

**FIRST NATIONAL BANK Loan Eligibility Criteria Manual** *Lending Department Reference - Updated Quarterly*

**Section 1: General Eligibility Requirements**

All loan applicants must meet basic eligibility criteria before detailed underwriting begins. These requirements ensure compliance with lending regulations and bank policy standards.

**Universal Requirements:**

- Minimum age: 18 years (19 in certain states)
- U.S. citizenship or permanent residency
- Valid Social Security number
- Verifiable income source
- Acceptable debt-to-income ratio
- No recent bankruptcy (timing varies by loan type)

**Section 2: Credit Score Requirements**

**Personal Loans:**

- Minimum credit score: 620
- Preferred credit score: 700+
- Recent credit inquiries: No more than 6 in past 12 months
- Payment history: No missed payments in past 12 months

**Auto Loans:**

- Minimum credit score: 580 (with higher down payment)
- Standard credit score: 650
- Prime rates available: 720+
- Co-signer accepted for scores below 620

**Mortgage Loans:**

- Conventional loans: Minimum 620 credit score
- FHA loans: Minimum 580 credit score (3.5% down)
- VA loans: No minimum credit score requirement
- Jumbo loans: Minimum 700 credit score

**Home Equity Products:**

- HELOC: Minimum 680 credit score
- Home equity loan: Minimum 660 credit score
- Combined loan-to-value restrictions apply

### **Section 3: Income and Employment Verification**

#### **Employment Requirements:**

- Minimum 2 years employment history
- Current employment: 6+ months with current employer
- Self-employed: 2+ years tax returns required
- Retirement income: Acceptable with documentation

#### **Income Documentation:**

- W-2 employees: Recent pay stubs, W-2 forms, employment verification
- Self-employed: 2 years tax returns, profit/loss statements, bank statements
- Investment income: Statements and tax documentation
- Social Security/pension: Award letters and deposit verification

#### **Income Calculations:**

- Overtime/bonus income: 2-year average if consistent
- Commission income: 2-year average required
- Rental income: 75% counted after expenses
- Child support/alimony: Must have 3+ years remaining

### **Section 4: Debt-to-Income Ratios**

#### **Personal Loans:**

- Maximum total DTI: 43%
- Maximum new payment ratio: 8% of gross monthly income
- Existing credit utilization: Should be below 50%

#### **Auto Loans:**

- Maximum total DTI: 45%
- Maximum auto payment ratio: 15% of gross monthly income
- Trade-in equity considered in calculations

**Mortgage Loans:**

- Conventional: Maximum 43% total DTI (45% with compensating factors)
- FHA: Maximum 57% total DTI with strong credit profile
- VA: No maximum DTI but residual income requirements
- Housing ratio: Maximum 28% of gross monthly income

**Section 5: Asset and Down Payment Requirements****Auto Loans:**

- New vehicles: 10% down payment preferred
- Used vehicles: 15% down payment preferred
- Trade-in equity counts toward down payment
- Gap insurance recommended for low down payments

**Mortgage Loans:**

- Conventional: 3-20% down payment
- FHA: 3.5% minimum down payment
- VA: 0% down payment available
- USDA: 0% down payment in eligible areas
- Down payment source must be documented

**Personal Loans:**

- Unsecured loans: No down payment required
- Secured loans: Collateral value determines loan amount
- Cash reserves recommended but not required

**Section 6: Property Requirements (Real Estate Loans)****Property Types Eligible:**

- Primary residences: All loan programs
- Second homes: Conventional loans only, higher down payment
- Investment properties: Conventional loans, minimum 20% down
- Condominiums: Must be in approved developments

**Property Conditions:**

- Professional appraisal required
- Home inspection recommended
- Property must meet safety and habitability standards
- Flood insurance required in designated areas

## **Section 7: Disqualifying Factors**

### **Recent Adverse Credit Events:**

- Bankruptcy: 2-4 years waiting period (varies by loan type)
- Foreclosure: 3-7 years waiting period
- Short sale/deed-in-lieu: 2-4 years waiting period
- Late mortgage payments: 12+ months clear history required

### **Current Financial Issues:**

- Excessive debt obligations
- Insufficient income documentation
- Unstable employment history
- Insufficient assets for closing costs and reserves

## **Section 8: Special Programs and Exceptions**

### **First-Time Homebuyer Programs:**

- Reduced down payment requirements
- Income limits may apply
- Homebuyer education courses required
- Special interest rates and terms available

### **Veteran Programs:**

- VA loan benefits for eligible veterans
- Military specialty programs available
- Deployment considerations for employment history
- Military housing allowance counted as income

### **Community Development Programs:**

- Low-to-moderate income qualification

- Geographic restrictions may apply
- Special underwriting flexibility
- Down payment assistance available

## **Section 9: Application Review Process**

### **Initial Review:**

- Automated underwriting system screening
- Credit report analysis
- Income and asset verification
- Property evaluation (if applicable)

### **Manual Underwriting:**

- Required for complex financial situations
- Additional documentation may be requested
- Extended processing time
- Senior underwriter approval required