

GENERAL 4/2019

Expiration Dates

- Credit is at 60 days but no gap report or LOE for inquiries
- Appraisal re-cert is 120 days to include 2 new closed comps, 1 listing comp all on the grid with photos and updated exterior photos of the subject. At 180 days the report is dead and a new one is required.

3.5 Ineligible Borrowers

- FN (ODF), ITIN, VISA, DHS Employment Authorization exceptions

3.10 First Time Homebuyers

- Payment shock 3X unless no rent currently being paid
- Lack of most recent 12 months VOR = 80% LTV, 43% DTI and full doc or 12/24 months bank statements only

3.11-12 Adding borrower's to title & non-occupant co-borrowers

- 55% DTI rule
- Spouse definition

3.14 Seller or broker employees

- Must use 3rd party broker/correspondent

3.15 Number of loans to one borrower

- 4 if one is OO
- Max of 2 for adjoining properties or same condo complex

3.17-19 Property ownership and improvement seasoning

- Transfers within last 12 months
- Refinance form purchase < 6 months use purchase price or prove up capital improvements and add to the purchase price for a value figure
- Grey area – look for SS, auction or tax sales where market is not fully represented

3.22 HUD REO's

- Only for HUD
- Can get out of inspections/repairs if appraisal provides cost to cure and they meet requirements

3.30 Property Inspections (11.4)

- Can waive via addendum if LTV ≤ 70% - home, termite, well, septic, etc.

3.32 Roof Cert

- 5 years – not a warranty or guaranty, just looking to verify if remaining life is > 5 years

3.37 Non-owner occupied

- Max 20 properties whether mortgaged or not

3.40 Non-Arm's Length

- FNMA fallout

3.41 Construction to Perm

- 12 months seasoning is the key to using URAR value and cash out

3.42 FSBO

- Requirements

3.44 Interfamily Transfers

- Watch for straw transactions
- R/T is OK

3.45 Lease Option

- 12 month seasoning
- 3% down
- Use URAR as LTV determining factor

CREDIT

4.3 Consumer debt not reporting

- Must add to DTI

4.5 Minimum credit depth

- 3 trades reviewed for 24 months LTV >65%, 1 reviewed at 24 months and 2 open and active ≤65%

4.7 Collections and charge offs

- Use DLA to verify if over 2 years
- Medical does not count

4.8 Judgments & Liens

- P/O all items on title
- Judgments can remain open if only on credit
- P/O all child support arrearages

4.9 Consumer Credit Counseling

- Treat like a BK 13 for process and grading – must be paid off through closing

4.10 Time Shares

- Not treated as mortgages for F/C but do need association & tax figures and it is subject to standard collection practices.

4.12-14 Bankruptcy

- BK 7 graded on date of final disposition
- BK 13 graded on initial filing date if plan completed successfully and discharged, grade on date of final disposition if payment plan not completed. Must be paid through closing with BK trustee approval if still open at submission.

4.15 VOM/VOR

- 12 month history, need cancelled checks if renting from interested party (seller, family, broker, employer, etc.)

4.18 Private Lender

- VOM no good, 12 months cancelled checks
- Check against payoff for interest due and outstanding escrows and fees

4.19 Private Party VOR

- 80% LTV max

4.20 Departure Property

- 80% of market rents used to offset PITIA (1007, Zillow.com, rentrange.com, etc.)
- 100% if under contract w/ proof of security deposit and validated by online rental resources

4.22 Forbearance & Modifications

- If put in place less than 12 months ago downgrade one credit grade

4.23 Foreclosure

- Any 120 late
- 120+ are erased if modification put in place after it

4.27 Short Payoff

- 70% max LTV
- No cash out

INCOME

5.2 Asset Depletion (supplemental income) & ATR In Full (primary qualification)

- Personal accounts only, 2 months' worth of statements, cannot already be depleting the source, all persons on the account must also be on the loan
- Retirement accounts - >59.5 years at time of first payment due date then 60% can be used, if <59.5 then 50% of the balance can be used
- Full asset disclosure regardless of LTV and no gift funds are allowed
- 5/1 ARM we deplete over 5 years, 7/1 ARM we will deplete over 7 years, Maggi and 30 year fixed are depleted at 30 years
- ATR In Full
 - A, A- & B grades only
 - X/60 or 84 for LO's
 - 1003 to reflect no income as there is no DTI
 - Do not need to chase down credit payments or REO items

5.7 Residual Income

- Single Borrower \$500
- Family of 4 \$1250 with \$250 for each additional family member

5.12 Teacher Income

- Copy of contract
- W2

5.14 Income Calculation for OT, Bonus and Shift Differential

- YTD + previous years' W2 average

Income – Salaried plus ≥ 25% commissions and/or bonuses

- 2 years 1040's w/ YTD paystub
- Can waive 1040's if they qualify on base salary alone

VOE Program

- A and A- grades only
- -5% LTV from program maximums
- Two year history with employer, standard prefunding VVOE within 72 hours
- No 4506-T
- US Residents
- One account rated for min 3 years and two additional accounts at 2 years
- No credit events in last 5 years (FC, SS, DIL, BK)
- Minimum 24 month VOM
- No charge offs, collections, judgments or tax liens in last 3 years; case-by-case consideration by Sr Management with special pricing possible
- OO only
- No multi-unit properties

- FTHB max 70% LTV/CLTV or 65% for loan amt \geq \$1M, max \$2M, min 24 month rental history
- No reserve requirements
- No additional cash out limitations other than those imposed by loan amount
- No subordinate financing
- Property must be in good condition and conform to the area
- No rural properties

Bank statements

- 2 years S/E
- At least 25% owner for business statements, 50% of the eligible deposits
- NSF's
- Number of accounts
- LOE

One Month Bank Statement

- A and A- grades only
- Two year history of S/E via CPA letter or Business License
- Most recent personal bank statement, no NSF's or negative ending balance, income not taken from the actual deposits but rather the 1003, CSC UW verify reasonable for job & credit usage
- Can use same account for closing funds
- No reserve requirements
- US Residents
- One account rated for min 3 years and two additional accounts at 2 years
- No credit events in last 5 years (FC, SS, DIL, BK)
- Minimum 24 month VOM
- No charge offs, collections, judgments or tax liens in last 3 years; case-by-case consideration by Sr Management with special pricing possible
- OO only
- No multi-unit properties
- FTHB max 70% LTV/CLTV or 65% for loan amt \geq \$1M, max \$2M, min 24 month rental history
- Max LTV is 75/70 for purchase and refinance respectively
- No additional cash out limitations other than those imposed by loan amount
- No subordinate financing
- Property must be in good condition and conform to the area
- No rural properties

The Grid

Rental Income

- Lease and REO section
- Sch E for full doc deals, signed
- Calculation is full rental amount minus the PITIA

Rental Wash

- Bank statement for last 3 months showing deposit, otherwise add PITIA to DTI

5.21 Length of Self-Employment

- 2 years for Bank Statement program
- Less than 1 year – full doc only & must have full tax return
- Education and experience, location and nature of business, demand for that business in the area
- Same line of work as previous employment

Acceptable Evidence of Self-Employment

- Tax preparers letter (w/ proof of business existence), business license, articles, 1120S, 1065

P&L for Full Doc Only

- Signed but not audited – must cover the time period not covered by the tax returns
- Most recent 3 months business bank statements (or personal if no business accounts)

Bridge the Gap for Tax Filing

- Copy of the extension – do not typically require copy of the cancelled tax check
- 4506T – Not required but we may ask for it

5.25 Deductible Expenses

- Adding back depreciation, depletion & amortization
- For 1065 & 1120S depreciation taken only from page one, not from 8825 or elsewhere since we calculate rental income differently than FNMA/FHLMC

DEBTS AND ASSETS

6.3 Business Debt

- If business paying for last 6 months, then debt does not need to be counted in DTI unless they are using the business bank statements to qualify, then those debts must be included in the ratios

6.4 Contingent Liabilities/Co-Signed Debt

- If 3rd party has been making payments for last 6 months, OK to remove from DTI
- If found that borrower is making payments on someone else's credit accounts for last 6 months, this debt will be added to the DTI
- When using business bank statements to qualify, all debts on credit must be added to DTI regardless if business is paying the debt from the same account we are using for income

6.8 Properties Owned Free & Clear

- 1003 REO Section must show unencumbered w/ no additional open mortgages on credit

6.10 Student Loans

- At 70% LTV and less for purchases and 65% and less for refinances, greater than 1 year DLA do not need to be included in DTI or be paid off and if in collection status for longer than 1 year, also do not need to pay off or include in DTI

7.4 Interest Only Payments

- For 5/1 ARM qualification amortize over 25 years @ +2.0% to the rate
- For 7/1 ARM and 30 year fixed qualification amortize over 25 years @ Note rate

8.4 Verification of Assets

- Fully season assets if over 65% LTV or if using any asset depletion, ATR In Full or gift funds
- Only needs to be on 1003 if LTV ≤ 65%

8.7 Gift Funds

- Expanded definition of spouse
- Only from family members

8.9 IRA, Keogh

- Any retirement asset needed for closing will need to show liquidation

COLLATERAL

9.1 Eligible property Types

- Listed for sale in last 6 months = ODF
- 5+ Residential units considered case-by-case by Sr. Management

10.2 Condominiums

- Requirements individually broken down for condo type
- Condotels and non-warrantable condos eligible for ODF product only

10.3 Ground Lease Properties

- Need copy of recorded ground lease agreement, sub-lease agreements & appraisal
- To be reviewed by CSC General Counsel

10.6 Manufactured Homes

- Allowable if tow bar & axles have been removed and permanently attached to foundation with all utilities connected
- Manufactured Home Title Elimination must be filed and on title if no 116 endorsement is present reflecting it as an SFR
- Must be considered an SFR and on appraisal form 1004

10.10 Manufactured Homes in a PUD

- We do not allow these

10.12 Rural Properties

- Max LTV 70% purchase, 65% refi & max loan amount determined by credit grade, see matrix

11.1 Building Permits

- Any unpermitted area must be completed in a workmanlike manner and must be backed out of the GLA and needs to include a cost-to-cure. Does not need to be remedied.

13.2 BPO

- Required on loan amounts over \$1M
- Required if URAR is a non-AMC report

16.3 Site Area Max Acreage

- 25 acres max, if over that switch to ODF

16.5 Street Surfaces & Private Roads

- Road maintenance agreement required for private roads for properties not located in a PUD/condo
- If no road agreement in place provide copy of last road clearing/maintenance bill

18.1 Cost Approach Section

- Not required and neither is the Remaining Economic Life
- If partially completed with the depreciation figures listed, then the entire section will need to be completed

21.4 Minor or Cosmetic Deferred Maintenance

- Not required to be fixed but do need a cost-to-cure on appraisal or a contractor's bid

ODF (OUTSIDE DODD-FRANK)

Standard for all 2nd and NOO homes is a 2 year prepayment penalty which is can be bought out for a higher rate. Buyout is required for all OO files and NJ for less than 6 units.

For calculation of DSCR+ and FN cash flow reserves, we will us the note rate and/or interest only payment amount.

2.2 S/E Business Loan

- Mainly geared toward S/E borrowers on OO properties but can be 2nd or NOO but there must be a bona fide business purpose either for the borrower's S/E business (including as a landlord) or for use to buy a NOO property with the cash out proceeds
- Statement of Purpose must include more detailed info about the business, use of funds, expected returns and documentation for the usage including bids and estimates for the business use
- At least 50% of the net funds (or 50% of gross funds if paying off other items aside from any mortgages on title) must be used for the stated business purpose above and the funds at closing will be delivered directly to the business entity and not the borrower personally

3.1-3.2 NOO Business Purpose

- For purchase of a NOO property, can go stated income
- No disclosures will be sent

4.1-4.5 Foreign National

- Borrower must reside outside of the United States but can own and operate a business within the US
- ITIN borrowers can be foreign nationals but they must reside outside the US
- Foreign assets must be on deposit with closer/escrow at least 3 day prior to closing
- Currency conversions to be verified via www.xe.com or the Wall Street Journal conversion table
- Need most recent 2 months bank statements
- If statements are in any language other than English, we will need an official translation of them
- International credit report or a letter of credit reference from an internationally known financial institution
- Argentina, Brazil, Colombia, Turkey & Venezuela to be cash flow positive or have 12 months reserves in a US based account in USD or LTV restrictions may apply

5.1-5.2 DSCR+

- For NOO properties only
- Can go stated if the amount of actual monthly rents exceeds the full PITIA payment and is verified via the 1007
- If purchasing and not currently rented, we will use 100% of market rents from 1007 to offset the PITIA

- Borrower can qualify by subject property alone or using all REO cumulative net positive rents including subject
- If borrower is negative with rents(s) we can use an asset depletion source to cover the net difference in rent over the fixed 60 month portion of the loan (or 84 months is a 7/1 ARM) but then no gift funds are allowed and full assets will need to be disclosed for purchases and any refi where funds are needed to close
- Negative rents are allowed down to a ratio $\geq .75$ but < 1.0 to use asset depletion but if the ratio is $< .75$, the loan amount will need to be cut back until the ratio is $> .75$ and again asset depletion will be needed to cover the monthly loss

6.1 Fix & Keep

- We will allow borrowers to go stated on loans where properties are in significant need of repair/rehabilitation
- Occupancy can be OO (purchase only) or NOO once the improvements are completed
- Licensed contractor's bids are required for all repairs noted on appraisal or home inspection report
- Borrower must show full assets to be able to close on the purchase and to make all the repairs noted on the bids
- PPP

6.2 Property Listed for Sale

- Typically this is utilized for fallout from our Non-Prime program for properties that have been listed for sale in the last 6 months, max 65%
- ATR still applies for these properties so Non-Prime guidelines will prevail

6.3 Cross Collateral

- Can cross up to 3 properties in a single loan and can be in 1st or second position

6.4 Credit Depth

- For fallout from our Non-Prime program where borrower does not meet minimum credit score, credit depth or number of trades
- Typically the max LTV will be 65% since we will not allow a borrower to circumvent Non-Prime guidelines to get a higher LTV in our ODF program
- We may counter to ODF from Non-Prime for any loan that does not fit out Non-Prime guidelines for special circumstances like over 25 acres, unique properties, Mixed Use properties, 5+ units, zoning issues, etc.