



CONFORMING ARM (DU APPROVED)
Program Code Series C
FULL DOC

Product Matrices

CONFORMING LOAN AMOUNT LIMITS	
1 unit - \$417,000	2 units - \$533,850
3 units - \$645,300	4 units - \$801,950

FULL DOC PURCHASE & RATE/TERM REFINANCE
FULLY AMORTIZED

OCCUPANCY	PROPERTY	LTV	CLTV
Owner Occupied	1-2 Units	95%	95%
	3-4 Units	80%	80%
Second Home	1 Unit	95%	95%
Investment	1-2 Units	80%	90%
	3-4 Units	75%	75%

- DU Approve/eligible required. Minimum 580 FICO for LTVs <=80% regardless of DU response.
- Minimum FICO 620 for 1 unit LTV > 80% -95% due to MI restrictions, declining markets minimum FICO 680 for all loans > 80% LTV.
- Minimum FICO 680 for 2 units LTV > 80% -95% due to MI restrictions, declining markets maximum of 90% LTV
- MI restriction in declining markets: 3/1 ARM not permitted



**FULL DOC PURCHASE & RATE/TERM REFINANCE
INTEREST ONLY – MINIMUM FICO 620**

OCCUPANCY	PROPERTY	LTV	CLTV
Owner Occupied	1 Unit	80%	95%
	2 Units	80%	90%
	3-4 Units	80%	80%
Second Home	1 Unit	80%	95%
Investment	1-2 Units	80%	90%
	3-4 Units	Not permitted	

- Interest only loans require minimum 620 FICO score for all borrowers
- DU Approve/eligible required. Minimum 580 FICO for LTVs <=80% regardless of DU response.

**FULL DOC CASH OUT REFINANCE
FULLY AMORTIZED**

OCCUPANCY	PROPERTY	LTV	CLTV
Owner Occupied	1-2 Units	80%	90%
	3-4 Units	75%	75%
Second Home	1 Unit	80%	90%
Investment	1-2 Units	80%	85%
	3-4 Units	70%	70%

- DU Approve/Eligible required. Minimum 580 FICO for LTVs <=80% regardless of DU response.



**FULL DOC CASH OUT REFINANCE
INTEREST ONLY – MINIMUM FICO 620**

OCCUPANCY	PROPERTY	LTV	CLTV
Owner Occupied	1-2 Units	80%	90%
	3-4 Units	75%	75%
Second Home	1 Unit	80%	90%
Investment	1-2 Units	70%	70%
	3-4 Units	Not Permitted	

- DU Approve/Eligible required. Minimum 580 FICO for LTVs <=80% regardless of DU response.
- CLTV: Maximum combined LTV of DRAWN and outstanding liens secured by the subject
- HELOC CLTV: Maximum POTENTIAL combined LTV of all liens using the full amount of the line of credit.

Product Information

ELIGIBLE TERMS

- 3/1 & 5/1 LIBOR ARM, 30 year term only
 - 10 Year Interest Only period available (3/1 interest only max LTV 80%)
 - 3/1 LIBOR: 2/2/6 Caps
 - 5/1 & 7/1 LIBOR: 5/2/5 Caps

PROGRAM CODES

3/1 LIBOR: C103 5/1 LIBOR: C105 7/1 LIBOR: C107
 FD denotes Full Doc Interest Only program codes end with the “I” character

MINIMUM LOAN AMOUNT

\$50,000

QUALIFYING INFORMATION

Qualifying Payment:

3/1 ARM loans qualify at the higher of the note rate or fully indexed rate, fully amortizing payment. Note rate may not be lower than 3% below the fully indexed rate



5/1 fully amortized ARM loans qualify at note rate

All Interest Only ARM loans qualify at the higher of the note rate or fully indexed rate, fully amortizing payment.

Ratios

Full Doc:

- Ratios are determined by DU approval
- **41% DTI for MI loans (>80% LTV)**

TEMPORARY BUYDOWN

- Full documentation only. Not permitted for SISA.
- 2/1 temporary rate buydown permitted for primary residence 1-2 units and 2nd home only.
- Purchase or rate/term only, cash out not permitted. Refer to rate sheet for pricing adjustments.
- Not permitted for interest only option
- **Annual payment difference between note rate & bought down rate is assessed as an upfront fee.**

SECONDARY/SUBORDINATE FINANCING

- See Matrices for max CLTV/HCLTV allowable.
- Subordinate liens may be held by an institution or by private party
- Seller carry subordinate financing is permitted.
- Soft, subsidized or Community/Affordable 2nds not eligible
- Terms of subordinate lien: No balloon within 5 years; payment must be sufficient to cover interest due; interest rate and payment may not change more than once a year, prepayment penalty not permitted
- Variable payments / HELOC or Line of Credit programs are acceptable.
- Copy of 2nd loan note required.

MORTGAGE INSURANCE

Coverage Requirements for LTV > 80%:

LTV	COVERAGE
80.01-85%	12%
85.01-90%	25%
90.01-95%	30%

MI coverage may not be available under all parameters in declining markets, see Declining Markets Policy.

LPMI not offered on ARM product.



IMPOUND/ESCROW ACCOUNTS

When LTV \leq 80%, borrowers may choose to waive monthly real estate tax and insurance impounds. California properties: Impounds required at 90% and above.

Fee applies for impound waiver – see rate sheet

PREPAYMENT PENALTY

Not applicable on conforming loans

SECTION 32 / HIGH COST

Not allowed

NON ARMS LENGTH TRANSACTIONS / GIFT OF EQUITY

Not allowed

Borrower Eligibility

RESIDENCY / IMMIGRATION STATUS

- All loan programs are based on the assumption that the borrower is a US Citizen defined as a native or naturalized person.
- Permanent resident aliens (defined as non-US citizens who hold evidence of permanent residency) are granted same loan terms as US citizens. Permanent residents must provide one of the following:
 - Alien Registration Card (green card) with a 10 yr expiration date on the front, but no expiration date on the back.
 - Alien Registration Receipt Card (I-551) with an expiration date and must be accompanied by a copy of an unexpired form I-751
 - Unexpired foreign passport that contains an unexpired stamp reading "Processed for I-551. Temporary evidence of Lawful Admission for Permanent Residence. Valid until XX. Employment Authorized"
 - Other evidence of permanent residency issued by US government.
 - Borrowers with diplomatic immunity are not eligible.
- Non-Permanent Resident Aliens not permitted.
- Foreign National not permitted

NON-OCCUPANT CO-BORROWERS

Max 90% LTV/CLTV

Full Doc primary residence only



Max DTI 43% for occupying borrower

5% of down payment must come from borrowers' own funds.

FIRST TIME HOMEBUYERS

Allowed with DU approval if all income, asset, credit requirements are met.

MULTIPLE PROPERTIES

Maximum 10 financed properties permitted if owner occupied property is subject property, 4 financed properties if subject property is investment property or 2nd home.

Credit Requirements

CREDIT HISTORY

All loans must have DU Approve/Eligible or LP Accept Automated Underwriting decisions to be obtained by AAF. FNMA guidelines apply (see efanniemae.com for information)

Full Doc Loans

- Credit scores & credit profile acceptability determined by LP/DU decision, however minimum 580 FICO is required for all loans. Higher LTVs are limited by MI restrictions, see LTV/CLTV matrices.
- Interest only loans require minimum 620 FICO score

Income Requirements

DOCUMENTATION TYPE

When applicable, non-employment income sources will be closely reviewed for reasonableness.

If reasonableness cannot be determined, underwriting reserves the right to require documentation to support the reasonableness (ie: underwriting may request: a recent account statement to support assets available after closing to generate stated interest income, evidence a property is owned free and clear if the property is generating income, etc.).

Full Doc

- Standard FNMA full documentation must be provided as required by LP/DU decision
- Verbal VOE required.
- 4506T required



PAYMENT SHOCK

Evaluated by DU or by UW on a case by case basis

Asset Requirements

GIFT FUNDS

Gift funds are permitted and must be fully documented following standard FNMA/FHLMC guidelines. Seller funded gift programs are not acceptable.

For all loans with LTV > 80%, borrower must provide 5% from own funds.

For LTV < = 80%, full down payment may be a gift - gift funds must be fully documented. Gift funds are not permitted on investment properties.

Gift funds may not be used to meet reserve requirements.

RESERVE REQUIREMENTS

- Determined by DU findings
- Minimum reserves must come from borrowers' own funds.

If the sale of the borrower's current home does not close prior to the subject property, the housing payment does not need to be included in the qualifying ratios provided the borrower:

- **Provides a copy of the fully executed sales contract and, the sale of the current home closes simultaneous with the subject transaction; or**
- **If not closing simultaneously, provides a copy of the fully executed sales contract, lender's commitment letter to the buyer of the current home, and verification of post-close reserves sufficient to cover six months of PITI; or**
- **If the borrower provides a signed lease agreement for the rental of their current residence, the full PITI payment does not need to be included in the qualifying ratios. However, any applicable negative rental income must be included as a liability in the qualifying ratios. In addition, the borrower must have post-close reserves sufficient to cover six months of PITI.**

SELLER CONTRIBUTIONS

Owner Occupied & 2nd Home:

- LTV/CLTV up to 75%: 9%
- LTV/CLTV 75.01-90%: 6%
- LTV/CLTV > 90%: 3%

Investment properties, all LTV/CLTV S: 2%

When subordinate financing exists, maximum allowable concessions will be based on CLTV



Transaction Type

REFINANCE

In addition to the terms outlined below, all refinance transactions must show evidence that the borrower(s) are on title prior to loan application. In addition, if a property being refinanced is owned free and clear, we must have satisfactory title work prior to closing evidencing no liens.

RATE-AND-TERM (LIMITED CASH-OUT) REFINANCES

A limited cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property. A limited cash-out refinance will include only those loans that involve:

- Payoff of the outstanding principal balance of an existing first mortgage
- Payoff of the outstanding principal balance of any existing subordinate lien that was used in whole to purchase the subject property
- Financing of closing costs (including prepaid expenses)
- Cash back in an amount no more than the lesser of 2% of the balance of the new loan or \$2000

FNMA only will consider a "buy-out" as a result of a divorce settlement to be treated as a "limited cash-out refinance" as long as the borrower who will be acquiring sole ownership of the property receives no cash out of the proceeds from the transaction and is on the mortgage being paid off. Borrowers not on the mortgage will be considered on a case by case basis. A copy of the final divorce decree mandating this is necessary.

CASH OUT REFINANCES

- **The borrower must have owned the subject property for a minimum of 6 months prior to the registration date; and**
- **Any previous refinance transactions on the subject property (rate/term or otherwise) must have closed at least 6 months prior to the application date on the new cash-out refinance.**
- A cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property (or enables the property owner to obtain a mortgage on a property that does not already have a mortgage lien against it). The borrower is able to take out much of the equity he or she has in the property and to use the proceeds for any purpose subject to applicable LTV restrictions.
- The mortgage amount for cash-out refinance transactions may include the unpaid principal balance of the existing first mortgage, closing costs, points, the amount required to satisfy



any outstanding subordinate mortgage liens of any age, and additional cash that the borrower may use for any purpose.

- Note that any transaction paying off a subordinate lien not acquired in whole for the initial purchase transaction to be a cash-out refinance regardless of seasoning of the subordinate lien.
- A mortgage placed on a property previously owned free and clear by the borrower will be considered a "cash-out" refinance mortgage and RESPA still requires a three day right of rescission.
- Cash out transactions for homes that have been listed for sale in the last six months will be considered on a case by case basis. The subject property cannot be listed for sale at time of application. Proof of listing cancellation and borrower's explanation for listing must be provided to be considered.

Property Eligibility

PROPERTY VALUATION

- AVM will be obtained by UW to support value
- For construction to permanent transactions secured by 1 unit owner occupied or 2nd home where the borrower has owned the land/lot for less than 12 months may use the current appraised value of the property to determine LTV. 2-4 unit primary residences & all investment properties will be required to use the lesser of the current appraised value or the cost to construct plus the sales price of the land.
- For cash out refinances $LTV/CLTV > 75\%$ and property owned less than 12 months, use lesser of current appraised value or acquisition cost plus cost of documented improvements. For cash out refinances $\leq 75\%$ use current value.
- ALL investment properties if owned less than 12 months: Value for all refinance transactions will be the acquisition cost plus documented improvements or the current appraised value, whichever is less.

APPRAISAL REQUIREMENTS

- Age of appraisal maximum 120 days, at which time a recertification of value may be acceptable, however if u/w determines that the age of the comps on the appraisal is not acceptable, a new full appraisal may be required.
- All appraisals are subject to appraisal review
- Marketing time by the appraiser is 3-6 months
- Comps cannot be in excess of 1 mile from subject property.
- Emergency release lever is required on bars on windows



- Fixer-uppers are not allowed
- Property has to be in average condition
- Full URAR is required
- Appraisal must include current three years sales history, interior photos, cost approach completed, and invoice
- We will require 4 comps for all new construction and construction to perm properties and two of the sales must be from outside the development or project and must be from a different builder and developer.
- Appraiser must be AAF approved, or be state certified a minimum of 5 yrs (AR LIC) for consideration. Non-approved appraisers must supply the following: All contact information, resume, E&O and license.
- Field review and cost of appraisals are according to market rates at the time of the order. We do not add additional fees to the appraisal review fee and the amount of the review will be quoted on the approval condition and required by check prior to the order of the review.
- Note - properties in soft / declining markets may be subject to LTV reduction.
- **Properties listed in the last 90 days are not eligible for cash out refinances, however are eligible for rate/term refinances as long as property is not currently listed (verification required).**
- **For Sale By Owner transactions are considered Non-Arms Length and are only eligible for full documentation.**

ELIGIBLE PROPERTIES

- SFR, PUD
- Condo (FHLMC/FNMA warrantable ONLY)
- 1-4 units (may be limited by documentation type)
- 2nd home
- Investment properties

INELIGIBLE PROPERTIES

- Co-ops
- Non Warrantable Condos
- Manufactured Homes/Modular Homes
- Condotels
- Rural Properties
- Unique Properties
- Properties with restrictions on age (for example 55+ senior condos) or other borrower specific restrictions are not eligible.



CONDO REQUIREMENTS:

HOA cert must be reviewed for all projects.

All projects must be FNMA/FHLMC approved

Nonwarrantable condos are NOT permitted under this program.

LEASEHOLD PROPERTIES

Allowed subject to u/w approval

Term should exceed the term of the mortgage by a minimum of 5 years