**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