

General Description

FHA Adjustable Rate Mortgage program:
5/1 Treasury-fixed for the first five years, then rolls to a one year ARM for the remainder of the term.

Effective for all loans locked on or after: August 2, 2018

Please Note: 5/1 ARM Product is ineligible for FHA Jumbo

APPRAISAL	See FHA Fixed Rate Product Description .																																																					
ARM INFORMATION	<table border="1" data-bbox="418 579 1531 785"> <thead> <tr> <th rowspan="2">ARM Product</th> <th rowspan="2">Index</th> <th rowspan="2">Margin</th> <th colspan="3">Caps</th> <th rowspan="2">Conversion Option</th> </tr> <tr> <th>First Adj.</th> <th>Annual Adj.</th> <th>Life Cap</th> </tr> </thead> <tbody> <tr> <td>5/1</td> <td>Treasury</td> <td>2.00%</td> <td>1%</td> <td>1%</td> <td>5%</td> <td>None</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Index – the weekly average yield on US Treasury securities adjusted to a constant maturity of one year. • Interest rate adjustment cap: <ul style="list-style-type: none"> - 5/1: the interest rate is fixed for the first 60 months and will adjust no sooner than 60 months and no later than 66 months after the first payment date. Thereafter, the interest rate will adjust annually. • Payment adjustment date – the first payment adjustment date will be the first of the month following the interest rate adjustment and every 12 months thereafter. <table border="1" data-bbox="418 1045 1531 1591"> <thead> <tr> <th colspan="3">FHA 5/1 ARM Interest Adjustment Date</th> </tr> <tr> <th>Commitment Expiration Date Range</th> <th>Last Date to Purchase</th> <th>Required Change Date</th> </tr> </thead> <tbody> <tr><td>08/01/2018 to 10/31/2018</td><td>11/07/2018</td><td>01/01/2024</td></tr> <tr><td>11/01/2018 to 01/31/2019</td><td>02/07/2019</td><td>04/01/2024</td></tr> <tr><td>02/01/2019 to 04/30/2019</td><td>05/07/2019</td><td>07/01/2024</td></tr> <tr><td>05/01/2019 to 07/31/2019</td><td>08/07/2019</td><td>10/01/2024</td></tr> <tr><td>08/01/2019 to 10/31/2019</td><td>11/04/2019</td><td>01/01/2025</td></tr> <tr><td>11/01/2019 to 01/31/2020</td><td>02/07/2020</td><td>04/01/2025</td></tr> <tr><td>02/01/2020 to 04/30/2020</td><td>05/07/2020</td><td>07/01/2025</td></tr> <tr><td>05/01/2020 to 08/31/2020</td><td>09/07/2020</td><td>10/01/2025</td></tr> <tr><td>08/01/2020 to 10/31/2020</td><td>11/07/2020</td><td>01/01/2026</td></tr> <tr><td>11/01/2020 to 01/31/2021</td><td>02/07/2021</td><td>04/01/2026</td></tr> </tbody> </table> <p>Note: Change dates subject to change with extensions or relocks.</p>	ARM Product	Index	Margin	Caps			Conversion Option	First Adj.	Annual Adj.	Life Cap	5/1	Treasury	2.00%	1%	1%	5%	None	FHA 5/1 ARM Interest Adjustment Date			Commitment Expiration Date Range	Last Date to Purchase	Required Change Date	08/01/2018 to 10/31/2018	11/07/2018	01/01/2024	11/01/2018 to 01/31/2019	02/07/2019	04/01/2024	02/01/2019 to 04/30/2019	05/07/2019	07/01/2024	05/01/2019 to 07/31/2019	08/07/2019	10/01/2024	08/01/2019 to 10/31/2019	11/04/2019	01/01/2025	11/01/2019 to 01/31/2020	02/07/2020	04/01/2025	02/01/2020 to 04/30/2020	05/07/2020	07/01/2025	05/01/2020 to 08/31/2020	09/07/2020	10/01/2025	08/01/2020 to 10/31/2020	11/07/2020	01/01/2026	11/01/2020 to 01/31/2021	02/07/2021	04/01/2026
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ASSUMABILITY	See FHA Fixed Rate Product Description																																																					
BORROWERS (ELIGIBLE/INELIGIBLE)	See FHA Fixed Rate Product Description																																																					
CASH RESERVES	See FHA Fixed Rate Product Description																																																					



CLOSING COSTS	See FHA Fixed Rate Product Description								
CLOSING REQUIREMENTS	See FHA Fixed Rate Product Description								
CONDOMINIUMS/PUDS	See FHA Fixed Rate Product Description								
CREDIT HISTORY	See FHA Fixed Rate Product Description								
CREDIT SCORES	See FHA Fixed Rate Product Description								
DOCUMENTATION	See FHA Fixed Rate Product Description								
DOWN PAYMENT	See FHA Fixed Rate Product Description								
DOWN PAYMENT ASSISTANCE (SELLER FUNDED)	See FHA Fixed Rate Product Description								
ESCROWS	<ul style="list-style-type: none"> Escrow waivers not permitted 								
ESCROW HOLDBACKS	See FHA Fixed Rate Product Description								
FLIPPING REQUIREMENTS	See FHA Fixed Rate Product Description								
GEOGRAPHIC RESTRICTIONS	See FHA Fixed Rate Product Description								
GIFTS	See FHA Fixed Rate Product Description								
INVESTMENT PROPERTIES	See FHA Fixed Rate Product Description								
LEGAL DOCUMENTATION	<ul style="list-style-type: none"> ARM disclosure statement, signed by all borrowers must accompany the loan application and applicable FHA addendum. FHA Multi-State Adjustable Note or the appropriate FHA Adjustable Note for the State in which the property is located. The note must have the change date, limits on the interest rate changes associated with the initial fixed rate period, and lifetime caps. The security instrument. FHA Multi-State ARM Rider must be attached to the Security Instrument. A signed IRS Form 4506-T must be included in all loan files at the time of submission. FAMC reserves the right to exercise or validate at the underwriter's discretion. 								
LOAN TERM	30 years only								
LOAN-TO-VALUE	See FHA Fixed Rate Product Description								
LOAN TYPE	<p>Eligible:</p> <table border="1"> <thead> <tr> <th>Section of the Act</th> <th>ADP Code</th> <th>Brief Description</th> </tr> </thead> <tbody> <tr> <td rowspan="2">203(b)</td> <td>729</td> <td>Adjustable Rate Loan</td> </tr> <tr> <td>731</td> <td>Adjustable Rate Condominium</td> </tr> </tbody> </table> <p>Ineligible:</p> <ul style="list-style-type: none"> See FHA Fixed Rate Product Description 	Section of the Act	ADP Code	Brief Description	203(b)	729	Adjustable Rate Loan	731	Adjustable Rate Condominium
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203(b)	729	Adjustable Rate Loan							
	731	Adjustable Rate Condominium							



MAXIMUM / MINIMUM LOAN AMOUNT	See FHA Fixed Rate Product Description . FHA Jumbo loan amounts are not allowed.
MORTGAGE INSURANCE (UP-FRONT AND MONTHLY MORTGAGE INSURANCE PREMIUM)	See FHA Fixed Rate Product Description . <i>FHA UFMP & MIP Payment Process</i> Detailed information for this process can be found at http://www.hud.gov/offices/hsg/comp/premiums/sfpaygov.cfm
NON-OCCUPANT CO-BORROWER	See FHA Fixed Rate Product Description
NUMBER OF LOANS/ PROPERTIES	See FHA Fixed Rate Product Description
OCCUPANCY	See FHA Fixed Rate Product Description (except streamlines which are not permitted)
PROGRAMS & SPECIAL FEATURES	See FHA Fixed Rate Product Description
PROPERTIES (ELIGIBLE/INELIGIBLE)	See FHA Fixed Rate Product Description
PROPERTY INSPECTIONS	See FHA Fixed Rate Product Description
QUALIFIED MORTGAGE (QM)	All loans, regardless of loan product type sold to Franklin American Mortgage Company, must conform to Qualified Mortgage (QM) guidelines per Dodd Frank regulations.
RATIOS	Borrowers should be qualified at the Note rate. See FHA Fixed Rate Product Description
REFINANCE TRANSACTIONS	<p>General Guidelines</p> <ul style="list-style-type: none"> • HPML Loans are ineligible for 5/1 ARMs. • See FHA Fixed Rate Product Description. Lenders are expected to exercise sound judgment and due diligence in the underwriting of loans to be insured by FHA. In order to comply with HUD's directive, refinance transactions should "make sense" and be in the borrower's best interest. <p>In states with predatory lending laws, the state-specific refinance or "Tangible Net Benefit worksheet" will supersede these guidelines, if they are more conservative.</p> <p>Cash-Out Refinance See FHA Fixed Rate Product Description</p> <p>Rate/Term Refinance See FHA Fixed Rate Product Description</p> <p>Streamline Refinances: See FHA Fixed Rate Product Description. Investment properties not permitted.</p>
SECONDARY/ SUBORDINATE FINANCING	See FHA Fixed Rate Product Description
SELLER CONTRIBUTION	See FHA Fixed Rate Product Description
UNDERWRITING	See FHA Fixed Rate Product Description