FHA Single Family Housing Policy Handbook 4000.1, Part II — b. Loan-to-Value Limits (02/16/2021)

b. Loan-to-Value Limits (02/16/2021) The maximum LTV ratios vary depending upon the type of Borrower, type of transaction (purchase or refinance), program type, and stage of construction. The Mortgagee must apply the lowest applicable LTV percentage as determined under the requirements in this section. i. Loan-to-Value Limitations Based on Borrower's Credit Score (Applies to All Transactions) The Mortgagee must review the credit report to determine the Borrower's Minimum Decision Credit Score (MDCS), except for Mortgages to be insured under Section 247, Section 248, Streamline Refinances, and Assumptions. The MDCS will be used to determine the maximum insured financing available to a Borrower with traditional credit. The table below describes the relationship between the Borrower's MDCS and the LTV ratio for which they are eligible. Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing but must be underwritten using the procedures in Manual Underwriting of the Borrower. If the Borrower's Minimum Decision Credit Score is... Then the Borrower is... at or above 580 eligible for maximum financing. between 500 and 579 limited to a maximum LTV of 90%. ii. Purchase For purchase transactions, the maximum LTV is 96.5 percent of the Adjusted Value. For special programs and products including refinances, the maximum LTV is determined in accordance with requirements listed in the Programs and Products section. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT A. Title II Insured Housing Programs Forward Mortgages 2. Allowable Mortgage Parameters Handbook 4000.1 178 Last Revised: 11/26/2025 (A) LTV Limitations Based on Identities of Interest (1) Definitions An Identity-of-Interest Transaction is a sale between parties with an existing Business Relationship or between Family Members. Business Relationship refers to an association between individuals or companies entered into for commercial purposes. (2) Maximum LTV for Identity-of-Interest and Tenant/Landlord Transactions The maximum LTV percentage for Identity-of-Interest transactions on Principal Residences is restricted to 85 percent. The maximum LTV percentage for a transaction where a tenant-landlord relationship exists at the time of contract execution is restricted to 85 percent. (3) Exceptions to the Maximum LTV The 85 percent maximum LTV restriction does not apply for Identity-of-Interest transactions under the following circumstances. (a) Family Member Transactions The 85 percent LTV restriction may be exceeded if a Borrower purchases as their Principal Residence: • the Principal Residence of another Family Member; or • a Property owned by another Family Member in which the Borrower has been a tenant for at least six months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required. (b) Builder's Employee Purchase The 85 percent LTV restriction may be exceeded if an employee of a builder, who is not a Family Member, purchases one of the builder's new houses or models as a Principal Residence. (c) Corporate Transfer The 85 percent LTV restriction may be exceeded if a corporation transfers an employee to another location, purchases the employee's house, and sells the house to another employee. II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT A. Title II Insured Housing Programs Forward Mortgages 2. Allowable Mortgage Parameters Handbook 4000.1 179 Last Revised: 11/26/2025 (d) Tenant Purchase The 85 percent LTV restriction may be exceeded if the current tenant purchases the Property where the tenant has rented the Property for at least six months immediately predating the sales contract. A lease or other written evidence to verify tenancy and occupancy is required. (B) LTV Limitations Based on Non-Occupying Borrower Status (1) Definition A Non-Occupying Borrower Transaction refers to a transaction involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the Property as their Principal Residence. (2) Maximum LTV for Non-Occupying Borrower Transaction For Non-Occupying Borrower Transactions, the maximum LTV is 75 percent. The LTV can be increased to a maximum of 96.5 percent if the Borrowers are Family Members, provided the transaction does not involve: • a Family Member selling to a Family Member who will be a non- occupying co-Borrower; or • a transaction on a two- to four-unit Property. iii. Refinance For refinance transactions, the maximum LTV is determined in accordance with refinance program-specific requirements. iv. New Construction For New Construction transactions, the maximum LTV is determined in accordance with New Construction program-specific requirements.