

Cross-Collateral Transactions

(Revised 04/15/20)

In conjunction with the outline below, please review the General Announcement 08-003 issued on 08/26/19 relative to the new Cross Collateral Screen and other Byte Pro enhancements and the Cross Collateral FAQ released 09/06/19.

Subject Property – Must be identified as the primary property in Byte Pro; CSC must be in first position

Cross Collateral – Any additional property that CSC is being requested to use as ‘collateral’ in conjunction with the primary property; CSC may be in a subordinate position if there is an existing mortgage on the property; properties being cross collateralized should be listed in the Cross-Collateral screen in Byte Pro and will NOT be listed on page 1 of the 1003 until updated by the Closing Department. UW must ensure that the “Cross Collateral Properties” detail form is printed to DV.

Appraisal

- Appraisal requirements for the “Subject Property” and ALL cross-collateral properties must satisfy CSC’s guidelines

Preliminary Title report

- CSC prefers one “Combined” Preliminary Title Report to include the “Subject Property” and ALL cross-collateral properties.
- In the event the title company is unable to accommodate the “Combined” Preliminary Title Report request, the title company must provide a letter acknowledging that the property is part of a “Cross Collateral” transaction (should include property address(s))
- If the properties are in different counties, the funding department will produce separate Deed's to be recorded within each county.
- ALL conditions outlined within cond #4500 are required for each property.
- UW must obtain a tax certificate/tax bill to verify the LEGAL address of each property.

CPL and Wire instructions

- The Closing Protection Letter (CPL) must identify the “Subject Property” LEGAL address and ALL LEGAL addresses of cross-collateral properties.
- Wire Instructions must show a minimum of TWO transaction specific details at minimum; all property addresses are NOT required to be reflected on the Wire Instructions

Hazard Insurance and Flood Insurance

- A CSC Flood Certificate is required for the “Subject Property” and EACH cross-collateral property
- HOI and Flood must reflect the LEGAL address of the “Subject Property” as well as the LEGAL address for ALL cross-collateral property addresses.
- A borrower may have a separate insurance policy for each property; bundled policies can only include the subject property and cross-collateral property (no autos, boats, other properties)
- The HOI and Flood Policy (*if applicable*) for the “Subject Property” must meet ALL CSC insurance coverage requirements
- Impounds are collected for each property/parcel, unless the cross-collateral property is already impounded (*UW must condition for a current mortgage statement for each cross-collateral property to determine if impounds are currently in place*)
- Questions regarding HOI coverages/deductibles for the cross-collateral properties can be escalated to Funding Management directly, ‘cc’ Director of Operations.

FREQUENTLY ASKED QUESTIONS (FAQS)

Cross Collateral (“CC”) Loan Questions

Q1: Can we cross properties that are qualified in different products between NP, ODF, & ODF+? As example, like a DSCR on several properties, credit fits NP, but one property is a condotel?

A1: *The Cross-Collateral Program is exclusive to ODF or ODF+ properties. It is no longer a consumer loan and therefore should not be under NP.*

Q2: Is there a minimum value on individual properties included in CC or is there a minimum aggregate value? Is there a minimum on the loan amount per subject property? Or maximum combined property loan amount?

A2: *CSC will consider these on a case-by-case, but generally does not look to lend against properties below the customary minimum on a program by expanding the minimum value limits without a cross. I.e. The minimum loan amount on ODF is \$100,000 – and at a maximum program LTV of 75% calculates out to a minimum \$133,333 property value.*

Q3: Can we do (a) primary, (b) NOO, and (c) NOO that would usually be on ODF plus?

A3: *Potentially, yes; if one of the properties in this set of hypothetical three is a Mixed-Use Property, as non-exclusive example, that would otherwise need to be submitted ODF Plus, then the file should be considered under the program where the additional property(ies) are taken a supplemental collateral.*

Q4: Need to know what we are allowed to mix, which rate sheet, and what adjustment.

A4: *ODF or ODF Plus are acceptable to utilize with a CC component. Owner and Non-owner can be mixed as well including existing first mortgages where we take a second position in a subordinate or secondary crossed property. A rate adjustment of 0.25 should be added to the file.*

Q5: How many units can be blanketed to what value? Maximum of four (4) properties?

A5: *CSC does not have a stated limit, but the economies may be lost over excessive properties being placed in a CC. Also note, as an example, that mixing properties below our minimum thresholds is not allowed.*

Note that CSC does not offer “blanket” loans and does not have a mechanical means to “replace” or “partially release” properties covered by the CC.

Also, note all units must be in the same State due to conflicts of form by a “Mortgage” versus “Deed of Trust” and also judicial versus non-judicial foreclosure requirements.

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Q6: Can land only parcels be included?

A6: No, CSC does not consider vacant land to be acceptable collateral with exception to contiguous parcels to an improved property – which by itself is not considered a CC.

Q7: Can you combine purchases and refinances with CC loans?

A7: Yes – Note that as these loans are not consumer loans, TRID disclosures are not utilized and the conflict between a Purchase LE / CD and Refinance LE / CD would not occur.

Also, mechanically on 1003:**Q8: Is this DSCR with no income or employment?**

A8: Correct. However, should the subject transaction not otherwise be exempt, there may be a need to support income (consider a negative DSCR).

Q9: Or is this stated income?

A9: Reference Question 8 above.

Q10: REO – If closing in business all properties in business have to be on REO?

A10: Correct.

Q11: If closing in personal: Properties owned in REO do not have to be listed in REO?

A11: Incorrect. The schedule of Real Estate Owned on the 1003 should always be completed accurately.

Q12: Also, on 1003: How are all the properties supposed to be listed – there is no room?

A12: Write smaller! While space is limited, there is customarily room to place both appropriate addresses in the 1003. You may also use a continuation sheet as required.

Q13: What is the prepay?

A13: Should none of the properties in the transaction be a primary residence, program prepayment penalties would apply.

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