Quick Reference Guide

CITADEL
SERVICING CORPORATION

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Asset Depletion: Considered full documentation at Citadel. Borrowers with verifiable cash or other liquid assets may use those assets to qualify with a letter of explanation defining the source and depletion schedule. Using personal bank or retirement accounts, you may combine with full income documentation (Wage Earners or Self Employed), W2s, Paystubs, 1040, Alt Doc, etc. Accounts will not qualify if the assets have been pledged. Gift Funds are not permitted to be used in a file utilizing asset depletion.

Documentation: Two Months (60 days) recent consecutive bank statements or consecutive retirement account statements.

Asset Depletion Qualifying:

Establishing the qualifying balance of the account:

Personal accounts = 100% utilization of assets

Retirement accounts – OK to use - If the borrower's age is
≥ 59.5 years = 60% utilization of retirement assets.
< 59.5 years = 50% utilization of retirement assets.

At the time of the first payment. If the borrower is retired and drawing funds the account is not eligible.

Programs available and calculating usable monthly income:

Maggi – Calculate Assets Depletion over 360 months
(Regardless if Arm or Fixed)
Asset/360 = Monthly qualifying income.
Max 43% DTI

Non-Prime –
7/1 Arm: Calculate Asset Depletion over 84 months.
Asset/84=monthly qualifying income.

30 year Fixed: Calculate Assets Depletion over 360 months
Asset/360 = Monthly qualifying income
Max 50% DTI

Outside of Dodd-Frank (ODF) - Calculate Assets Depletion over 360 months
- Asset/360=Monthly qualifying income.

ATR (Ability to Repay) in Full: Utilizes assets from the borrower's personal accounts or retirement accounts to satisfy the borrower's ability to repay requirements. (Wage Earners or Self Employed) Gift Funds are not permitted to be used in a file utilizing ATR in Full.

Documentation: Two Months (60 Days) recent consecutive bank statements or retirement account statements.

Qualifying method:

Verification of sufficient funds to pay the principal balance of the new loan and any other loans to be secured by the subject property in full is required. The average daily balances cannot drop below the required amount during the verified two-month period. Income is left blank on the application, 1008 etc.

Establishing the qualifying balance of the account:

Personal accounts = 100% utilization of assets

Retirement accounts – OK to use if the borrower's age is:

≥ 59.5 years = 60% utilization of retirement assets.

< 59.5 years = 50% utilization of retirement assets.

Programs available:

Maggi –N/A

Non-Prime – See matrices for ATR in Full, credit grade limitations, rate adjustment and LTV caps. Owner & Non-Owner Occupied OK.

Outside of Dodd-Frank (ODF) - N/A

Bank Statement Programs: Through responsible, ATR-centric (ability to repay) underwriting rules and methods, CSC has taken the leading role in providing access to capital for those borrowers who cannot document their income in the narrow definition mandated by the agencies and conduits.

Eligible borrowers: Two (2) year Self-employed

Allowable Loan Purpose: See individual program matrices

NSFs: A maximum of (6) six NSFs in the last (12) twelve months is acceptable. Loan amounts of less than $750,000 and 70% LTV or less are **<u>not subject</u>** to the NSF requirement. If more than six NSFs have occurred in a 12-month period, senior management approval is required, on a case by case basis.

Please keep in mind that overdrafts are different than NSFs and we disregard overdrafts completely so there is no threshold.

Transfers: If the LTV is at or below 65% LTV or less on a Refi, or 70% LTV or less on a purchase, we will include bank transfers. Please keep in mind that if you UW a file that falls within the above LTV requirements, but then later the value is adjusted and your LTV spikes above 65% Refi or 70% purchase. You will need to back out the transfers and make the appropriate adjustments to the income. Large deposits (transfer / deposits) that are outside the normal average deposits will need to be sourced and questioned.

Business Bank Statements: 50% of the deposits will be used as qualifying income with up to four business owners. (As an example, if the borrower's business has two owners you would use 50% of the deposits and then 50% of the calculated income on the business bank statement) No P&L is required.

Personal Bank Statements: 100% of the deposits will be used as qualifying income. If it is determined that the personal account is being used for business, then only 50% of the deposits will be used.

Qualifying method: Total all deposits to arrive at monthly income. Do not include transfers in the calculation. Income to be reasonable for the job and credit usage. Closing funds may come from the account, only one-month statement is required for assets as well.

Maggi – 12 or 24 Months personal or business bank statements OK. See program matrices for price adjustments and LTV restrictions

> ***Debt Ratio:*** 43%
> ***Property types:*** SFR, Condos, Townhouse.

Non-Prime – Twenty-Four Months personal or business bank statements may be used. One-month bank statement program available see notes specific to that program below. Refer to program matrices for price adjustments and LTV restrictions

> ***Debt Ratio:*** 50%
> ***Property types:*** SFR, Condos including Non-warrantable, Townhouse, 2-4 Units, Condotels – (Must be in a resort area, only.) Rural properties OK in all credit grades of "B-" or better.

Outside of Dodd-Frank (ODF) - N/A

One Month Bank Statement:

Eligible borrowers: Two year Self-employed. Owner occupied only. No first-time buyers.

Purpose: 70% purchase or 65% Refinance. Cash out refinances are permitted, refer to the program matrix for specific cash out restrictions.

Property types: SFR, Condo or Townhouse only. Property condition good or better and no rural.

Documentation: Latest month personal bank statement include all pages. No NSFs. The account must have a positive ending statement balance. A two-year self-employment history verified by a CPA letter or business license is required. Income is attested to and declared by the borrower via LOE.

Credit Depth: 3 Trade Lines: (1) 5 years seasoned & (2) 2 years seasoned, all paid as agreed. Twenty-four months mortgage history required. No mortgage delinquency in the last five years. No Charge offs, collections or tax liens.

Qualifying method: Total all deposits to arrive at monthly income. Do not include transfers in the calculation. Income to be reasonable for the job and credit usage. Reserves are not required. Closing funds may come from the account, only one-month statement is required for assets as well.

Programs:

Maggi –N/A

Non-Prime – Credit tier "A" grade only, 700+ FICO. See matrix for FICO score rate adjustments.

Outside of Dodd-Frank (ODF) - N/A

Proof of Self Employment:

Two-year self-employment history is to be verified by a CPA letter or business license. Income is attested to and declared by the borrower. LOE is required stating the business name, what the business does, the number of employees, how it is set up (Incorporated, LLC, Sole Proprietor, etcetera) If the information above is in another part of the file the LOE does not need to explicitly confirm it.

Interest Only:

Qualifying method: CSC calculates the DTI ratio utilizing the first fully amortized payment and the original mortgage balance. Note also that if the mortgage is an ARM, CSC will also calculate the fully amortized payment utilizing the highest achievable interest rate as of that first fully amortized payment's due date.

Example: A $100,000 mortgage on a 30-year term at 6.000% would have an IO payment of $500.00 monthly and a fully amortized payment of $599.55. If the mortgage also had a 7-year adjustable rate component with a 2.0 initial rate adjustment cap, the maximum payment in month 85 (the first fully amortized payment AND also the first payment after the initial rate adjustment) would be $793.45 utilizing a 23-year remaining term and an interest rate of 8.000%.

Non-Warrantable Condos:

Litigation: Provide a copy of the complaint including monetary amount, HOA budget and insurance agent letter stating the insurance will cover the loss. If insurance will not cover the loss the reserve account must reflect sufficient funds to cover the loss with a reasonable amount left over for general reserves. If litigation is concerning structural issues to the buildings we will generally decline the loan

Non-Owner Occupancy Limits: NOO ratio exceeds 50%, a budget is required. The upper limit of NOO has not been defined. The location must be in a resort type area or other area where an external source would dictate a high non-owner occupancy rate is common (i.e., near military installation) and not just due to an urban population base.

Delinquency Rate: Generally, 10% is our tolerance, if greater than 10% of the units are delinquent it will have a significant negative affect on the HOA's ability to pay premiums, make repairs and maintain a reserve account.

First Time Home Buyers:

Payment Shock: CSC will consider loans First Time Home Buyers ("FTB") provided they do not have a payment shock of greater than three times (3X) that of their current rental payment. **If a borrower is not currently paying any monthly rental payments then no payment shock.**

No Rental History: If a FTB is absent a complete rental history for the prior twelve
(12) consecutive months, or is currently not paying any rent, that borrower is limited to:

(a) 80% maximum LTV
(b) 43% maximum DTI
(c) Full Doc income qualification.

Property Value Seasoning:

Ownership Seasoning: Properties that have sold more than once in the previous twelve (12) months must be prudently analyzed for value discrepancies and to ensure the property has not been involved in a "pyramid or flip" scheme. A "pyramid or flip" scheme is initiated in an effort to inflate property values within a certain market area. Examining recent changes to title on the property and information disclosed on the appraisal report may uncover possible "pyramid or flip" schemes.

Seasoning requirements may apply on purchase or refinance transactions when determining the current value for properties that have experienced the following:

(a) Recent and / or frequent change(s) of ownership
(b) Refinance where the property is not currently vested in the owner's name
(c) Recent property transfer data (i.e.: REO resale data as shown on the appraisal report) that does not support the appraised value.

Property Improvement Seasoning:

If the borrower purchased the subject property less than six (6) months ago, the lower of the purchase price or the appraised value must be used for determining the loan-to-value. The only exception to this determination is when the appraised value is higher than the purchase price and improvements have been made to the subject property. In that case, documentation must be provided by a third-party contractor stipulating what improvements have been done and at what cost. Once itemized, such costs may be added to the purchase price to arrive at a property valuation. In no case can such a value exceed that of the appraised value.

Property Value Determination:

For first mortgage transactions, the value for determining the loan-to-value ratio is as follows:

Purchase Transactions

Value of the subject property is the lesser of:

(a) The appraised value

(b) The purchase price

The appraisal determines the appraised value. The executed purchase agreement or HUD-I determines the sales price.

Refinance Transactions

Property purchased twelve (12) months or more

If the borrower purchased the subject property, twelve (12) months or more, the appraised value will be used for determining the loan-to-value.

Property purchased less than twelve months or ownership changed within the previous 12 months

If the borrower purchased the subject property less than twelve (12) months or the property changed ownership within the previous twelve (12) months the value for determining the loan-to-value will be the lesser of:

(a) Lowest transfer value in the previous twelve (12) months

(b) OR Appraised value