment, assets, and credit, and must document their

attempts. Where traditional documentation is unavailable, the Underwriter may use alternative documentation as outlined below. Where specific requirements are not provided below, the Underwriter may use alternative documentation that is reasonable and prudent to rely upon in underwriting a Mortgage.

- **Credit:** For Borrowers with derogatory credit, the Underwriter may consider the Borrower a satisfactory credit risk if the credit report indicates no derogatory credit events *prior* to a disaster, and any derogatory credit subsequent to the date of the disaster is related to the effects of the disaster. Pre-disaster credit must be thoroughly reviewed with no derogatory events permitted. A 12 month housing payment history prior to disaster must show no 30 day late's.

- **Income:** Borrowers affected by a disaster may not be able to document past or present employment. If prior employment cannot be verified because records were destroyed by the disaster, and the Borrower is in the same/similar field, then FHA will accept W-2s and signed tax returns from the Internal Revenue Service (IRS) to confirm prior employment and income. The Underwriter may also include short-term employment obtained following the disaster in the calculation of Effective Income. Note: It is recommended to document that all efforts to obtain current and prior traditional employment and income documentation.

- **Liabilities/Qualifying Ratios:** When a Borrower is purchasing a new house, the Underwriter may exclude the Mortgage Payment on the destroyed residence located in a PDMDA from the Borrower's liabilities. To exclude the Mortgage Payments from the liabilities, the Underwriter must:
 - obtain information that the Borrower is working with the Servicing Mortgagee (their existing Lender) to appropriately address their mortgage obligation; and
 - apply any property insurance proceeds to the Mortgage of the damaged house.

- **Assets:** If traditional asset documentation is not available, the Underwriter may use statements downloaded from the Borrower's financial institution website to confirm the Borrower has sufficient assets to close the Mortgage.

- **Housing Payment History:** The Underwriter may disregard any late payments on a previous obligation on a Property that was destroyed or damaged in the disaster where the late payments were a result of the disaster. A 12 month housing payment history prior to the disaster must show no 30 day late's.

- **CAIVRS:** FHA determines that a borrower is not eligible for FHA insurance if CAIVRS indicates the borrower is presently delinquent, or has had a claim paid within the previous three years on a loan made or insured by HUD on his/her behalf. To the list of exceptions to this rule, FHA is adding situations involving presidentially-declared disasters. If the borrower is reported in CAIVRS, but the credit report indicates the

loan was current prior to the disaster, and any delinquency or claim paid can be related to the effects of the disaster, the borrower may be considered eligible. As with any CAIVRS authorization, lenders may contact the appropriate Homeownership Center (HOC) for additional Section 203(h) underwriting information *and* guidance

Final Notes

- The Underwriter MUST document and verify that the Borrower's previous residence was in the disaster area, and was destroyed or damaged to such an extent that reconstruction or replacement is necessary. Documentation attesting to the damage of the previous house must accompany the mortgage application. Borrowers must provide conclusive evidence of these facts, as outlined in the table below. If purchasing a new house, the house need not be located in the area where the previous house was located.
 - Conclusive evidence of a Permanent Residence in the Affected area, Includes:
 - A Valid Driver's License
 - A Voter Registration Card
 - Utility Bills
 - Conclusive evidence of Destruction of Residence, includes:
 - An Insurance Report
 - An Inspection Report by an Independent Fee Inspector or Government Agency
 - Conclusive Photographic Evidence showing the destruction or damage
- Refinancing is not permitted in conjunction with rehabilitation.

Call Us Today and See How We Can Help
910-791-1337

